



HALF YEAR RESULTS

H1 2018

- **Asset rotation and vacancy reduction driving operating performance**
- **Vacancy rate of 16.6% (down 1.8% versus year-end 2017)**
- **EPRA NAV of € 38.44 per share (up 5% versus year-end 2017)**
- **EPRA EPS of € 1.19 per share (net of € 0.11 negative IFRS 9 effects)**
- **FY 2018 EPRA EPS guidance raised to € 2.50-2.55 per share (was € 2.35-2.45)**

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Financial calendar

Publication trading update Q3 2018	18 October 2018
Publication preliminary results 2018	29 January 2019
Publication annual report 2018	8 March 2019
Publication trading update Q1 2019	18 April 2019
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Ex-dividend date (interim dividend 2018)	23 July 2018
Record date	24 July 2018
Dividend election period	25 July - 8 August 2018
Payment of interim dividend	13 August 2018

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Publication date:

19 July 2018

NSI HIGHLIGHTS

Key financial metrics¹

Revenues and earnings (€ '000)

	H1 2018	H1 2017	Change (%)
Gross rental income	42,372	45,598	-7.1%
Net rental income	33,286	36,418	-8.6%
Direct investment result	21,897	24,175	-9.4%
Indirect investment result	27,824	13,372	108.1%
Total investment result	49,721	37,547	32.4%
Earnings per share	2.70	2.09	29.3%
EPRA earnings per share	1.19	1.35	-11.5%
Dividend per share	1.04	1.04	0.0%
EPRA cost ratio (incl. direct vacancy costs)	26.8%	26.4%	0.4 pp
EPRA cost ratio (excl. direct vacancy costs)	24.4%	23.9%	0.6 pp

Balance sheet (€ '000)

	30 June 2018	31 December 2017	Change (%)
Investment property	1,128,037	1,072,180	5.2%
Assets held for sale	27,330	28,791	-5.1%
Net debt	-422,473	-408,453	3.4%
Equity	706,954	672,688	5.1%
IFRS equity per share	38.27	36.63	4.5%
EPRA NAV per share	38.44	36.66	4.9%
EPRA NNNAV per share	38.15	36.13	5.6%
Net LTV	36.3%	36.9%	-0.5 pp
Number of ordinary shares outstanding	18,474,298	18,364,998	0.6%
Weighted average number of ordinary shares outstanding	18,393,984	18,133,178	1.4%

Key portfolio metrics

	30 June 2018			TOTAL	31 December 2017
	Offices	HNK	Other ²		
Number of properties	82	14	18	114	126
Market value (€m) ³	778	202	183	1,163	1,108
Annual contracted rent (€m) ⁴	57	15	15	88	87
ERV (€m)	66	22	16	104	105
Lettable area (k sqm)	412	127	108	648	676
EPRA Vacancy Rate	13.6%	28.2%	13.4%	16.6%	18.4%
WAULT (years)	4.7	3.1	5.5	4.6	4.7
Average rent psm (€ p.a.)	171	180	178	174	169
EPRA net initial yield	5.5%	3.6%	6.2%	5.2%	5.5%

¹ Based on unaudited results.

² Keizerslanden in Deventer was sold in April 2017 and is included as asset held for sale in "Other", with delivery and transfer set for H2 2018.

³ At market value; reported in the balance sheet at book value excluding lease incentives and part of NSI HQ in own use.

⁴ Before free rent and other lease incentives.

CEO COMMENTS

We continue to make good progress in strengthening and moving forward the business. The rotation towards a more concentrated portfolio of larger, good quality, office assets continues apace and is resulting in a structurally lower vacancy rate. The balance sheet is strong and the value-add potential is increasingly visible.

Healthy operating performance

The vacancy rate is 16.6% in H1 2018, down by 1.8% from YE 2017. This is helped by a like-for-like fall in vacancy of 0.6%. For offices the vacancy rate is down to 13.6%. This is still above the 10.5% level for the Dutch office market overall, but we are on track to further narrow the gap and still very much aim to end up with a below-market vacancy rate in due course.

Some of our latest acquisitions include a significant element of vacancy (Q-Port: 25%; Lange Voorhout: 100%), which is clearly not helping in our aim to lower the vacancy rate in the near term. We will, however, if presented with the choice, always favour the prospect of better shareholder returns in the medium term over the impact on vacancy in the near term.

Laanderpoort redevelopment

In June 2018, following a public statement by ING on the matter, we confirmed in a press release that we are in active discussions with ING to redevelop our 12,739m² Laanderpoort office asset in Amsterdam. The plan is to replace the existing buildings with two modern office buildings, for a total of 30,000 - 35,000sqm.

Negotiations are ongoing and will take some time to complete, but as it stands we are looking at a Q2 2020 start date and a total capex of €120m+. If and when negotiations are completed successfully we will be comfortable taking on this project, of this size and volume at this stage of the cycle, given that a significant element of it is set to be pre-leased to ING and given that Amsterdam South East is expected to strengthen further into an attractive multifunctional location.

A need to remain disciplined

The G4 office investment market is proving increasingly exuberant. So much so that we nowadays sometimes wonder if investors are more concerned about putting money to work than about returns. We remain disciplined and, as such, are often finding ourselves outbid on potential deals in recent months.

We are still able to secure good deals though, such as the acquisition of Q-Port in Amsterdam in March and Lange Voorhout 7 in The Hague, as announced in a separate press release today.

The strength of the investment market is also visible in our reported EPRA NAV per share, which is up by 4.9% to €38.44. Asset values were up by on average 3.1% in H1, with Amsterdam up by 7.5%.

Rather than being tempted to leverage up at this stage of the property cycle, we still aim for a lower LTV in the years ahead, taking into account further non-core asset disposals, particularly now as we prepare for significant development capex in the years ahead.

Changes to the FBI regime

The October 2017 Government coalition agreement stated the intention that FBI's, including NSI, will no longer be allowed to invest directly in Dutch real estate from 2020 onwards, due to the planned abolishment of the dividend withholding tax (DWT). We expect more clarity on this subject by mid-September, as part of the Government tax budget for 2019.

Non-listed real estate FBI's are able to restructure themselves and can, in doing so, potentially maintain tax transparency. NSI, as a publicly listed company, has to be an NV and cannot restructure itself. We believe this creates an uneven playing field and is probably an unforeseen, but damaging, side effect of the DWT plans.

We find it hard, if not impossible, to explain that at a time when 35+ countries worldwide, including most of the G20 countries, have existing REIT legislation in place and more countries are actively considering the introduction of a REIT regime, the Dutch government, which actually introduced the REIT in Europe in 1969, is going against this trend for reasons of political expedience.

We continue to believe that this issue can still be resolved. Our efforts are aimed at resolving this issue in collaboration with our peers, in particular for the benefit of Dutch private investors who are likely to be most impacted by this change. If we find ourselves unable to resolve the issue, we believe our future potential tax loss carry forwards may well be one of the mitigating factors in the actual impact on the profitability of our business.

't Loon shopping centre

A preliminary court ruling in June in favour of NSI, relating to our long standing dispute over 't Loon shopping centre in Heerlen and a €12m+ claim on our insurance company CHUBB, is promising. We expect the legal proceedings to drag on for some time to come and we will continue to tenaciously pursue the claim. The claim is not yet recognised in our accounts, in line with IFRS.

Outlook 2018

The H1 2018 EPRA EPS of € 1.19 is negatively impacted by € 0.11 in one-off IFRS 9 effects. Taking into account our leasing progress, the refinancing and our asset rotation to date, we raise our guidance for 2018 EPRA EPS to € 2.50 - 2.55. The timing and size of potential disposals or acquisitions can still significantly influence the outlook.

The upgrade to a better quality portfolio and a lower LTV has so far hardly come at a cost to EPRA EPS, helped in part by the recent refinancing. We now need to make further inroads into the remaining vacant ERV (€17m) to help underpin EPRA EPS.

We are optimistic about the outlook for the business. With the team now in place and given the ongoing strength of the Dutch economy, the prospects for further rental growth in our focus markets and the embedded upside in our value-add initiatives, we expect to continue to drive attractive returns for our shareholders in the years ahead. As such, we are happy to propose a stable interim dividend of €1.04.

Bernd Stahl

INCOME, COST AND RESULTS

Introduction

EPRA EPS for H1 2018 is €1.19, of which €0.58 in Q1 and €0.62 in Q2. The Q2 EPRA EPS is affected by a one-off negative effect of €0.11 related to IFRS9.

The new financing in April 2018 triggered a €2.1m one-off non-cash financing cost as new IFRS 9 regulation requires that all non-amortised loan costs relating to the previous (extinguished) loan have to be expensed in one go and is included in EPRA EPS.

The Q1 EPRA EPS is typically lower due to the effect of IFRIC21, which sees the annual costs for municipal taxes charged in the quarter in which these are incurred and not straight-lined.

On a comparable basis our H1 EPRA EPS is down 3.7% compared to 2017. The results are negatively impacted by lower net rental income due to net asset sales in 2017 and positively impacted by lower administrative and finance costs.

Rental income

Gross rental income in H1 2018 is down 7.1% (€3.2m), mainly due to net disposals over the period. On a like-for-like basis GRI is up 2.6% (€0.9m), due to positive net leasing and some negative one-offs (in 2017).

In contrast like-for-like NRI is 0.4% lower than the comparable period last year, due to higher maintenance and letting costs, but as well as a lower level of one-offs in H1 2018.

Income segment split H1 2018 (€ '000)

	Offices	HNK	Other	TOTAL
Gross rental income	27,292	7,363	7,718	42,372
Service costs not recharged	-440	-398	-208	-1,046
Operating costs	-3,536	-2,931	-1,574	-8,040
Net rental income	23,316	4,035	5,936	33,286

Service costs

Non-recoverable service costs of €1.0m are €0.2m lower than last year. This is the result of lower service costs and a relatively higher recovery rate due to a lower vacancy in the portfolio.

Operating costs

Operating costs are nearly the same as in H1 2017. The NRI margin for H1 2018 (78.6%) is 1.3 percentage point lower compared to last year. The deterioration is the result of higher municipal taxes, mainly explained by a positive one-off last year due to a reversal of accruals, and higher letting costs. The latter is expected to have a positive effect on vacancy reduction going forward.

Administrative costs

Staff costs are down by €1.0m, whilst the sum of other administrative costs is stable compared to last year. Total administrative costs in H1, at €4.0m, are however only down €0.4m compared to last year. This is because of a review, resulting in fewer costs being re-allocated to operating expenses.

Net financing costs

Net financing costs in H1 2018 have been significantly affected by the refinancing of the syndicated loan facility in April 2018. The result of the refinancing is an attractive 1.9% average cost of debt, but due to IFRS 9 requirements we have had to expense all non-amortised loan costs related to the previous (extinguished) loan.

As a result of a €2.1m (€0.11 per share) negative IFRS 9 impact the reduction in H1 financing costs is only €0.5m compared to last year. This €0.11 per share cost is included in our EPRA EPS.

Post-closing events and contingencies

In its meeting of 18 July the NSI Supervisory Board approved the acquisition of a 6,048 sqm office building at Lange Voorhout 7 in The Hague. The acquisition price is €13.9m and the transfer of the asset is scheduled for 25 July.

NETHERLANDS PROPERTY MARKET OVERVIEW

Yield shift and rental growth

Half way through the year it appears as though the Dutch investment market is once again on track for a record level of transactions, with a total volume of deals of €9.8bn. Due to a lack of available prime product in the G4 markets investors are increasingly moving to good secondary cities in search for opportunities to invest.

The market is strengthening in general, but the polarisation remains. Amsterdam yields are now sub 4% and we reckon the other G4 markets are at circa 5%. In good secondary cities yields have fallen to 6%+, but in many provincial markets yields remain high, reflecting the continued absence of any recovery in these markets.

The Dutch office market vacancy rate has fallen to 10.5% according to JLL, with Amsterdam, Utrecht and The Hague now at levels that are below the historical average, and Rotterdam still lagging. The outlook is positive for all G4 markets.

Amsterdam

In the most recent reports by the investment agents the Amsterdam office market is coming out on top or very much near the top of all European markets. Many are predicting double digit rental growth for the coming few years on the basis of a supply-demand imbalance, with areas such as South-East and Sloterdijk likely to see an acceleration of rental growth.

In H1 2018 the Amsterdam office vacancy rate fell to below 4% for modern grade-A space. With demand still healthy, in particular from international firms, and limited new development ongoing or to look forward to the case for future rental growth is clear. Yields, now at sub 4% for prime assets in central Amsterdam, have already priced in a good part of the anticipated rental growth.

Prime South-Axis office rents in Amsterdam have surpassed €500psm. Development activity is still limited though, as the city authorities remain restrictive on planning. JLL indicates a pipeline of circa 0.5m sqm up to late 2021, of which 60% is already pre-let. This compares to a current Amsterdam office stock of circa 5.9m sqm.

Rotterdam

Rotterdam has an improving local economy and a strong residential market. Demand for offices is largely driven by local corporates, which is increasing from a relatively low base.

In the coming years we expect more office conversions to residential and more residential development in the city centre, with 18,000 new residential units foreseen. This will help to create a more balanced, more structurally sound market.

The current vacancy rate remains high at 15.5% and this explains why average rents are only drifting up modestly so far. The outlook is positive, as an improvement in demand in combination with further conversions will see the vacancy rate start to move towards 10%.

The office investment market is stronger than the letting market, but historically this has almost always been the case for Rotterdam. The level of transactions has been high in H1, with prime yields firm at circa 5%.

The Hague

The office market in The Hague has returned to good health and is improving. Transformation of older offices in combination with a pickup in tenant demand has seen the vacancy rate fall to 7.2% and prime rents increase to € 215 psm.

Development is expected to be limited, due to a lack of available sites. Rent levels for centrally located modern grade-A space are set to increase further, in line with the strength of the economy. Prime yields are now at 5.2%, with the Dutch government (RVB) finding itself once again buying assets for own use.

Utrecht

The prime central office market in Utrecht has seen a significant spillover effect from the ongoing strength of the Amsterdam office market. Its central location, proximity to Amsterdam and excellent and improving public transport infrastructure make it one of the most interesting office markets along with Amsterdam for occupiers.

Prime rents in the Utrecht Central Station area have increased from €225psm to €275psm over the past year. Several large scale developments are underway or scheduled in this area. A total of 0.2m sqm of new space is expected to be added in the next few years, on an existing stock of 0.8m sqm. We expect this area to be the only submarket in Utrecht that can absorb so much space in a relatively short period of time, given its location, but it will probably weaken some of the more suburban markets where tenants may prefer to relocate to a more convenient location.

Flex offices / HNK

The barriers to entry for new flex office operators remain low. Whilst the more established operators are focusing more on prime locations we see new operators move to more secondary locations, including business parks and larger provincial towns. Rents here are still low and rent free periods and fit-out contributions help the economics.

We see some larger (listed) landlords debating whether or not to establish an in-house flex office operation in order to cut out the middle man and retain the relationship with the ultimate tenant/customer. We agree and believe this may structurally change the balance of power between capital-rich owners and capital-constrained operator models.

Retail

The Dutch market comprises 31m sqm of retail space, according to CBRE, much of which in the form of local shops and neighbourhood centres. Retail sales are growing at 2-3% per annum. Most of this growth is in food retail and online sales. Online sales have been growing at over 10% per annum over the past four years.

Whilst yields for prime high street locations are at record lows, yields for secondary retail remain high – to reflect limited tenant demand and soft rental outlook.

REAL ESTATE PORTFOLIO

NSI sold 13 assets and acquired one asset in H1 2018, reducing the number of assets to 114. In total 12 offices and one industrial asset were sold. The sole acquisition was Q-Port in Amsterdam, for €39.3m (including transfer costs). On balance NSI was a net buyer of assets in H1. The transfer to the purchaser of the Keizerslanden shopping centre in Deventer, which was previously foreseen in Q2, has been postponed until Q4 2018.

Disposals in H1 have been on average at 3% below book value. We believe the small discount reflects the underlying valuation trend in H1 for the type of provincial assets that we sold.

Asset rotation (€m)¹²

	# Assets	Net sales proceeds / total purchase cost	Book profit / (loss)	Net contract rent Dec 17
Offices disposals	12	19.8	-0.7	1.1
Other disposals	1	6.5	-0.1	0.5
Total disposals	13	26.3	-0.8	1.6
Offices acquisitions	1	39.3	-2.4 ³	1.6 ⁴
Total acquisitions	1	39.3	-2.4	1.6
Delta	-12	-13.0	-3.2	0.0

Offices and HNK make up 84% of the portfolio by value, unchanged from the end of 2017. The average asset value has surpassed €10m and now stands at €10.1m, up from €8.8m on 31 December 2017.

Portfolio breakdown - 30 June 2018

	# assets	Value €m	Value %
Offices	81	776	67%
HNK	14	202	17%
Other	17	158	14%
Total investment properties	112	1,136	98%
Held for sale	2	27	2%
Total portfolio	114	1,163	100%

Vacancy

The EPRA vacancy rate is 16.6%, down 1.8% from the end of 2017. The drop is the result of a mix of net lettings, asset rotation and ERV changes. For Offices in particular a large part of the decline in the vacancy rate is due to asset disposals. In HNK the 1.0% non like-for-like change is due to HNK Schinkel which opened in June and will not be part of the like-for-like for the first 12 months.

EPRA vacancy

	Q4-17	LFL	Other	Jun 18
Offices	15.9%	-0.5%	-1.8%	13.6%
HNK	29.8%	-2.6%	1.0%	28.2%
Other	14.0%	1.6%	-2.2%	13.4%
Total portfolio	18.4%	-0.6%	-1.2%	16.6%
Offices + HNK	19.2%	-1.0%	-1.0%	17.2%

¹ Acquisitions at Dec-17 book value

² Including sales and acquisition costs

³ Loss caused by transfer costs Q-port acquisition

⁴ Net contracted rent expected to increase to € 2.3m when fully operational

Rents

Net rents are down 0.4% on a like-for-like basis. Lease indexation contributed a positive 0.6% to like-for-like rental growth in H1. For Offices the 3.3% fall in like-for-like is due to higher maintenance and letting costs and a lower level of positive one-offs in operating costs when compared to H1 2017.

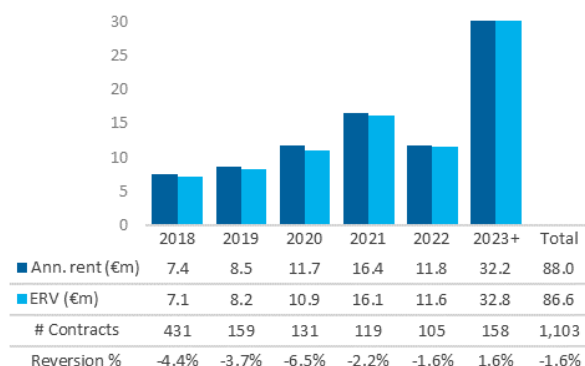
For HNK the 16.6% increase is due to the high operational leverage in this business, in relation to the strong improvements in occupancy levels over the past year.

Net rent growth like-for-like

	YTD 2018 (€m)	YTD 2017 (€m)	Change (€m)	L-f-l (YTD) %
Offices	17.0	17.5	-0.6	-3.3%
HNK	4.0	3.5	0.6	16.6%
Other	5.0	5.1	-0.1	-2.1%
Total portfolio	26.0	26.1	-0.1	-0.4%

The portfolio is 1.6% over-rented, a stable level compared to end 2017. This may act as a modest drag on like-for-like rents in the years ahead as relatively few leases expire in H2 2018 and 2019. The potential drag is 0.4% in H2 2018 and 0.4% in 2019, the effects of which we expect to mitigate given our ongoing leasing efforts, further asset rotation, ERV growth and indexation.

Annual expirations and reversion (€m)



Reversionary potential / ERV bridge

The office portfolio is once again reversionary, at 0.2%. The negative reversion in the segment 'Other' is related to the retail portfolio and we still aim to further reduce our exposure to this segment.

Reversion⁵⁶

	Dec 17	Jun 18
Offices	-0.9%	0.2%
HNK	3.9%	0.2%
Other	-9.1%	-10.2%
Total portfolio	-1.6%	-1.6%

⁵ Reversion = ERV let space / contractual rent

⁶ 2017 figures represented for reclassification of Schinkel from Offices to HNK

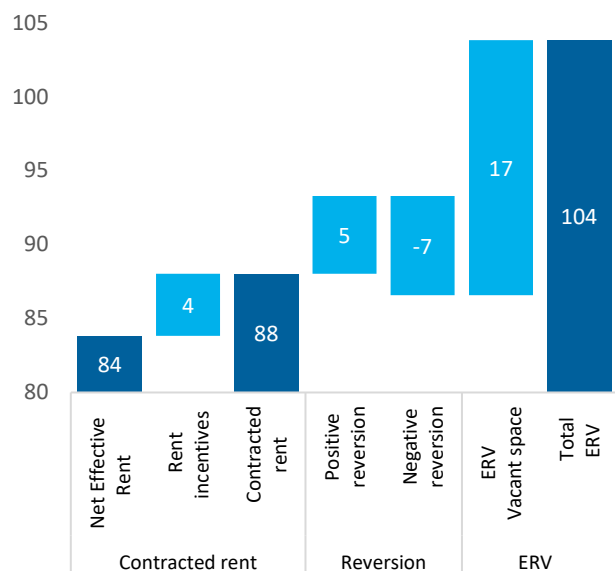
ERVs have changed in H1 due to market movements and a rotation of several assets between our external appraisers. The net effect of this rotation is minimal. ERVs have seen a small decline for our remaining retail assets and larger declines for some of our regional offices.

ERV like-for-like

	Dec 17 (€m)	Jun 18 (€m)	Change (€m)	Change %
Offices	61.6	61.4	-0.1	-0.2%
HNK	20.2	20.3	0.0	0.0%
Other	13.1	12.9	-0.2	-1.3%
Total portfolio	94.9	94.6	-0.3	-0.3%

The following ERV bridge confirms that the continued high vacancy in the portfolio represents both the main opportunity and challenge for the business.

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



EPRA yields

The yield on the portfolio is down 30bps to 5.2%, due to the effects of asset rotation and a 3.1% increase in capital values in H1. The large yield gap between the net initial yield and the reversionary yield for the HNK assets reflects the significant operational leverage in this part of the business.

Yields⁷

	EPRA Net Initial Yield		Reversionary Yield	
	Jun-18	Dec-17	Jun-18	Dec-17
Offices	5.5%	5.8%	8.5%	9.1%
HNK	3.6%	3.9%	10.8%	11.9%
Other	6.2%	6.0%	8.7%	8.6%
Total portfolio	5.2%	5.5%	8.9%	9.5%

⁷ Reversionary yield = ERV / Market Value

Valuations

The entire portfolio is appraised externally twice a year. Some assets have seen a switch in external appraiser in H1, in accordance with our standard appraiser rotation process. Whilst some changes have occurred at the individual asset level as a result, the impact on the overall valuation has been relatively modest.

Capital values are up by on average 3.1% in H1, helped by a strong positive revaluation in Amsterdam and of our HNK portfolio, in particular for our three HNKs in Amsterdam, but also HNK Hoofddorp and HNK Rotterdam Centrum.

Revaluations – June 2018 (€m)⁸

	Valuation	Revaluation		Total	% YTD
	Jun 18	Positive	Negative		
Offices	741	42.6	-18.6	24.0	3.3%
HNK	202	15.2	-2.2	13.0	6.9%
Other	183	4.1	-7.3	-3.2	-1.7%
Total portfolio	1,126	61.8	-28.0	33.8	3.1%

Capital expenditure

We continue to invest in the portfolio. Capital expenditure in 2018 is set to exceed the €15.9m reported in 2017. In the first half we invested in HNK Schinkel, which opened in June, and selectively in other HNKs, including Den Bosch, Rotterdam, Amsterdam and Ede.

Capital expenditure YTD 2018 (€m)

	Offensive	Defensive	Total
Offices	-	1.5	1.5
HNK	7.3	-	7.3
Other	1.7	0.3	2.0
Total	9.0	1.8	10.9

Developments

NSI currently has no assets classified as development. The potential Laanderpoort redevelopment is currently held as a standing asset, as negotiations are ongoing and the building is still occupied under an existing lease contract with ING.

The delivery of the final units in the extension of the Keizerslanden shopping centre happened in H1 2018, with the transfer to the purchaser set for H2 2018.

⁸ Revaluation for assets in portfolio on 31 December 2017 and 30 June 2018

Offices

The office portfolio is down to 82 assets in H1 2018, 25 less than a year ago. The aim is to retain a portfolio of larger, relevant, assets in fewer and better locations. The average asset size is up from €6.7m in H1 2017 to €9.5m now and is bound to increase further.

We still have 20 assets with an asset value below €2m. Many of these are in provincial locations. We will continue to review and rationalise the portfolio in general and the smaller assets in particular.

The EPRA vacancy rate is down to 13.6%. 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.

Key Offices metrics

	Jun 17	Dec 17	Jun 18
Number of properties	107	93	82
Market value (€m)	721	736	778
Annual contracted rent (€m)	57	57	57
ERV (€m)	70	67	66
Lettable area (k sqm)	477	436	412
EPRA Vacancy	20.5%	15.9%	13.6%
WAULT (years)	5.2	5.0	4.7
Average rent psm (€ p.a.)	164	168	171
EPRA net initial yield	6.1%	5.8%	5.5%

The G4 portfolio is valued on a 4.7% EPRA net initial yield, down from 5.3% at year-end 2017. The 60bps gap is not like-for-like and reflects a 5.2% uplift in capital values, with Amsterdam up 5.5%.

The vacancy in our Other NL segment is down to 24.5%, compared to 32.5% in December 2017. A significant contribution has come from the disposal of vacant assets in Arnhem and Meppel during the period.

Key Offices metrics geographical split

	G4	Other Randstad	Other NL
Number of properties	34	23	25
Market value (€m)	547	105	126
Annual contracted rent (€m)	35	10	12
ERV (€m)	41	12	14
Reversion	6.6%	-6.7%	-12.6%
Lettable area (k sqm)	202	89	122
EPRA Vacancy	9.2%	16.3%	24.5%
WAULT (years)	5.3	3.7	3.9
Average rent psm (€ p.a.)	200	144	135
EPRA net initial yield	4.7%	7.7%	6.7%

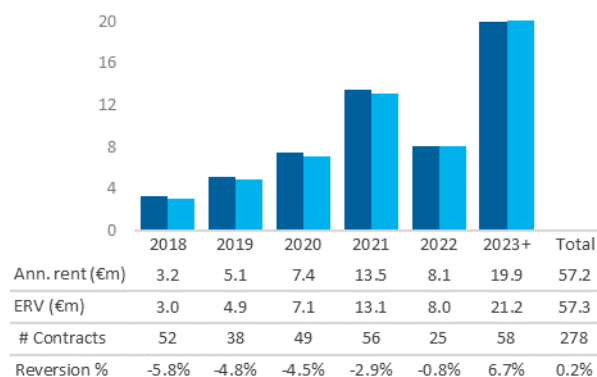
The NRI like-for-like is negative 3.3%. This is due in part to higher maintenance and letting costs, the mark-to-market on some legacy leases that were renewed in both 2017 and 2018, and some sizeable positive one-offs in 2017.

Like-for-like⁹

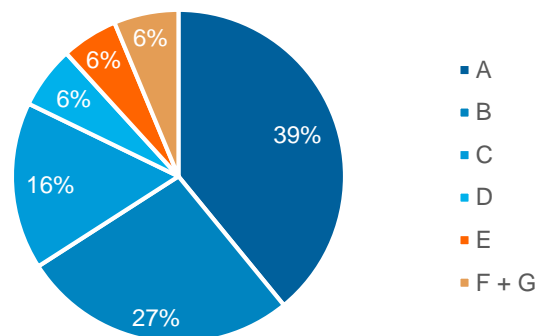
	NRI growth %	Revaluation %	ERV growth %
G4	-1.2%	5.2%	1.7%
Other Randstad	-8.5%	1.1%	0.4%
Other Netherlands	-3.7%	-1.9%	-5.6%
Total	-3.3%	3.3%	-0.2%

Following strong ERV growth the office portfolio is now once again reversionary, albeit still a modest 0.2%. This is up from -0.9% at the end of 2017 and -8.3% at the end of 2016. This reversion is driven by the G4 portfolio (+6.6%), in particular Amsterdam (+11.7%).

Annual expirations and reversion offices (€m)



Portfolio breakdown of energy labels by value



We aim to have our entire offices & HNK portfolio meet the minimum C energy label requirement well before the 2022 government-imposed deadline. By value 82% of our portfolio already has a C energy label or better. On all larger-scale capex projects that we currently plan we aim to include an upgrade to an A label. Whilst historical buildings are exempt from this requirement we are also looking at ways to improve energy efficiency for these assets.

⁹ NRI like-for-like FY 2017 compared to YTD 2018, only assets in portfolio for the entire FY 2017 and YTD 2018, transformation and development projects are excluded. Revaluation and ERV growth for assets in portfolio on 31 December 2017 and 30 June 2018.

HNK

In June 2018 we opened Amsterdam Schinkel, our fourteenth HNK. No further openings are foreseen in 2018. We still have some assets that could potentially be converted into an HNK, but those are fully occupied and income-generating and for this reason it makes no economic sense to pursue conversion at this time.

In our HNK activities the focus remains on the still rather high level of vacancy. The small decrease in the vacancy rate in H1, now at 28.2%, is not fully reflective of the positive trends that we are seeing in several of our HNKs. In some locations, such as The Hague and Ede, we will be investing to expand the number of managed offices, to cater to stronger demand for small units relative to larger units.

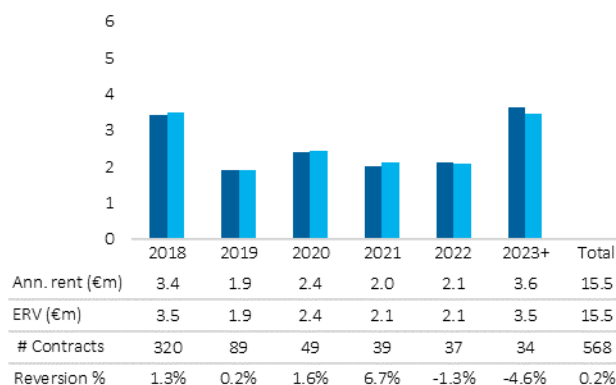
The opening of HNK Schinkel completes the transformation of one of our older office assets with structural vacancy and rents of €125psm into an HNK that is progressively leasing up at rents of in excess of €200psm as well as substantially higher rents for managed offices.

Key HNK metrics

	Jun 17	Dec 17	Jun 18
Number of properties	13	14	14
Market value (€m)	157	181	202
Annual contracted rent (€m)	13	15	15
ERV (€m)	20	22	22
Lettable area (k sqm)	122	128	127
EPRA Vacancy	33.2%	29.8%	28.2%
WAULT (years)	3.1	2.9	3.1
Average rent psm (€ p.a.)	171	176	180
EPRA net initial yield	4.3%	3.9%	3.6%

The EPRA net initial yield is down to 3.6%, in part due to a 7% uplift in capital values in H1 2018. Whilst this may appear low, it is entirely a reflection of the high vacancy rate and the high operational leverage in this business, as the reversionary yield is still 10.8%.

HNK Annual expirations and reversion (€m)



Other

The 'Other' segment comprises our remaining retail exposure and one small industrial asset in Moordrecht. One industrial asset was sold in H1, whilst no retail assets were sold. The transfer of Keizerslanden shopping centre in Deventer to the purchaser, which was previously foreseen for June 2018, is postponed to December 2018.

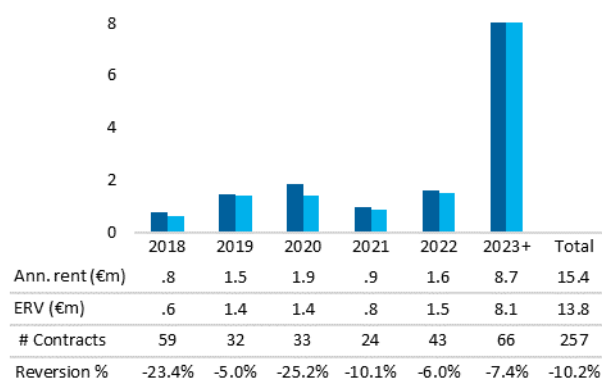
In H1 2018 retail assets saw a further fall in capital values, due to a small fall in ERVs. This has pushed the EPRA initial yield to 6.2%.

We are noting a pick-up in interest for retail, both in the investment market and in the occupational market. NSI will continue to sell its remaining retail and industrial assets, with the proceeds to be reinvested in offices.

Key Other metrics

	Jun 17	Dec 17	Jun 18
Number of properties	19	19	18
Market value (€m)	186	191	183
Annual contracted rent (€m)	15	16	15
ERV (€m)	16	16	16
Lettable area (k sqm)	106	113	108
EPRA Vacancy	16.1%	14.0%	13.4%
WAULT (years)	5.0	5.0	5.5
Average rent psm (€ p.a.)	185	169	178
EPRA net initial yield	6.1%	6.0%	6.2%

Annual expirations and reversion Other (€m)



BALANCE SHEET, NAV AND FINANCING

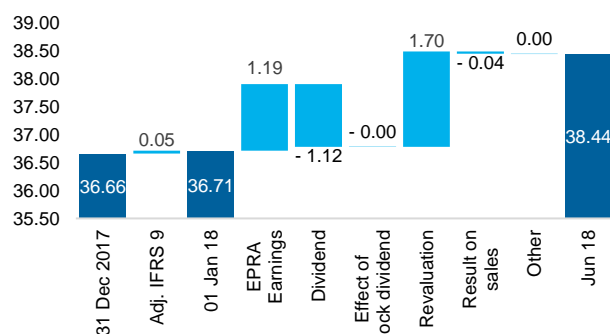
Balance sheet

At the end of June 2018 there are two assets held for sale. The transfer of Keizerslanden in Deventer is postponed until late Q4 and one office asset is sold unconditionally and will be transferred in the fourth quarter.

Net asset value

The EPRA NAV at H1 2018 is €710.2m (€673.2m at YE 2017), a 5.5% increase compared to 6 months ago. Due to a small increase in the number of shares following the issuance of stock dividend the EPRA NAV per share increased only by 4.9% from €36.66 at FY 2017 to €38.44 at 30 June 2018. The change in the NAV is explained in the bridge below.

EPRA NAV per share bridge (€)



The gap between the EPRA NAV and EPRA NNNAV is €0.29 per share 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 2018 was €38.08 on an ex-dividend basis, effectively in line with the H1 NAV. So far we have issued stock dividend three times since we restarted in 2017, issuing a total of 574k shares and raising around €20m.

Funding

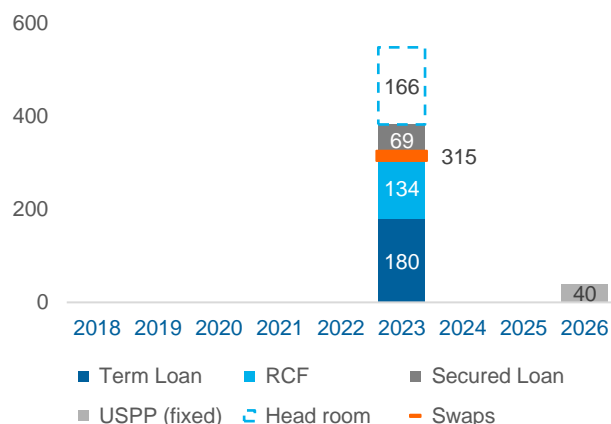
NSI refinanced most of its debt in the first half of 2018. First NSI agreed an 8-year unsecured US private placement (USPP) with Pricoa in January. A total of €40m of notes were issued with a coupon reflecting an implied investment grade credit profile.

In April a refinancing of NSI's syndicated bank facility was agreed. A new €480m loan, split in a €180m Term Loan and €300m revolving credit facility (RCF), was agreed with a new 5 year term and lower margins, reflecting NSI's structurally lower LTV and improved credit profile.

The new financing triggered a €2.1m one-off non-cash financing cost as in accordance with IFRS 9 all non-amortised loan costs relating to the previous (extinguished) loan have had to be expensed in one go.

Following the refinancing the average loan maturity is 5.1 years at the end of June 2018 (December 2017: 3.1 years) and the average cost of debt is down to 1.9%, from 2.3% at the end of last year.

Maturity profile loans and swaps (€m)



Net debt is up by €14.0m, positively driven by the cash flow from retained earnings and negatively impacted by net acquisitions (€13m), dividend payments and capex.

Net debt - Jun 2018 (€m)

	Jun 18	Dec 17	Change
Debt outstanding	422.9	407.2	15.7
Amortisation costs	(1.2)	(1.8)	0.6
Book value debt	421.7	405.4	16.3
Debt to credit institutions	2.3	9.9	(7.6)
Cash	(1.5)	(6.8)	5.3
Net debt	422.5	408.5	14.0

Leverage and hedging

The LTV is 36.3% at June 2018, down from December 2017 (36.9%), primarily reflecting retained capital from stock dividend and a positive revaluation.

The average loan maturity is 5.1 years, as is the maturity of derivatives. The maturity hedge is 101% (target range: 70-120%).

The notional amount of swaps outstanding and fixed rate debt at the end of June is €355m. The volume hedge is 84% (target range: 70-100%).

The ICR cover is marginally down in H1 to 4.6x, but this is entirely due to the one-off financing costs related to IFRS 9.

Covenants

	Covenant	Dec 15	Dec 16	Dec 17	Jun18
LTV	≤60%	43.3%	44.1%	36.9%	36.3%
ICR	≥ 2.0x	3.2x	3.8x	4.7x	4.6x

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Condensed consolidated statement of comprehensive income

	Note	H1 2018	H1 2017
Gross rental income	5	42,372	45,598
Service costs recharged to tenants		6,166	6,219
Service costs		-7,212	-7,447
Service costs not recharged	5	-1,046	-1,228
Operating costs	5, 6	-8,040	-7,953
Net rental income		33,286	36,418
Revaluation of investment property	7	31,286	7,892
Net result on sale of investment property	8	-735	3,190
Net result from investments		63,838	47,500
Administrative costs	9	-4,023	-4,423
Other income and costs		-41	-19
Financing income		12	7
Financing costs		-7,327	-7,841
Movement in market value of financial derivatives		-2,687	3,374
Net financing result		-10,002	-4,460
Result before tax		49,772	38,598
Corporate income tax		-51	-105
Result from continuing operations after tax		49,721	38,494
Result from discontinued operations after tax	10		-947
Total result for the year		49,721	37,547
Other comprehensive income			
Total comprehensive income for the year		49,721	37,547
Total comprehensive income attributable to:			
Shareholders		49,721	37,547
Total comprehensive income for the year		49,721	37,547
Data per average outstanding share:			
Diluted as well as non-diluted result after tax - continuing operations		2.70	2.14
Diluted as well as non-diluted result after tax - discontinued operations			-0.05
Diluted as well as non-diluted result after tax		2.70	2.09

The notes form an integral part of the condensed consolidated interim financial information.

Condensed consolidated statement of financial position

	Note	30 June 2018	31 December 2017
Assets			
Investment property	11	1,128,037	1,072,180
Derivative financial instruments	16	666	1,162
Tangible fixed assets		755	787
Intangible fixed assets		530	560
Other non-current assets		6,138	6,134
Non-current assets		1,136,126	1,080,822
Current assets			
Debtors and other accounts receivable	12	2,364	1,829
Cash and cash equivalents		1,525	6,827
Assets held for sale	13	27,338	28,791
Current assets		31,227	37,447
Total assets		1,167,354	1,118,269
Shareholders' equity			
Issued share capital	14	67,985	67,583
Share premium reserve	14	921,308	921,715
Other reserves	14	-332,061	-408,212
Total result for the year		49,721	91,602
Shareholders' equity		706,954	672,688
Liabilities			
Interest bearing loans	15	420,956	404,708
Derivative financial instruments	16	3,903	1,712
Other non-current liabilities		3,848	3,540
Non-current liabilities		428,707	409,959
Current liabilities			
Redemption requirement interest bearing loans	15	700	700
Creditors and other accounts payable	17	28,272	24,855
Debts to credit institutions		2,342	9,873
Liabilities directly associated with assets held for sale		379	195
Current liabilities		31,693	35,623
Total liabilities		460,400	445,582
Total shareholders' equity and liabilities		1,167,354	1,118,269

The notes form an integral part of the condensed consolidated interim financial information.

Condensed consolidated cash flow statement

	Note	H1 2018	FY 2017
Result from operations after tax		49,721	92,946
Adjusted for:			
Revaluation of investment property	7	-31,286	-28,329
Net result on sale of investment property	8	735	-6,064
Net financing result		10,002	12,201
Corporate income tax		51	91
Depreciation and amortisation		106	162
		-20,393	-21,939
Movements in working capital:			
Debtors and other accounts receivable		-473	764
Creditors and other accounts payable		4,377	-3,744
		3,904	-2,980
Cash flow from operating activities		33,232	68,027
Financing income received		12	12
Financing costs paid		-5,336	-15,093
Tax paid		-69	-78
Cash flow from continuing operating activities		27,839	52,868
Cash flow from discontinued operating activities		-7	-49
Cash flow from operating activities		27,832	52,819
Purchases of real estate and investments in existing property	11, 13	-50,148	-155,195
Proceeds on sale of investment property	11, 13	26,303	240,623
Investments in tangible fixed assets			-76
Disinvestments in tangible fixed assets			15
Investments in intangible fixed assets		-44	-466
Disinvestments in intangible fixed assets			12
Cash flow from continuing investment activities		-23,889	84,912
Cash flow from discontinued investment activities			1,394
Cash flow from investment activities		-23,889	86,306
Dividend paid		-16,412	-23,169
Proceeds from interest bearing loans	15	378,000	99,000
Transaction costs interest bearing loans paid		-952	
Repayment of interest bearing loans	15	-362,350	-205,550
Settlement of derivatives			-11,089
Cash flow from continuing financing activities		-1,714	-140,808
Cash flow from financing activities		-1,714	-140,808
Net cash flow continuing operations		2,236	-3,027
Net cash flow from discontinued operations		-7	1,345
Net cash flow		2,229	-1,683
Cash and cash equivalents and debts to credit institutions - balance as per 1 January		-3,046	-1,363
Exchange rate differences			0
Cash and cash equivalents and debts to credit institutions - balance as per 31 December 2017 / 30 June 2018		-817	-3,046

The notes form an integral part of the condensed consolidated interim financial information.

Condensed consolidated statement of movement in shareholders' equity

H1 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				49,721	49,721
Total comprehensive income for the year				49,721	49,721
Profit appropriation – 2017			91,602	-91,602	
Distribution final dividend – 2017	402	-407	-16,407		-16,412
Contributions from and to shareholders	402	-407	75,195	-91,602	-16,412
Balance as per 30 June 2018	67,985	921,308	-332,061	49,721	706,954

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
Exchange rate differences			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

The notes form an integral part of the condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information

1. Reporting entity

NSI N.V. (hereinafter 'NSI', or the 'company'), with its principal place of business in Antareslaan 69-75, 3132 JE Hoofddorp, the Netherlands and its registered office in Amsterdam, the Netherlands is a property investment company, primarily focussing on offices. These condensed consolidated financial statements are presented for the company and its subsidiaries (together referred to as the 'Group'), as well as the Group's interests in associates.

The company is licensed pursuant to the Dutch Financial Supervision Act (*Wet op het financiële toezicht*). NSI N.V. is listed on Euronext Amsterdam.

2. Basis of preparation

Statement of compliance

The interim financial information has been prepared in accordance with IAS34 Interim Financial Reporting. This does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understand the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2017.

The interim financial information was authorised for issue by the Company's Management and Supervisory Board on 18 July 2018. The interim financial information was reviewed by the auditor and is unaudited.

Unless stated otherwise, all amounts in the interim financial information are in thousands of euros, the euro being the company's functional currency, and are rounded off to the nearest thousand. There could be minor rounding differences in the figures presented.

Assumptions and estimation uncertainties

The preparation of the condensed consolidated interim financial statements requires that the Management Board forms opinions, estimates and assumptions that affect the application of accounting principles and reported figures for assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

Valuation principles

The condensed consolidated interim financial statements have been prepared on the basis of historical cost with the exception of investment property, investment property under construction and assets held for sale, financial assets and liabilities at fair value through profit or loss and derivatives, which are recognised at fair value.

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these interim financial statements are based on the assumption of continuity of the company (going concern).

3. Significant accounting policies

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for 2017, except for the adaptation of new and amended standards as set out below.

New and amended standards adopted by the Group

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement and contains revised guidelines on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairments of financial assets and new general requirements for hedge accounting. Furthermore, IFRS 9 applies the provisions of IAS 39 for the recognition and de-recognition of financial instruments.

IFRS 9 does not change the guidance for the modification or exchange of financial liabilities; it does however clarify the accounting requirements for the re-estimation of cash flows and introduces new requirements about how to account for the modification of financial assets that have not been de-recognised. However, the IFRS Interpretations Committee and the IASB have tentatively concluded that, in

cases where a modification or exchange of a financial liability does not result in de-recognition, IFRS 9 requires that the difference between the original and modified amortised cost is to be recognised in profit or loss immediately.

The group has assessed the impact of the adoption on the consolidated financial statements.

NSI has retrospectively calculated the impact on the refinancing of the Nexus-facility in 2016. NSI qualifies this refinancing as a modification. Therefore, based on current IFRS 9 guidelines, € 1.0m should have been charged to the result as financing costs. This is reflected in the opening balance of 2018 as a correction on the value of loans and borrowings and equity (other reserves). No retrospective adjustments of prior year results need to be made.

The refinancing of the Nexus-facility in April 2018 was qualified by NSI as an extinguishment. As a result the non-amortised costs of the original loan (€ 2.1m) were charged to the result as financing costs.

The financial impact of the impairment of receivables at the end of 2017 is estimated at approximately € 0.2m positive. As from 1 January 2018, the provision for doubtful debts has been calculated in accordance with the IFRS 9. Operating costs for 2018 therefore include a positive effect for impairment of receivables from prior years.

IFRS 15 Revenue from contract with customers

IFRS 15 Revenue from contract with customers provides a comprehensive framework to determine whether, when and what amount of revenue should be recognised. This standard will replace the existing guidelines for processing revenue, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The Group has assessed the impact of the adoption of IFRS 15 on the consolidated financial statements for 2017. The financial impact of the adoption of IFRS 15 is insignificant, due to the fact that the main income of the Group, i.e. proceeds from the leasing of offices, is exempt from IFRS 15, as IAS 17 / IFRS 16 applies to this income. The recognition of service costs recharged to tenants also does not influence the income of NSI after the adoption of IFRS 15.

Furthermore, the implementation of IFRS 15 does not affect the 2018 financial statements and processes. NSI has decided, in line with the disclosure requirements of IFRS 15, to provide more insight in the structure and size the various rental components within gross rental income.

New and amended standards not yet applied

IFRS 16 Leases

IFRS 16 Leases will replace the previous standard (IAS 17 Leases) and provide a framework for the recognition of lease contracts. This new standard requires lessees to recognise assets and liabilities relating to leasing contracts with a term exceeding twelve months. IFRS 16 was published in January 2016 and will be effective from 1 January 2019.

The Group has assessed the potential impact of the adoption of IFRS 16 on the consolidated financial statements. The Group has a limited number of obligations from land lease and car lease contracts. The financial impact of the adoption of IFRS 16 assets and liabilities on the balance sheet is expected to be around € 3.0m.

4. Segment information

H1 2018

	Continuing operations				TOTAL	Disc. operations	TOTAL
	Offices	HNK	Other	Corporate ¹			
Gross rental income	27,292	7,363	7,718		42,372		42,372
Service costs not recharged	-440	-398	-208		-1,046		-1,046
Operating costs	-3,536	-2,931	-1,574		-8,040		-8,040
Net rental income	23,316	4,035	5,936		33,286		33,286
Revaluation of investment property	21,637	12,997	-3,348		31,286		31,286
Net result on sale of investment property	-699		-36		-735		-735
Net result from investment	44,254	17,031	2,553		63,838		63,838
Administrative costs				-4,023	-4,023		-4,023
Other income and costs				-41	-41		-41
Net financing result				-10,002	-10,002		-10,002
Result before tax				-14,006	49,772		49,772
Corporate income tax				-51	-51		-51
Total result for the year				-14,116	49,721		49,721
Other comprehensive income							
Total comprehensive income for the year				-14,116	49,721		49,721

H1 2017

	Continuing operations				TOTAL	Disc. operations	TOTAL
	Offices	HNK	Other	Corporate ¹			
Gross rental income	25,572	6,263	13,762		45,598	42	45,640
Service costs not recharged	-622	-496	-109		-1,228	-9	-1,237
Operating costs	-3,752	-2,367	-1,831	-2	-7,953	-5	-7,958
Net rental income	21,198	3,400	11,822	-2	36,418	28	36,446
Revaluation of investments	4,035	4,705	-848		7,892	-970	6,922
Net result on sale of investments	216	0	2,974		3,190		3,190
Net result from investment	25,449	8,105	13,949	-2	47,500	-942	46,558
Administrative costs				-4,423	-4,423	-1	-4,425
Other income and costs				-19	-19		-19
Net financing result				-4,460	-4,460	-1	-4,460
Result before tax				-8,904	38,598	-944	37,654
Corporate income tax				-105	-105	-3	-108
Total result for the year				-9,009	38,494	-947	37,547
Other comprehensive income							
Total comprehensive income for the year				-9,009	38,494	-947	37,547

¹ The segment Corporate reflects costs and revenues that are not directly tied to properties.

5. Net rental income

	Gross rental income		Service costs not recharged		Operating costs		Net rental income	
	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
Offices	27,292	25,572	-440	-622	-3,536	-3,752	23,316	21,198
HNK	7,363	6,263	-398	-496	-2,931	-2,367	4,035	3,400
Other	7,718	13,762	-208	-109	-1,574	-1,831	5,936	11,822
Corporate						-2		-2
Net rental income	42,372	45,598	-1,046	-1,228	-8,040	-7,953	33,286	36,418

6. Operating costs

	H1 2018	H1 2017
Leasehold	-200	-219
Municipal taxes	-3,092	-2,686
Insurance premiums	-200	-301
Maintenance costs	-1,191	-972
Property management costs	-1,867	-2,437
Letting costs	-1,420	-756
Contribution to owner association	-216	-393
Doubtful debt costs	283	-119
Other operating costs	-138	-69
Operating costs	-8,040	-7,953

7. Revaluation of investment property

	H1 2018			FY 2017		
	Positive	Negative	Total	Positive	Negative	Total
Investment property in operation	60,705	-30,368	30,338	67,288	-32,313	34,975
Investment property held for sale	1,107		1,107	2,528	-9,159	-6,631
Revaluation - market value	61,812	-30,368	31,444	69,816	-41,472	28,344
Movement in lease incentives			-158			-16
Revaluation			31,286			28,329

8. Net result on sale of investment property

	H1 2018	H1 2017
Proceeds on sale of investment property	26,742	212,017
Transaction costs on sale of investment property	-439	-2,377
Sale of investment property	26,303	209,640
Book value at the time of sale	-27,037	-206,450
Net result on sale of investment property	-735	3,190

During H1 2018 twelve office properties and one industrial object were sold. Transaction costs on sale include the costs of real estate agents and legal fees.

9. Administrative costs

	H1 2018	H1 2017
Salaries and wages	-2,447	-3,208
Social security	-338	-251
Pensions	-148	-264
Other staff costs	-558	-804
Staff costs	-3,491	-4,527
Compensation supervisory board	-114	-138
Office costs	-713	-596
Audit, consultancy and valuation costs	-719	-736
Other administrative costs	-660	-788
Administrative costs	-5,696	-6,785
Allocated administrative costs	1,672	2,362
Administrative costs	-4,023	-4,423

10. Discontinued operations

Statement of comprehensive income

	H1 2018	H1 2017
Gross rental income		42
Service costs not recharged		-9
Operating costs		-5
Net rental income		28
Revaluation of investment property		-970
Net result from investments		-942
Administrative costs		-1
Net financing result		-1
Result before tax		-944
Corporate income tax		-3
Result from discontinued operations after tax		-947

Cash flow statement

	H1 2018	FY 2017
Cash flow from operating activities	-7	-49
Cash flow from investment activities		1,394
Net cash flow	-7	1,345

11. Investment property

The breakdown of investment property in operation and under construction is as follows:

	30 June 2018	31 December 2017
Investment property in operation	1,128,037	1,071,380
Investment property under construction		800
Investment property	1,128,037	1,072,180

Investment property in operation and investment property under construction are recognised at fair value. The fair value is determined on the basis of level 3 of the fair value hierarchy. The fair value of investment property reflects, among other things, rental income from existing lease contracts as well as assumptions with regard to rental income from future lease contracts based on market conditions. In a similar way, the fair value also reflects costs and investments which could be expected with regard to a specific property.

At 30 June 2018 100% (yearend 2017: 100%) of investment property were externally appraised by external appraisers. In 2018 the appraisers were Jones Lang LaSalle, Cushman & Wakefield and CBRE. The fair value is based on the market value (including buyer's costs, i.e. adjusted for purchase costs such as transfer tax). That means the estimated price on the date of valuation at which a property can be traded between a seller and a purchaser willing to enter into an objective, arm's length transaction preceded by sound negotiations between both well-informed parties.

The valuations are determined using both the capitalisation method, on the basis of a net initial yield calculation, whereby the net market rent prices are capitalised, and the DCF calculation method, based on the present value of the future cash flows for the next ten years including an exit value at the end of year 10. The respective outcomes of both methods are compared. The returns applied are specified for the country, property type, location, maintenance condition and letting potential of each property, and are based on comparable transactions, along with market-specific and property-specific data.

Key assumptions in the valuations are: yield, discount rate and market rent. Future investments and maintenance assumptions are also taken into account in the valuations. Furthermore, assumptions are made for each tenant and for each vacant unit with regard to the probability of letting and (re)letting, the number of months of vacancy, incentives and letting costs. Adjustments are made to the present value of differences between the market rent prices and the rent price contractually agreed. The valuation is made after deduction of transaction expenses borne by buyers.

Investment property in operation

The movement in each segment of investment property in operation for H1 2018 was as follows:

	Offices	HNK	Other	TOTAL
Balance as per 1 January 2018	730,783	178,859	161,738	1,071,380
Acquisitions	39,291			39,291
Investments	1,526	7,316	411	9,254
Revaluation	21,637	12,997	-4,447	30,187
Transfer from / to investment property under construction	800			800
Transfer from / to assets held for sale	-2,400			-2,400
Disposals	-20,474			-20,474
Balance as per 30 June 2018	771,163	199,172	157,702	1,128,037
Lease incentives as per 30 June 2018	4,682	948	508	6,138
Market value as per 30 June 2018	775,845	200,120	158,210	1,134,175

The movement in each segment of investment property in operation for FY 2017 was as follows:

	Offices	HNK	Other	TOTAL
Balance as per 1 January 2017	606,806	148,069	8,938	763,813
Acquisitions	139,149	377		139,526
Investments	3,581	5,454	905	9,940
Revaluation	18,695	15,875	453	35,024
Transfer between segments	-8,368	8,368		
Transfer from / to assets held for sale	-8,735		151,442	142,707
Transfer from / to real estate in own use		715		715
Disposals	-20,345			-20,345
Balance as per 31 December 2017	730,783	178,859	161,738	1,071,380
Lease incentives as per 31 December 2017	4,859	913	362	6,134
Market value as per 31 December 2017	735,642	179,771	162,100	1,077,513

Collateral

On 30 June 2018, properties with a book value of € 214.9m (31 December 2017: € 205.2m) were mortgaged as security for loans drawn amounting to € 68.9m (31 December 2017: € 69.2m).

Sensitivities to yield fluctuations

The value of investment property implies an average theoretical net yield of 7.0% (31 December 2017: 7.6%). Valuations can be affected by the general (macro-)economic and market environment, but also by local factors. If the yields applied for the valuation of investment property on 30 June 2018 had been 100 basis points lower than the yields currently applied, the value of investment property would increase by 16.5% (31 December 2017: 15.2%). In that case NSI's equity would be € 192m (2017: € 169m) higher due to a higher positive result. The loan-to-value would then decrease from 36.3% (31 December 2017: 36.9%) to 31.2% (31 December 2017: 32.0%).

If the yields applied for the valuation of investment property on 31 December 2017 had been 100 basis points higher than those currently applied, the value of investment property would decrease by 12.4%. In that case NSI's equity would be € 145m lower due to a lower result for the year. The loan-to-value would then increase from 36.3% to 41.5%.

Investment property under construction

The movement in each segment of investment property under construction was as follows:

	Offices	HNK	Other	TOTAL
Balance as per 1 January 2018	800			800
Transfer from / to investment property in operation	-800			-800
Balance as per 30 June 2018				

No movements in the investment property under construction occurred during the previous year. The opening value for 2018 only consisted of the value of the land position at Cosunpark in Breda, the Netherlands, which was moved to investment property in operation at the end of June 2018.

12. Debtors and other accounts receivable

The largest item recognised under debtors and other accounts receivable concerns debtors (€ 1.4m), mainly tenants who are overdue, which are reported after deduction of a provision for impairments.

The provision for doubtful debts was determined according to the new IFRS 9 guideline and includes an impairment of receivables from prior years of € 0.2m.

13. Assets held for sale

As at 31 December 2017 the assets held for sale consisted of one retail property (Keizerslanden in Deventer) and one industrial property (Stammerhove in Diemen). Stammerhove was sold in the first half of 2018, the transfer of Keizerslanden has been postponed until Q4 2018.

As at 30 June 2018 the balance for assets held for sale consists of Keizerslanden and one office building (De Aalscholver, Naarden), which is expected to be transferred in Q4.

	30 June 2018	31 December 2017
Assets held for sale	27,330	28,791
Other assets directly associated to assets held for sale	7	
Assets held for sale	27,338	28,791

Other assets held for sale consist of lease incentives for Keizerslanden in Deventer.

The movement in each segment of assets held for sale in the first half of 2018 was as follows:

	Offices	HNK	Other	TOTAL
Balance as per 1 January 2018			28,791	28,791
Investments			1,603	1,603
Revaluation			1,099	1,099
Transfer from / to investment property in operation	2,400			2,400
Disposals			-6,563	-6,563
Balance as per 30 June 2018	2,400		24,930	27,330
Lease incentives as per 30 June 2018			7	7
Market value as per 30 June 2018	2,400		24,938	27,338

The movement in each segment of assets held for sale in FY 2017 was as follows:

	Offices	HNK	Other	TOTAL
Balance as per 1 January 2017	5,075		384,292	389,367
Investments	-5		5,735	5,730
Revaluation			-7,665	-7,665
Transfer from / to investment property in operation	8,735		-151,442	-142,707
Disposals	-13,805		-202,128	-215,933
Balance as per 31 December 2017			28,791	28,791
Market value as per 31 December 2017			28,791	28,791

14. Shareholders' equity

At 31 December 2017 18,364,998 ordinary shares with a nominal value of € 3.68 were placed and fully paid up. In May 2018 109,300 shares were issued as stock dividend, relating to the final dividend distribution for 2017. This resulted in 18,474,298 shares issued as at 30 June 2018.

In the opening balance as per 1 January 2018, the other reserves were adjusted by € 1.0m as a result of the retrospective calculation of the refinancing of the Nexus facility at the end of 2016 based on IFRS 9 guidelines.

15. Interest bearing loans

The development in the loans in the reporting period was as follows:

	2018	2017
Balance as per 31 December	405,408	510,904
Retrospective adjustment IFRS 9	-956	
Balance as per 1 January	404,451	510,904
Drawn interest bearing loans	378,000	99,000
Amortisation transaction costs	1,555	1,054
Repayment of interest bearing loans	-362,350	-205,550
Balance as per 30 June 2018 / 31 December 2017	421,656	405,408
Redemption requirement interest bearing loans	700	700
Balance as per 30 June 2018 / 31 December 2017	420,956	404,708

NSI has retrospectively calculated the impact on the refinancing of the Nexus facility in 2016. NSI qualifies this refinancing as a modification. Therefore, based on current IFRS 9 guidelines, € 1.0m should have been adjusted to the amortised costs on the loan. This is reflected in the opening balance of 2018.

On 19 April 2018, NSI concluded the refinancing of the existing Nexus-facility of € 485m. Under IFRS 9, this refinancing was qualified as an extinguishment; as such the non-amortised costs of the original loan of € 2.1m were charged to the result as financing costs.

The remaining maturities of the loans as at 30 June 2018 were as follows:

	30 June 2018	31 December 2017
Up to 1 year	700	700
From 1 to 2 years	700	59,365
From 2 to 5 years	380,434	279,947
From 5 to 10 years	39,822	65,396
Total	421,656	405,408

Interest bearing debt comprises loans from banks and other financial institutions.

Loans outstanding have a remaining average maturity of 5.1 years (31 December 2017: 3.1 years) The weighted average annual interest rate on the loans and interest-rate swaps at the end of June 2018 was 1.9% (31 December 2017: 2.3%). This includes margin, utilisation fees and amortised costs and excludes commitment fees.

The interest coverage ratio amounted to 4.6x as at 30 June 2018 (31 December 2017: 4.7 x).

16. Financial instruments

Applicable categories and fair value

The table below summarises the book values and fair values of financial assets and liabilities, including the applicable level within the fair value hierarchy. The table includes the fair value of financial assets and other liabilities provided that the book value is a reasonable reflection of the fair value.

Fair value hierarchy

The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: values based on quoted prices in active markets;
- Level 2: values based on (external) observable information;
- Level 3: values based wholly or partially on not (external) observable information.

Level 2 applies to all derivative financial instruments, the model in which fair value is determined based on directly or indirectly observable market data. In level 2 fair values for over-the-counter derivatives are calculated as the present value of the estimated future cash flows based on observable yield curves obtained by external data sources (e.g. Bloomberg) and valuation statements received from our counterparties. These quotes are regularly tested for adequacy by discounting cash flows using the market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments that take into account the credit risk of the group entity and the counterparty, when appropriate.

Fair value hierarchy

	30 June 2018			31 December 2017		
	Fair value level	Amortised cost price	Fair value	Fair value level	Amortised cost price	Fair value
Financial assets valued at fair value through profit or loss						
Derivative financial instruments	2		666	2		1,162
Financial assets valued at amortised cost price						
Debtors and other accounts receivable	2	2,364		2	1,829	
Cash and cash equivalents	1	1,525		1	6,827	
Financial liabilities valued at fair value through profit or loss						
Derivative financial instruments	2		3,903	2		1,712
Financial liabilities valued at amortised cost price						
Interest bearing loans	2	421,656		2	405,408	
Other non-current liabilities	2	3,848		2	3,540	
Creditors and other accounts payable	2	28,272		2	24,855	
Debts to credit institutions	2	2,342		2	9,873	
Liabilities associated to assets held for sale	2	379		2	195	

The derivative financial instruments have the following maturity:

	30 June 2018				31 December 2017			
	Number of contracts	Nominal value	Fair value assets	Fair value liabilities	Number of contracts	Nominal value	Fair value assets	Fair value liabilities
Up to 1 year								
From 1 to 5 years	20	315,000	666	1,743	15	265,000	128	1,712
From 5 to 10 years	4			2,160	5	50,000	1,034	
Total	24	315,000	666	3,903	20	315,000	1,162	1,712

NSI limits its interest rate risk by swapping the variable interest it pays on the majority of its loans for a fixed interest rate by means of contracts with fixed interest rates varying from -0.19% to 0.73% (31 December 2017: -0.19% to 0.49%) and with maturity dates between 2019 and 2023 (31 December 2017: between 2019 and 2023). The market value of the financial derivatives amounted to negative € 3.2m (31 December 2017: € 0.6m).

The weighted average remaining maturity of the derivatives is 5.1 years (31 December 2017: 3.0 years). NSI is hedged at a weighted average interest rate of 0.3% (2017: 0.3%). Excluding margin 16% of the current loans (31 December 2017: 23%) are subject to variable interest rates and are therefore not hedged.

17. Creditors and other accounts payable

The largest items recognised under creditors and other accounts payable concern creditors (€ 5.2m), taxes payable (€ 2.2m), interest payable (€ 0.6m) and deferred income and accruals (€ 20.2m).

18. Off-balance sheet assets and liabilities

Shopping center 't Loon, Heerlen

In early December 2011 the soil subsided under shopping centre 't Loon in the Dutch city of Heerlen. As a result of this sinkhole, the municipal authority ordered the demolition of part of the shopping centre (5,041 sqm of the original 25,312 sqm). NSI incurred losses as a result of the sinkhole and the subsequent demolition order for part of the shopping centre. The largest losses are related to the value of the investment property that was demolished, to the reconstruction costs and to the loss of rental income during the reconstruction of the shopping centre. The insurance companies of both NSI and the owners' association of shopping centre 't Loon ("VvE") refused to cover the damage under the insurance (building insurance).

As a result, both NSI and the VvE initiated proceedings at the District Court of Rotterdam against the insurance companies in 2015. The District Court rendered an interlocutory judgement on 20 June 2018. Both proceedings (that were held simultaneously) had different outcomes. The damage as such is covered under both insurance policies. However, the Court ruled that the VvE has violated her obligation to disclose information to the insurer of the knowledge that it had on earlier reconstructions of the parking garage at the shopping centre when the insurance was taken out. In the proceeding between the insurance companies and NSI, the Court ruled that NSI did not have the same information as the VvE and has not violated her obligation to disclose such information. As a result, the VvE (and therefor also NSI for its share in the VvE) is not covered under the first layer policy but the damage suffered by NSI is covered under its (excess) all-risk insurance.

The parties will now debate on exactly what damage has been suffered by NSI. NSI 's claim represents a principal sum of approx. € 12m excluding legal interests. The final judgement to be rendered by the District Court is subject to appeal.

On 20 January 2016 the insurance company of one of the tenants held the VvE and its members, including NSI, liable for the loss of revenue covered by the insurance company, representing a principal sum of €1.6m excluding legal interests. On 19 July 2017 the District Court rejected the claim from the insurance company of the tenant. In October 2017 this insurance company appealed the District Court' judgement. Subsequently, the insurance company has issued its statement of grievances on 8 May 2018. The VvE and its members each issued their statement of reply on 11 June 2018. The Court of Appeal will now set a date for which parties to state their case.

19. Events after balance sheet date

The acquisition of an 6,048m² office at Lange Voorhout 7 in The Hague was approved by the NSI Supervisory Board of 18 July. The acquisition price is € 13.9m and the transfer of the asset is scheduled for 25 July 2018.

MANAGEMENT BOARD STATEMENT

The Management Board states that, to the best of its knowledge:

- The interim report, which has been prepared in accordance with IAS 34 Interim Financial Reporting, gives a true and fair view of the assets, liabilities, the financial position and the results of NSI N.V. and the companies included in the consolidation as a whole;
- The interim report provides a true and fair view on the condition as at the balance sheet date and the course of business during the half year under review of NSI N.V. and the related companies of which the data has been included in the interim statement, and the expected course of business;
- The interim report includes a true and fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Financial Markets Supervision Act (*Wet of het financieel toezicht*).

NSI considers credit risk, liquidity risk, interest risk and currency risk as financial risks. In addition, market risks include changes in the economic environment and in the availability of funding in the credit markets, which may affect both the letting prospects as well as the market value of properties. Please refer to the 2017 annual report for more information on existing risks.

Hoofddorp, 18 July 2018

Management Board

B.A. Stahli, CEO

A.A. de Jong, CFO

A. de Jong, CIO

REVIEW REPORT

To: the Management Board of NSI N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2018 of NSI N.V., Hoofddorp, which comprises the condensed consolidated statement of financial position as at 30 June 2018, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of movements in shareholders' equity, the condensed consolidated cash flow statements for the period then ended and the selected explanatory notes. The Management Board is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the company. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 18 July 2018

[PricewaterhouseCoopers Accountants N.V.](#)

Original has been signed by S. Herwig, MSc LLM RA MRE MRICS

EPRA KEY PERFORMANCE MEASURES

Key performance indicators

	Note	H1 2018		H1 2017	
		€ ' 000	per share (€)	€ ' 000	per share (€)
EPRA earnings	1	21,897	1.19	24,175	1.35
EPRA cost ratio (incl. direct vacancy costs)	5	26.8%		26.4%	
EPRA cost ratio (excl. direct vacancy costs)	5	24.4%		23.9%	

	Note	30 June 2018		31 December 2017	
		€ ' 000	per share (€)	€ ' 000	per share (€)
EPRA NAV	2	710,190	38.44	673,238	36.66
EPRA NNNNAV	2	704,834	38.15	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	16.6%		18.4%	

Notes to the EPRA key performance indicators

1. EPRA earnings

	H1 2018	H1 2017
Gross rental income	42,372	45,640
Service costs not recharged	-1,046	-1,237
Operating costs	-8,040	-7,958
Net rental income	33,286	36,446
Administrative costs	-4,023	-4,425
Net financing result	-7,315	-7,834
Direct investment result before tax	21,948	24,187
Corporate income tax	-51	-12
Direct investment result / EPRA earnings	21,897	24,175
Direct investment result / EPRA earnings per share (€)	1.19	1.35

2. EPRA NAV

	30 June 2018		31 December 2017	
	€ ' 000	per share (€)	€ ' 000	per share (€)
Equity attributable to shareholders	706,954	38.27	672,688	36.63
Fair value of derivative financial instruments	3,236	0.18	550	0.03
EPRA NAV	710,190	38.44	673,238	36.66
Fair value of derivative financial instruments	-3,338	-0.18	-560	-0.03
Fair value of debt	-2,018	-0.11	-9,085	-0.49
EPRA NNNNAV	704,834	38.15	663,592	36.13

3. EPRA yield

	30 June 2018	31 December 2017
Investment property including assets held for sale	1,162,998	1,108,393
Developments		-800
Property investments	1,162,998	1,107,593
Allowance for estimated purchasers' costs	81,410	77,532
Gross up completed property portfolio valuation	1,244,407	1,185,125
Annualised cash passing rental income	83,824	83,479
Annualised property outgoings	-18,623	-17,896
Annualised net rent	65,201	65,583
Notional rent expiration of rent free periods or other lease incentives	4,193	3,794
Topped-up annualised net rent	69,394	69,377
EPRA net initial yield	5.2%	5.5%
EPRA topped-up net initial yield	5.6%	5.9%

4. EPRA vacancy rate

	30 June 2018	31 December 2017
Estimated rental value of vacant space	17,246	19,398
Estimated rental value of the whole portfolio	103,823	105,288
EPRA vacancy	16.6%	18.4%

5. EPRA cost ratio

	H1 2018	H1 2017
Administrative costs	4,023	4,425
Service costs not recharged	1,046	1,237
Operating costs (adjusted for municipality taxes)	6,494	6,614
Leasehold	-200	-219
EPRA costs (including direct vacancy costs)	11,363	12,056
Direct vacancy costs	-1,004	-1,169
EPRA costs (excluding direct vacancy costs)	10,359	10,887
Gross rental income	42,372	45,640
EPRA gross rental income	42,372	45,640
EPRA cost ratio (incl. direct vacancy costs)	26.8%	26.4%
EPRA cost ratio (excl. direct vacancy costs)	24.4%	23.9%

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.