

# nsi Interim report as per 30 June 2015

Positive revaluation Dutch offices portfolio of NSI clearly marks tipping point

Approx. € 140 million capital freed up for growth in Dutch offices market

Direct result increased to € 25.1 million (up 2.7%)

## Highlights

### Update strategy

- Approx. € 140 million capital freed up for growth in Dutch offices market:
  - Partial divestment of stake in Belgian Invest Offices & Warehouses (“IOW”) from 50.2% to 15.2% (gross proceeds approx. € 111 million, sale above book value)
  - Asset sales in Dutch portfolio total € 28 million in 1st half year 2015

### Financial

- Direct result HY 2015 increased to € 25.1 million (HY 2014: € 24.5 million)
- Total investment result increases from € 69 million negative to € 42.4 million positive
- Positive revaluation result of € 1.2 million for the total portfolio as per 30 June 2015 (30 June 2014: € 90.0 million negative), mainly as a result of positive revaluation result Dutch offices portfolio (€ 4.5 million)
- LTV decreased to 35.1% (ultimo 2014: 48.9%)
- Interim dividend of € 0.13 per share

### Offices NL (including HNK)

- Positive trend in take up continues; 22,077 sqm in HY 2015 (HY 2014: 11,030 sqm). NSI achieves a take up/supply ratio of 25% compared to the market average of 12%
- Slightly higher occupancy rate of 71.7% (71.4% as per 31 March 2015)
- Average effective rent level new leases € 123 per sqm over the last 12 months
- Like-for-like growth of 4% Q2 2015 versus Q1 2015

### HNK

- Roll-out on schedule; HNK Den Bosch and HNK Ede Horapark opened in 1st half year 2015
- Like-for-like growth of 9.3% Q2 2015 versus Q1 2015
- Share HNK in total gross rental income of Dutch offices portfolio increases to 18% (31 March 2015: 12.6%)
- Take up/supply ratio of 32% in HY 2015 compared to the market average of 12%
- Average effective rent level new leases € 171 per sqm over the last 12 months

### Retail NL

- Slightly lower occupancy rate of 87.1% as per 30 June 2015 (31 March 2015: 88.2%)
- Average effective rent level new leases € 204 per sqm over the last 12 months
- Like-for-like growth of 3.1% HY 2015 versus HY 2014

Results (x €1m000)	HY 2015	Per share	HY 2014	Per share
Gross rental income	68,132		67,003	
Net rental income	56,734		54,854	
Direct investment result	25,149	0.18	24,489	0.17
Indirect investment result	17,251	0.12	- 93,487	- 0.65
Result after tax	42,400	0.30	- 68,998	- 0.48
Occupancy rate the Netherlands (in %)	77.8		77.6	
Loan-to-value (in %)	35.1		47.8	
Dividend		0.13		0.13

*Johan Buijs, CEO of NSI:*

*“By partially divesting our stake in Belgian Interinvest Offices & Warehouses and by divesting assets in the Dutch portfolio, we have freed up funds to invest in the Dutch offices market. We can now further execute our asset rotation strategy with new investments to further improve the quality of the Dutch offices portfolio as well as grow that portfolio. As reflected in the positive revaluations in the Dutch offices market as per 30 June, the tipping point in revaluations is finally reached after consecutive years of negative revaluations since 2008. This gives us all the more opportunities for real growth. The appointment of Anne de Jong as Chief Investment Officer therefore perfectly fits this new phase in our strategy.*

*At the same time we continue with our operational focus. The positive development in new leases clearly continues. The direct result showed an increase over the first half year compared to the same period last year. The occupancy rate of the Dutch offices portfolio increased. The Dutch offices portfolio showed a positive organic growth for the quarter and the effective rent levels remained stable. In the offices portfolio HNK’s performance remains strong. The occupancy rate in the HNK portfolio rose from 57.5% to 62.3% and the organic growth in the 2nd quarter compared to the previous quarter was 9.3%, HNK now represents 18% of the rental income of our Dutch offices portfolio. The focus on the daily shopping needs segment in our retail portfolio is also bearing fruit, with new leases more than doubling, against a clearly higher effective rent level.”*

*Progress strategy*

NSI aims to increase the quality of its portfolio through its asset rotation strategy. By divesting assets of which the value has been optimized or when the required investments will not result in the required returns NSI frees up funds to reinvest. NSI’s investment focus is on the Dutch offices market, where NSI sees the best opportunities to create value based on its active management strategy.

On 18 June 2015, as part of this strategy, NSI partially divested its stake in Belgian Interinvest Offices & Warehouses (“IOW”) from 50.2% to 15.2%. The gross proceeds of this transaction amounted to € 111 million. (The impact of this transaction on NSI’s results will be explained on page 5 of this press release). In addition, in the 1st half year of 2015 NSI divested Dutch assets for a total of € 28 million, including the completion of the sale of the Dutch non-core offices portfolio and a number of assets of which NSI had optimized the value.

The earlier announced refinancing of € 550 million was fully completed in May 2015. With this new facility NSI gave substance to the main objectives of its financing strategy: diversification of funding sources, extending the average maturity of the loan portfolio and reducing financing costs. Moreover NSI simplified the structure.

As a result of this refinancing and the divestment of the assets mentioned above, NSI has as per 30 June 2015 approximately € 250 million of undrawn committed facilities available for investments.

*Outlook 2015*

The reversed trend in revaluations and the released capital from the partial divestment of the stake in IOW give room for growth in the Dutch offices market, where NSI can fully utilize its rental platform.

The economic circumstances have clearly improved. NSI sees this reflected in the firm increase in take up in the Dutch offices market and in the operational performance in general. NSI expects this trend to continue.

For the full year 2015 NSI expects a direct result per share between € 0.31 and € 0.33. This includes the net impact of the partial divestment of IOW of approx. - € 0.025 per share.

## Leasing activities

	Offices NL*		HNK		Retail	
	Q2 2015	Q1 2015	Q2 2015	Q1 2015	Q2 2015	Q1 2015
Occupancy rate	71.7%	71.4%	62.3%	57.5%	87.1%	88.2%
Take up in sqm	12,987	9,090	2,782	4,250	1,738	831
Take up/supply ratio	25%	21%	32%	36%	19%	13%
Retention rate	63.6%		73.2%		78.1%	
Leases started in period	24,779		6,545		6,982	
Expirations in period	43,692		11,483		23,132	
Effective rent level per sqm new leases (over last 12 months)	€123	€130	€171	€175	€204	€178
Effective rent level per sqm total portfolio	€145	€146	€171	€167	€179	€180

\*) Including HNK

### Offices NL (including HNK)

In the 1st half year of 2015 NSI leased, among others, an office building of approximately 5,000 sqm in Amsterdam. The tenant will transform the office building into residential units. This office building had become vacant after expiration of the contract with ROC. By actively creating opportunities, NSI was able to relatively quickly lease the property again for 20 years. In addition NSI was able to sign a lease agreement in Hoofddorp for an office building (1.200 sqm) that had been vacant for a longer period, by anticipating on tenants requirements that fit the strategic value of the location.

In Eindhoven the contract with the Central Government Real Estate agency ("Rijksvastgoedbedrijf") was extended (6,000 sqm) and in Zoetermeer with the RDW (7,200 sqm).

NSI signed 12,987 sqm of new leases (take up) in the 2<sup>nd</sup> quarter of 2015, a clear improvement compared to the 2<sup>nd</sup> quarter last year (6,311 sqm) and also a confirmation that the strong development in the 1st quarter of this year (9.090 sqm) continued. The total take up in the 1st half year amounted to 22,077 sqm (HY 2014: 11,030 sqm), representing approx. 4.4 % of the total take up in the Dutch offices market<sup>1</sup> in the 1st half year of 2015, while the NSI offices portfolio represents approx. 1.1% of the total market. The take up/supply<sup>2</sup> ratio of 25% was considerably better than the market average of 12%.

In the remaining months of 2015, 8.1% of the lease contracts may expire. The retention rate was 63.6% in the 1st half year 2015 (1st half year 2014: 68%).

The effective rent level of new leases in the offices portfolio, including incentives, amounted to € 123 per sqm over the last 12 months. The effective rent for the overall Dutch office portfolio amounted to € 145 per sqm as per 30 June 2015 (31 March 2015: € 146 per sqm). The average lease duration of the portfolio was 3.6 years as per 30 June 2015.

### HNK

The average occupancy rate increased to 62.3% as per 30 June 2015 (31 March 2015: 57.5 %). The gross rental income from HNK amounted to € 2.3 million in the 2nd quarter of 2015, which represents 18% of the gross rental income of the Dutch offices portfolio (1st quarter 2015: 12.6%). The average effective rent level of new leases is € 171 per sqm over the last 12 months, compared to an average of € 171 per sqm for the total HNK portfolio.

HNK's rental success benefits more and more from the strength of the nation wide network. HNK welcomed two consultancy firms as tenants in the 1st half year. For knowledge driven organizations with an ambulant workforce the possibility to work (together) and meet on different locations, offers true added value.

The roll-out to 20 HNK locations in 2016 is on schedule. With HNK Ede in the 2nd quarter, the ninth HNK location was opened. HNK Utrecht Central Station is expected to be opened in September.

Around the turn of the year 4 more locations will be opened, including a second location in Rotterdam and a location in Amsterdam South-east.

<sup>1</sup> Take up Dutch office market in 1<sup>st</sup> half year 2015: 497,000 m<sup>2</sup> (source: DTZ)

<sup>2</sup> Recalculated on annualized basis

NSI invested € 5.3 million in HNK in the 1st half year 2015, bringing the total cumulative investments in HNK to € 17.6 million, out of the total 3-year investment plan of € 31.0 million by 2016.

### *Retail NL<sup>3</sup>*

The retail climate in The Netherlands is improving. Both consumer confidence and consumer spending are increasing. The market circumstances however remain challenging. The retail portfolio of NSI was impacted by a number of bankruptcies, including Miss Etam and de Schoenenreus in the 1st half year of 2015, which caused a decrease in the occupancy rate of 88.2% as per 31 March 2015 to 87.1% as per 30 June 2015.

The effective rent level new leases in the retail portfolio was € 204 per sqm over the last 12 months. The effective rent level for the total retail portfolio was € 179 per sqm as per 30 June 2015 (31 March 2015: € 180 per sqm). The average lease duration was 4.4 years as per 30 June 2015 (4.6 years as per 31 March 2015).

NSI's strategy to fully focus on the "daily shopping needs" segment, where convenience is key for the customer, is bearing fruit. Also the online support of the retailers is being further developed.

In the remaining months of 2015 1.9% of the contracts may expire. The retention rate was 87.1%.

### *Other (Industrial and large-scale retail)*

The segment large scale retail is clearly benefiting from the recovery of the housing market. After years of decline this sector is showing growth again. The occupancy rate in this segment improved from 91.1% as per 31 March 2015 to 93.5% as per 30 June 2015.

In the industrial portfolio the occupancy rate was stable at 81.2% compared to the previous quarter.

### *Belgium*

The occupancy rate in the Belgian real estate portfolio increased from 86.7% as per 31 March 2015 to 88% as per 31 June 2015. In the logistic portfolio the occupancy rate increased from 91.7% to 93%. The purchase of a site in Liege and the sale of a non-strategic property in Duffel accounted for this. In the offices portfolio the occupancy rate improved from 83.1% to 84%.

In the first half year of 2015, the leasing activities involved primarily renewals. In the 1st quarter, in the logistic portfolio a lease of 3,653 sqm in Wilrijk to a governmental agency (Facilitair Agentschap) was signed. In the 2nd quarter an extension and expansion was agreed for 13,737 sqm with CooperVision Belgium for the logistics site in Herstal, that was acquired in February of this year. Next to that contracts were extended with DHL Freight and Covidien (total 7,488 sqm).

In the offices portfolio lease contracts with 26,109 sqm were renegotiated, extended or expanded in the 1st half year of 2015 (HY 2014: 20,907 sqm). The main contract extensions are with Deloitte, Kuwait Petroleum, Technicolor and ON Semiconductor.

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<sup>3</sup> NSI previously reported retail and large scale retail as one segment. Given the strategic focus, NSI now reports the retail and large scale retail segments separately.

## Financial report

### *Explanation of the effects of the Invest Offices & Warehouses transaction*

On 18 June 2015, NSI partially divested its stake in Belgian Invest Offices & Warehouses ("IOW") from 50.2% to 15.2%. The impact on the presentation of the stake is as follows:

#### *Balance sheet*

As per 18 June 2015 IOW will no longer be consolidated in the balance sheet of NSI.

As per 18 June 2015, the remaining stake of 15.2% in IOW (2,476,241 shares) is revalued according to the fair value per share (share price IOW: €20.02). As of 18 June 2015 IOW will be treated as "associates" and the equity method will be applied. This means that the value of the minority stake will fluctuate with the net asset value of IOW.

This method is in accordance with NSI's accounting policies.

#### *Profit and loss account*

In the profit and loss account as per 30 June 2015, the 50.2% stake in IOW contributed to the result up to and including 18 June 2015 and is consolidated up to and including 30 June 2015 (€ 7.1 million).

#### *Realized result on sales*

NSI sold 5.7 million shares in IOW (representing a 35% stake) at € 19.50 per share. The total result of this transaction was € 3.0 million. The transaction costs amounted to € 2.2 million. These were included in the result of this transaction.

#### *Total investment result*

The total investment result, consisting of the balance of the direct and the indirect investment result, amounted to €42.4 million in the 1st half-year of 2015 (1st half-year 2014: -€69.0 million).

#### *Direct investment result*

	HY 2015	HY 2014
Gross rental income	68,132	67,003
Service costs not recharged to tenants	- 3,343	- 2,926
Operating costs	- 8,055	- 9,223
<b>Net rental income</b>	<b>56,734</b>	<b>54,854</b>
Financing income	47	123
Financing costs	- 19,864	- 21,328
Administrative costs	- 3,839	- 3,777
<b>Direct investment result before tax</b>	<b>33,078</b>	<b>29,872</b>
Corporate income tax	- 118	- 67
<b>Direct investment result after tax</b>	<b>32,960</b>	<b>29,805</b>
Direct investment result to minority interest	- 7,811	- 5,316
<b>Direct investment result</b>	<b>25,149</b>	<b>24,489</b>

NSI uses the direct investment result (rental income less operating costs, service costs not recharged, administrative costs and financing costs) as a measure for determining its dividend.

The direct investment result amounted to €25.1 million (HY 2014: €24.5 million) in the 1st half-year of 2015 as a result of higher gross rental income in Belgium due to real estate purchases, lower financing costs and a one-off gain in Belgium in Q1 2015.

## Gross rental income HY 2014 up to HY 2015

Total gross rental income increased in the 1st half year 2015 to € 68.1 million (HY 2014: € 67.0 million), among other things as a result of two purchases in the Belgian portfolio.

x €1,000	HY 2014	Purchases	Disposals	Organic growth	HY 2015
<b>The Netherlands</b>					
Offices	27,319		- 484	- 1,826	25,009
Retail	13,555			422	13,977
Large-scale retail	2,700			384	3,084
Industrial	3,311		35	- 307	3,039
Residential	120		- 120		
<b>Total</b>	<b>47,005</b>		<b>- 569</b>	<b>- 1,327</b>	<b>45,109</b>
<b>Belgium</b>					
Offices	12,293			354	12,647
Industrial	7,705	2,480	33	158	10,376
<b>Total</b>	<b>19,998</b>	<b>2,480</b>	<b>33</b>	<b>512</b>	<b>23,023</b>
<b>Total NSI</b>	<b>67,003</b>	<b>2,480</b>	<b>- 536</b>	<b>- 815</b>	<b>68,132</b>

In the Dutch offices portfolio the expiration of a number of large contracts as per 31 December 2014 impacts organic (like-for-like) growth in all quarters of 2015. The impact of the expiration of these contracts, including contracts with the Central Government Real Estate agency ("Rijksgebouwendienst", 5,000 sqm), ROC Amsterdam (5,000 sqm) and Prorail (9,000 sqm) amounted to € 1.8 million in the 1st half year of 2015.

The positive like-for-like growth in the Dutch retail portfolio is driven by the lease of the Zuiderterras in Rotterdam, after a period of strategic vacancy for the purpose of redevelopment.

## Gross rental income Q1 2015 up to Q2 2015

x €1,000	Q1 2015	Purchases	Disposals	Organic growth	Q2 2015
<b>The Netherlands</b>					
Offices	12,382		- 259	503	12,626
Retail	7,059			- 141	6,918
Large-scale retail	1,646			- 208	1,438
Industrial	1,498		50	- 6	1,542
<b>Total</b>	<b>22,585</b>		<b>- 209</b>	<b>148</b>	<b>22,524</b>
<b>Belgium</b>					
Offices	6,405			- 163	6,242
Industrial	5,095	233		- 47	5,281
<b>Total</b>	<b>11,500</b>	<b>233</b>		<b>- 210</b>	<b>11,523</b>
<b>Total NSI</b>	<b>34,085</b>	<b>233</b>	<b>- 209</b>	<b>- 62</b>	<b>34,017</b>

In the second quarter of 2015 gross rental income in the Dutch portfolio shows a slight like-for-like growth of 0.6% compared to the first quarter. This growth is entirely attributable to the positive developments within HNK. The negative organic development in the retail portfolio was the result of a number of bankruptcies, including Miss Etam. In the large scale retail, Q1 was influenced by the positive effect of the settlement of turnover rent over 2014 (€ 0.4 million). Excluding this one-off settlement, large scale retail achieved a positive like-for-like growth in the second quarter versus the first quarter 2015.

Service costs not recharged to tenants increased to € 3,3 million in the 1st half year 2015 compared to the 1st half year 2014 (€ 2.9 million), mainly as a result of the decrease in occupancy rate compared to the same period last year and the start-up costs in new HNK properties. HNK properties have above average service costs but generally start from a more or less vacant situation. This leads to relatively high service costs not recharged to tenants at the start-up of a HNK property. HNK properties have a clearly higher take up ratio compared to other offices, leading to a faster decline in vacancy.

The operating costs decreased to € 8.1 million in the 1st half year 2015 (HY 2014: € 9,2 million) as a result of one-off received refurbishment fees in Belgium of € 2.5 million in the 1st quarter. The underlying trend in operating costs shows an increase compared to the previous quarters. This is mainly caused by the – primarily in the 2nd quarter – higher maintenance costs. In general in the 2nd quarter maintenance costs are higher.

This leads to total net rental income of € 56.7 million (€ 54.9 million in HY 2014). Net rental income in The Netherlands was € 33.6 million in the 1st half year 2015 (€ 36.6 million in HY 2014) and in Belgium € 22.9 million (HY 2014: € 18.3 million).

The administrative costs remained stable at € 3.8 million in the 1st half year 2015 (HY 2014 € 3.8 million). The higher appraisal costs following the external appraisal of the full portfolio were compensated by lower consultancy costs compared to the 1st half year 2014.

Financing costs decreased in the 1st half year to € 19.9 million compared to € 21.3 million in the 1st half year 2014, following the refinancing of € 550 million against more beneficial conditions in May 2015 and a further reduction of the net outstanding debt.

#### *Indirect investment result*

The indirect investment result for the first half year 2015 amounted to € 17.3 million positive (HY2014: - €93.5 million). The indirect investment result consists of both realized revaluations (sales results on investments sold) and unrealized revaluations. These unrealized revaluations concern the changes in the market value of the property portfolio (€ 1.2 million), the interest hedging instruments (€ 7.4 million) and the partial divestment of the stake in IOW (€ 3.0 million). The realised revaluations include the result on sales (€ 5.5 million).

#### *Realized revaluations*

In the 1st half year the sale of 17 office properties and two industrial properties was completed in the Dutch portfolio, with a total result on sales of € 5.5 million. The total proceeds of the transactions completed in 2015 amounted to € 27.8 million. On average, the properties were sold 25.5% above book value.

#### *Unrealized revaluations*

The revaluation of the Dutch real estate portfolio amounted to € 3.6 million positive in the 1st half year (HY 2014: - € 87.4 million). The value of the Dutch offices portfolio showed – for the first time since a long consecutive period of downward revaluations – a positive development of € 4.5 million in the 1st half year because of stabilizing yields and market rents.

The value of the Dutch retail portfolio increased by € 1.5 million. The value of the industrial portfolio decreased by € 2.5 million, mainly the result of one property (- € 1.8 million).

In the Belgian portfolio the revaluation was - € 2.3 million, the result of the decrease in value of the offices portfolio (- € 2.3 million).

The value of the derivatives increased by € 7.4 million as a result of the slightly increased Euribor-rates. NSI utilizes interest-rate hedging instruments exclusively to limit operational interest rate risks. There is no 'over-hedging situation' and NSI is not exposed to margin calls. The value of the financial derivatives automatically reverts to zero at the end of the duration of these instruments.

The total result on the sale of the 35% stake in IOW amounted to € 3.0 million.

## Revaluation results of properties in the Netherlands (x €1,000)

	HY1 2015	HY2 2014	HY1 2014	HY2 2013	HY1 2013	2012*	2011*	2010*
Offices	4,518	- 63,010	- 59,510	- 68,951	- 62,707	- 102,090	- 31,400	- 21,435
Retail	- 3,077	- 19,232	- 22,371	- 25,395	- 13,417	- 11,304	- 72	- 668
Large-scale retail	4,577	- 7,486	- 6,159	- 7,689	- 3,595	- 5,120	- 550	- 511
Industrial	- 2,456	- 759	650	- 7,178	- 3,845	- 6,094	- 1,351	- 2,416
Residential	-	-	-	490	- 85	- 155	135	- 1,747
<b>Total</b>	<b>3,562</b>	<b>- 90,487</b>	<b>- 87,390</b>	<b>- 109,703</b>	<b>- 83,649</b>	<b>- 124,763</b>	<b>- 33,238</b>	<b>- 26,777</b>

\*) In accordance with IFRS the figures prior to the merger with VNOI (over the period 2008-1<sup>st</sup> three quarters of 2011) have not been amended and represent only NSI. As of the 4<sup>th</sup> quarter of 2011 all results of NSI and VNOI are fully consolidated.

## Revaluation results of properties in Belgium (x €1,000)

	HY1 2015	HY2 2014	HY 2014	2013	2012	2011
Offices	- 2,352	- 4,845	- 2,126	- 19,308	- 21,899	2,555
Industrial	21	2,218	445	20,513	7,946	- 6,126
<b>Total</b>	<b>- 2,331</b>	<b>- 2,627</b>	<b>- 2,572</b>	<b>1,205</b>	<b>- 13,953</b>	<b>- 3,571</b>

## EPRA Yields in % at 30 June 2015 and 31 December 2014

The EPRA Net Initial yield is calculated as annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable operating and service costs, divided by the market value of the property, increased with (estimated) purchasers' costs.

The EPRA Topped-up Net Initial Yield is calculated as an adjustment to the EPRA NIY corrected for eliminated lease incentives.

	EPRA gross yield 30-06-2015	EPRA net initial yield 30-06-2015	EPRA topped up net initial yield 30-06-2015	EPRA Gross yield 31-12-2014	EPRA net initial yield 31-12-2014	EPRA topped up net initial yield 31-12-2014
Offices	8.5	6.4	6.5	8.4	6.3	6.5
Retail	7.1	6.2	6.2	7.0	6.0	6.1
Large-scale retail	8.0	6.3	6.3	7.8	6.0	6.0
Industrial	9.4	8.0	8.0	8.8	7.5	7.5
<b>Total the Netherlands</b>	<b>8.0</b>	<b>6.4</b>	<b>6.5</b>	<b>7.9</b>	<b>6.2</b>	<b>6.4</b>

## Balance sheet and financing

The value of the real estate investments amounted to €1,048.9 million on 30 June 2015 (ultimo 2014 €1,668.2 million).

This decrease is primarily the result of the deconsolidation of IOW (€ 635.7 million). The value of the Dutch real estate investments decreased to € 1,047.0 million as per 30 June 2015 (ultimo 2014: € 1,056.7 million) as a result of investments (€ 8.8 million), disposals (€ 22.1 million) and revaluations (€ 3.6 million).

The loan-to-value (Ltv) decreased to 35.1% as per 30 June 2015 compared with year-end 2014 (48.9%), mainly as a result of the deconsolidation of IOW. The loan-to-value is calculated as outstanding net debt/ (value of the real estate investments + net asset value of minority interests).

Net outstanding debt to credit institutions amounted to € 385.5 million as per 30 June 2015 (ultimo 2014: € 815.5 million), mainly as a result of the deconsolidation of IOW and the redemption of debt with the proceeds of the partial divestment of the IOW stake.

## Equity

NSI's equity attributable to shareholders increased to € 658.0 million in the 1st half year of 2015 (ultimo 2014: € 632.8 million), mainly as the result of the positive total investment result of € 42.4 million and the final dividend 2014 (€ 17.2 million).

The number of outstanding shares remained unchanged in the 1st half of 2015. The net asset value (including deferred tax and the market value of the derivatives) amounted to € 4.59 per share on 30 June 2015 (ultimo 2014: € 4.42). If the deferred tax and the value of the derivatives are excluded (the net asset value according to EPRA), the net asset value amounts to € 4.78 per share on 30 June 2015 (ultimo 2014: € 4.69).

## Financial ratios

Q4-14	outstanding loans	Swaps (fixed interest)	% Fixed rate/swap	Interest% Swap	Interest% loans	Average Interest%
NL	524,334	346,625	88.5%	3.4%	2.6%	4.9%
BE	268,538	120,000	92.1%	2.0%	3.3%	4.0%
<b>Total</b>	<b>792,872</b>	<b>466,625</b>	<b>89.7%</b>	<b>3.1%</b>	<b>2.8%</b>	<b>4.6%</b>

Q2-15	outstanding loans	Swaps (fixed interest)	% Fixed rate/swap	Interest% Swap	Interest% loans	Average Interest%
NL	394,359	336,625	94.2%	3.0%	2.3%	5.1%

Due to the refinancing, the average maturity of the loans increased from 2.0 years at 31 December 2014 to 4.6 years at 30 June 2015. The fixed-interest part of the interest bearing debt, including interest rate swaps, increased from 88.5% to 94.2%, as a result of the decrease of the total loan portfolio. As a consequence the relative share of derivatives in the average costs of the total loan portfolio increased.

The average cost of debt of the loans and derivatives was 4.6% at year-end 2014 (for The Netherlands the average cost of debt was 4.9%). On 30 June 2015 the average cost of debt was 5.1%. This percentage relates only to The Netherlands, given the deconsolidation of IOW. The increase is the result of an increased relative share of derivatives (with a relatively high interest rate of around 3%) in the total financing costs compared to loans (at a rate of 2.3%). This was partly compensated by the decreased interest margins by quarter end resulting from the refinancing.

The interest coverage ratio improved to 2.9 as per 30 June 2015 (year-end 2014: 2,6).

It was earlier indicated that, under the new financing facility, the average cost of debt would decrease to approx. 4.0% in 2016. As a result of the deconsolidation of IOW and the impact described above, this decrease to 4.0% is expected to be realized from the 1st quarter of 2017 onwards, assuming stable outstanding debt. If the released funds will be reinvested the average cost of debt is expected to decrease.

## Interim dividend HY 2015

The interim-dividend for the 1st half-year of 2015 amounts to €0.13 per share in cash. The interim- dividend will be made payable on 11 August 2015.

## Developments in the portfolio

The value of the real estate portfolio decreased by € 619.3 million to € 1,048.9 million in the first half of 2015 (HY 2014: € 1,668.2). This decrease is the result of the deconsolidation of the real estate investments of IOW (€ 635.7 million), revaluations € 3.6 million), disposals of (€ 22.1 million) and investments (€ 8.8 million).

The total proceeds of the sales completed in the 1st half year of 2015 amounted to € 27.8 million. An office building (6.300 sqm) at the Karel du Jardinstraat in Amsterdam was sold at 70% above book value for € 11.3 million. By identifying opportunities for alternative use, and by integrating this in the sales process, NSI was able to realize the maximum value under its management. Furthermore, NSI completed a number of previously announced transactions, including the sale of 14 non-core assets, resulting in the disposal of approx. 43,000 sqm of non-performing assets. In addition, the sale of an office property at the Bovendonk (3,361 sqm) in Roosendaal and a non-strategic property at the Montaubanstraat (2,143 sqm) in Zeist was completed. Because the sales agreement for these transactions were closed in 2014, these properties were valued at the sales price as per 31 December 2014. As a result these transactions have no impact on the realized result on sales. In the industrial portfolio, properties of 2,500 sqm in Rotterdam (Cairostraat) and of 6,000 sqm in Amersfoort (Hardwareweg) were sold.

The annual gross rental income of these sold properties amount to € 1.3 million (effect in HY 2015: € 0.3 million).

In the second quarter 2015, NSI reached agreement on the sale of the office buildings at the Villawal in Nieuwegein (delivered 15 July 2015) and Strekkerweg in Amsterdam (expected delivery in Q1 2016).

NSI continues its asset rotation strategy by divesting assets that strategically no longer fit its portfolio or of which the value potential has been optimized. The focus is now on investments in order to further improve the quality of the portfolio and to realize growth in the Dutch offices portfolio.

The most important investments relate to the further roll-out of HNK (€ 5.3 million).

As at 30 June 2015, the portfolio consisted of 192 commercial properties, spread across:

	in %	x €1,000
<b>Sector spread</b>		
Offices	53	550,865
Retail	35	366,355
Large-scale retail	6	68,450
Industrial	6	61,300
<b>Total real estate investments</b>	<b>100</b>	<b>1,046,970</b>
Belgium offices		1,970
<b>Total real estate investments</b>		<b>1,048,940</b>

### Financial occupancy rate Dutch portfolio

	30 June 2015	31 March 2015
Offices	71.7%	71.4%
Retail	87.1%	88.2%
Large-scale retail	93.5%	91.6%
Industrial	81.2%	80.8%
<b>Total</b>	<b>77.8%</b>	<b>77.6%</b>

The theoretical gross annual rental income per segment in the Netherlands as per 30 June 2015:  
(x €1,000)

Offices	71,931
Retail	32,025
Large-scale retail	7,659
Industrial	7,770
Total	119,385

The annualized contractual rental income from the real estate portfolio as at 30 June 2015 amounted to €92.9 million (30 June 2014: €100.0 million).

## Financial key figures

	30-06-2015	30-06-2014	2014
<b>Results (x €1,000)</b>			
Gross rental income	68,132	67,003	133,599
Net rental income	56,734	54,854	109,160
Direct investment result	25,149	24,489	48,451
Indirect investment result	17,251	- 93,487	- 185,348
Result after tax	42,400	- 68,998	- 136,897
Occupancy rate Dutch portfolio (in %)	77.8	77.6	77.1
<b>Balance sheet data (x €1,000)</b>			
Real estate investments	1,048,940	1,722,744	1,668,176
Shareholders' equity	657,951	847,790	788,948
Shareholders' equity attributable to NSI shareholders	657,979	719,272	632,758
Net debts to credit institutions (excluding other investments)	385,479	823,139	815,483
Loan-to-value (debts to credit institutions/ real estate investments and financial fixed assets in %)	35.1	47.8	48.9
<b>Issued share capital (in shares)</b>			
Ordinary shares with a nominal value of €0.46 during period under review	143,201,841	143,201,841	143,201,841
Average number of outstanding ordinary shares during period under review	143,201,841	143,201,841	143,201,841
<b>Data per average outstanding ordinary share (x €1)</b>			
Direct investment result	0.18	0.17	0.34
Indirect investment result	0.12	- 0.65	- 1.30
Total investment result	0.30	- 0.48	- 0.96
<b>Data per share (x €1)</b>			
(Interim-) dividend	0.13	0.13	0.25
Net asset value	4.59	5.02	4.42
Net asset value according to EPRA	4.78	5.31	4.69
Average stock-exchange turnover (shares per day, without double counting)	237,290	130,485	177,660
High price	4.56	5.04	5.04
Low price	3.53	4.18	3.57
Closing price	3.53	4.60	3.68

## Consolidated direct and indirect investment result (x €1,000)

	HY 2015	HY 2014
Gross rental income	68,132	67,003
Service costs not recharged to tenants	- 3,343	- 2,926
Operating costs	- 8,055	- 9,223
<b>Net rental income</b>	<b>56,734</b>	<b>54,854</b>
Financing income	47	123
Financing costs	- 19,864	- 21,328
Administrative costs	- 3,839	- 3,777
<b>Direct investment result before tax</b>	<b>33,078</b>	<b>29,872</b>
Corporate income tax	- 118	- 67
<b>Direct investment result after tax</b>	<b>32,960</b>	<b>29,805</b>
Direct investment result attributable to non-controlling interest	- 7,811	- 5,316
<b>Direct investment result</b>	<b>25,149</b>	<b>24,489</b>
Revaluation of real estate investments	1,231	- 89,961
Elimination of rental incentives	- 63	473
Net result on sales of real estate investments	5,461	- 684
Other income	2,988	-
Movements in market value of financial derivatives	7,386	- 3,859
Exchange-rate differences	529	31
Allocated management costs	- 1,043	- 1,130
<b>Indirect investment result before tax</b>	<b>16,489</b>	<b>- 95,130</b>
Corporate income tax	-	-
<b>Indirect investment result after tax</b>	<b>16,489</b>	<b>- 95,130</b>
Indirect investment result attributable to non-controlling interest	762	1,643
<b>Indirect investment result</b>	<b>17,251</b>	<b>- 93,487</b>
<b>Total investment result</b>	<b>42,400</b>	<b>- 68,998</b>
<b>Data per average outstanding share (x €1)</b>		
Direct investment result	0.18	0.17
Indirect investment result	0.12	- 0.65
<b>Total investment result</b>	<b>0.30</b>	<b>- 0.48</b>

# Condensed consolidated interim financial information

30 June 2015

## Condensed consolidated statement of comprehensive income

(x €1,000)

	note	HY 2015	HY 2014
Gross rental income		68,132	67,003
Service costs recharged to tenants		13,037	12,596
Service costs		- 16,380	- 15,522
Service costs not recharged to tenants		- 3,343	- 2,926
Operating costs	5	- 8,055	- 9,223
<b>Net rental income</b>	<b>4</b>	<b>56,734</b>	<b>54,854</b>
Revaluation of investments		1,168	- 89,488
Net result on sales of investments	7	5,461	- 684
Other income		2,988	-
<b>Total net proceeds from investments</b>		<b>66,351</b>	<b>- 35,318</b>
Administrative costs	8	- 4,882	- 4,907
Financing income		576	154
Financing costs		- 19,864	- 21,328
Movements in market value of financial derivatives		7,386	- 3,859
Net financing result		- 11,902	- 25,033
<b>Result before tax</b>		<b>49,567</b>	<b>- 65,258</b>
Corporate income tax	15	118	- 67
<b>Result after tax</b>		<b>49,449</b>	<b>- 65,325</b>
Exchange-rate differences on foreign participations		5	-
<b>Total non-realised result</b>		<b>5</b>	<b>-</b>
<b>Total realised and non-realised result</b>		<b>- 49,454</b>	<b>- 65,325</b>
<b>Result after tax attributable to:</b>			
NSI shareholders		42,400	- 68,998
Non-controlling interest		7,049	3,673
<b>Result after tax</b>		<b>49,449</b>	<b>- 65,325</b>
<b>Total realised and non-realised result attributable to:</b>			
NSI shareholders		42,405	- 68,998
Non-controlling interest		7,049	3,673
<b>Total comprehensive income</b>		<b>49,454</b>	<b>- 65,325</b>
<b>Data per average outstanding share (x €1)</b>			
Diluted as well as non-diluted result after tax		0.30	- 0.48

## Condensed consolidated statement of financial position

Before proposed profit appropriation HY 2015

(x €1,000)

	Note	30-06-2015	31-12-2014	30-06-2014
<b>Assets</b>				
Real estate investments	9	1,043,270	1,645,271	1,722,744
Financial assets	10	49,607	-	-
Intangible assets		8,421	8,449	8,450
Tangible assets		1,701	1,952	2,704
Financial derivatives	14	-	-	44
<b>Total fixed assets</b>		<b>1,102,999</b>	<b>1,655,672</b>	<b>1,733,942</b>
Assets held for sale		5,670	22,905	-
Debtors and other accounts receivable	11	5,213	11,374	15,889
Cash		8,958	10,235	6,849
<b>Total current assets</b>		<b>19,841</b>	<b>44,514</b>	<b>22,738</b>
<b>Total assets</b>		<b>1,122,840</b>	<b>1,700,186</b>	<b>1,756,680</b>
<b>Shareholders' equity</b>				
Issued share capital		65,872	65,782	65,872
Share premium reserve		923,435	923,435	923,435
Other reserves		- 373,728	219,652	- 201,037
Retained earnings		42,400	136,897	- 68,998
<b>Total shareholders' equity attributable to shareholders</b>		<b>657,979</b>	<b>632,758</b>	<b>719,272</b>
Non controlling interest		- 28	156,190	128,518
<b>Total shareholders' equity</b>	<b>12</b>	<b>657,951</b>	<b>788,948</b>	<b>847,790</b>
<b>Liabilities</b>				
Interest-bearing loans	13	369,306	492,046	648,210
Financial derivatives	14	27,209	37,866	40,894
<b>Total long-term liabilities</b>		<b>396,515</b>	<b>529,912</b>	<b>689,104</b>
Redemption requirement long-term liabilities	13	25,053	300,826	155,287
Financial derivatives	14	-	1,430	258
Debts to credit institutions		78	32,846	26,491
Other accounts payable and deferred income	15	43,243	46,224	37,750
<b>Total current liabilities</b>		<b>68,374</b>	<b>381,326</b>	<b>219,786</b>
<b>Total liabilities</b>		<b>464,889</b>	<b>911,238</b>	<b>908,890</b>
<b>Total shareholders' equity and liabilities</b>		<b>1,122,840</b>	<b>1,700,186</b>	<b>1,756,680</b>

## Condensed consolidated cash flow statement

(x €1,000)

	note	30-06-2015	30-06-2014
Result after tax		49,449	- 65,325
Adjusted for:			
Revaluation of real estate investments	-	1,231	89,961
Net result on sales of investments	6	- 5,461	684
Other income	7	- 2,988	-
Book profit on divestment tangible fixed assets		-	- 11
Net financing expenses		11,902	25,033
Corporate income tax		- 118	- 67
Depreciation		164	267
Cash flow from operating activities		2,268	115,867
Movements in debtors and other accounts receivable	11	- 14,307	- 1,587
Movements in other liabilities, accrued expenses and deferred income		20,398	- 3,605
Interest received		576	123
Interest paid		- 22,367	- 22,416
Tax paid		1,085	143
<b>Cash flow from operations</b>		<b>37,102</b>	<b>23,200</b>
Purchases of real estate and investments in existing properties	9	- 41,069	- 11,404
Proceeds of sales of real estate investments	6	31,272	6,783
Proceeds of sale IOW stake (including sales costs and cash and debts to credit institutions)		139,163	-
Investments in tangible fixed assets		- 108	- 89
Divestments of tangible fixed assets		-	25
Investments in intangible assets		- 25	-
<b>Cash flow from investment activities</b>		<b>- 129,233</b>	<b>- 4,685</b>
Dividend paid		- 25,654	- 19,800
Drawdown of loans	13	480,906	66,190
Redemption of loans	13	- 590,101	- 76,572
<b>Cash flow from financing activities</b>		<b>- 134,849</b>	<b>- 30,182</b>
<b>Net cash flow</b>		<b>31,486</b>	<b>- 11,667</b>
Exchange-rate differences		4	-
Cash and debts to credit institutions as of 1 January		- 22,611	- 7,975
<b>Cash and debts to credit institutions as of 30 June</b>		<b>8,879</b>	<b>- 19,642</b>

## Condensed consolidated statement of movements in shareholders' equity

(x €1,000)

The development of the item shareholders' equity over the 1<sup>st</sup> half year ending 30 June 2015 was as follows:

	Issued share capital	Share premium reserve	Other reserves	Retained earnings	Total shareholders' equity attributable to shareholders	Non-controlling interest	Total shareholders' equity
Balance as of 1 January 2015	65,872	923,435	- 219,652	- 136,897	632,758	156,190	788,948
Result HY 2015	-	-	-	42,400	42,400	7,049	49,449
Exchange-rate differences on foreign participations	-	-	5	-	5	-	5
<b>Total realised and non-realised results HY 2015</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>42,400</b>	<b>42,405</b>	<b>7,049</b>	<b>49,455</b>
Distributed final dividend 2014	-	-	- 17,184	-	- 17,184	- 8,470	- 25,654
Profit appropriation 2014	-	-	- 136,897	136,897	-	-	-
Deconsolidation IOW stake	-	-	-	-	-	- 154,797	- 154,797
<b>Total contributions by and to shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Situation as of 30 June 2015	65,872	923,435	- 373,728	42,400	657,979	28	657,951

The development of the item shareholders' equity over the 1<sup>st</sup> half year ending 30 June 2014 was as follows:

	Issued share capital	Share premium reserve	Other reserves	Retained earnings	Total shareholders' equity attributable to shareholders	Non-controlling interest	Total shareholders' equity
Balance as of 1 January 2014	65,872	923,435	- 54,073	- 134,075	801,159	131,756	932,915
Result HY 2014	-	-	-	- 68,998	- 68,998	3,673	- 65,325
Exchange-rate differences on foreign participations	-	-	-	-	-	-	-
<b>Total realised and non-realised results HY 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 68,998</b>	<b>- 68,998</b>	<b>3,673</b>	<b>- 65,325</b>
Distributed final dividend 2013 in cash	-	-	- 12,889	-	- 12,889	- 6,911	- 19,800
Profit appropriation 2013	-	-	- 134,075	134,075	-	-	-
<b>Total contributions by and to shareholders</b>	<b>-</b>	<b>-</b>	<b>- 146,964</b>	<b>134,075</b>	<b>- 12,889</b>	<b>- 6,911</b>	<b>- 19,800</b>
Situation as of 30 June 2014	65,872	923,435	- 201,037	- 68,998	719,272	128,518	847,790

# Notes to the condensed consolidated interim financial statements

## 1. Reporting entity

NSI N.V. is a company domiciled in The Netherlands (headquartered in Hoofddorp, statutory seat in Amsterdam). These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and joint ventures.

## 2. Basis of preparation

### (a) Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do 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 an understanding of 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 2014.

These interim financial statements were authorised for issue by the Company's Management and Supervisory Board on 29 July 2015.

### (b) Judgements and estimates

In preparing these interim financial statements, management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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 2014.

## 3. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. There are no standards or interpretations that require adjustments of previous financial statements. There are no new standards and interpretations that have become effective for the first time in 2015.

## 4. Segment information

Below, a summary of the results of each of the reporting segments is included.

	The Netherlands		Switzerland		Belgium			Total	
	HY 2015	HY 2014	HY 2015	HY 2014	HY 2015	HY 2014	HY 2015	HY 2014	
Gross rental income	45,109	47,005	-	-	23,023	19,998	68,132	67,003	
Service costs not recharged to tenants	- 2,808	- 2,520	-	-	535	406	3,343	2,926	
Operating costs	- 8,685	- 7,912	267	27	363	1,284	8,055	9,223	
<b>Net rental income</b>	<b>33,616</b>	<b>36,573</b>	<b>267</b>	<b>27</b>	<b>22,851</b>	<b>18,308</b>	<b>56,734</b>	<b>54,854</b>	
Revaluation result	3,470	87,163	-	-	2,302	2,325	1,168	89,488	
Net result on sales	5,341	95	-	-	120	589	5,461	684	
Result on sales other investments	2,837	-	-	-	151	-	2,988	-	
<b>Segment result</b>	<b>45,264</b>	<b>50,685</b>	<b>267</b>	<b>27</b>	<b>20,820</b>	<b>15,394</b>	<b>66,351</b>	<b>35,318</b>	
<b>Reconciliation</b>									
Administrative costs	- 3,917	- 3,924	12	10	977	973	4,882	4,907	
Net financing costs	- 6,506	- 18,769	-	-	5,396	6,264	11,902	25,033	
<b>Result before tax</b>	<b>34,841</b>	<b>73,378</b>	<b>279</b>	<b>37</b>	<b>14,447</b>	<b>8,157</b>	<b>49,567</b>	<b>65,258</b>	
Corporate income tax	21	6	4	21	143	82	118	67	
<b>Result after tax</b>	<b>34,862</b>	<b>73,384</b>	<b>283</b>	<b>16</b>	<b>14,304</b>	<b>8,075</b>	<b>49,449</b>	<b>65,325</b>	
Non-controlling interest	-	-	-	-	7,049	3,673	7,049	3,673	
<b>Investment income attributable to shareholders NSI</b>	<b>34,862</b>	<b>73,384</b>	<b>283</b>	<b>16</b>	<b>7,255</b>	<b>4,402</b>	<b>42,400</b>	<b>68,998</b>	

	The Netherlands		Switzerland		Belgium			Total	
	30-6-2015	30-06-2014	30-06-2015	30-06-2014	30-6-2015	30-06-2014	30-6-2015	30-06-2014	
Real estate investments	1,046,970	1,142,971	-	-	1,970	579,773	1,048,940	1,722,744	
Other assets	64,084	21,922	1,084	3,843	8,603	8,028	73,771	33,793	
Non-allocated assets	-	-	-	-	-	-	129	143	
<b>Total assets</b>							<b>1,122,840</b>	<b>1,756,680</b>	
Long-term liabilities	396,515	532,480	-	-	-	156,624	396,515	689,104	
Short-term liabilities	68,002	70,413	126	409	156	148,865	68,284	219,687	
Non-allocated liabilities	-	-	-	-	-	-	90	99	
<b>Total liabilities</b>							<b>464,889</b>	<b>908,890</b>	
Purchases and investments in existing properties	8,823	9,112	-	-	32,246	2,292	41,069	11,404	

## 5. Operating costs

The operating costs for the properties can be specified as follows:

	HY 2015	HY 2014
Municipal taxes	1,700	2,068
Insurance premiums	430	390
Maintenance costs	3,041	1,716
Contributions to owner's associations	458	414
Property management (including attributed administrative expenses)	2,385	2,345
Letting costs*	475	1,562
Other costs	516	728
<b>Total</b>	<b>8,055</b>	<b>9,223</b>

\* including one off gain in Belgium in Q1 2015

## 6. Net result on sales of investments

	HY 2015	HY 2014
Sales of real estate investments	31,494	6,899
Book value at time of sale	25,811	7,467
<b>Total</b>	<b>5,683</b>	<b>- 568</b>
Sales costs	- 222	- 116
<b>Total</b>	<b>5,461</b>	<b>- 813</b>

The sales costs are including broker costs and legal costs.

## 7. Other income

Other income concerns a partial divestment of the stake in IOW. With this transaction a total result of € 3.0 million from the sale and the revaluation of the remaining stake at €20.02 (cost price/fair value according to IFRS) was realized. The transaction costs amounted to € 2.2 million. These were included in the result of this transaction.

## 8. Administrative expenses

The administrative costs can be specified as follows:

	HY 2015	HY 2014
Management costs	6,693	6,234
Audit costs	207	217
Consultancy costs	272	423
Appraisal costs	332	258
Compensation of Supervisory Directors	130	175
Other costs	299	322
<b>Total</b>	<b>7,933</b>	<b>7,629</b>
Allocated to operating costs	- 2,901	- 2,572
Allocated to real estate portfolio	- 150	- 150
<b>Total</b>	<b>4,882</b>	<b>4,907</b>

## 9. Real estate investments

The development of the real estate investments in operation and under development was as follows:

	HY 2015	HY 2014
Real estate investments in operation	1,028,500	1,709,318
Real estate investments under development	14,770	13,426
<b>Total</b>	<b>1,043,270</b>	<b>1,722,744</b>

Real estate investments in operation and real estate investments under development are accounted for at fair value. The fair value is determined on the basis of one of the following levels in the fair value hierarchy:

Level 1: valuation on the basis of 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.

All real estate investments are defined as level 3. All real estate investments in Belgium are being appraised every quarter by an independent external appraiser. The value of the Dutch real estate investments is appraised by independent certified external appraisers twice a year; 50% as per 30 June and 50% as per 31 December. The valuations are analysed with regard to the methods used, the assumptions and the results.

As per 30 June 2015, almost the complete real estate investments have been externally appraised by independent, certified appraisers. The fair value is based on market value (purchasing costs payable by purchaser, thus adjusted for acquisition costs like real estate transfer tax), which is the estimated amount for which a real estate investment can be traded on the valuation date between a buyer willing to enter into a transaction and a seller in an at arms' length transaction preceded by sound negotiations in which the parties are properly informed and were willing to enter into the transaction.

When no actual market value in an active market is available, valuations are being determined on the basis of a net initial yield calculation, in which the net market rents are being capitalized. The yields applied are specific to property type, location, state of maintenance and lettable of each asset. The basis for the determination of the yields is based on comparable transactions, complemented by market and asset specific knowledge.

The table below summarises the valuation technique which is used for determining the fair value, as well as the significant unobservable inputs being used.

Valuation technique	Significant non-observable input	Interrelationship between significant unobservable inputs and measurement of the fair value
<p><i>Net Initial Yield calculation.</i></p> <p>The valuation model considers the present value of cash flow from investments, taking into account the expected increases in rent levels, periods of vacancy, the occupancy rate, letting costs, such as rent-free periods and other rent incentives not being paid by the tenant. The expected net cash flows are discounted using a risk-adjusted discount rate. In estimating the discount rate, among other things, the quality and location of the object, the creditworthiness of the tenant and the lease conditions are taken into account.</p>	<ul style="list-style-type: none"> <li>• Forecasted growth of the market rent.</li> <li>• Periods of vacancy.</li> <li>• Improved occupancy rate.</li> <li>• Rent-free period.</li> <li>• Net Initial yield.</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>• The expected growth of market rent were higher (lower)</li> <li>• The periods of vacancy were shorter (longer).</li> <li>• The occupancy rate were higher (lower)</li> <li>• The rent-free periods were shorter (longer).</li> <li>• EPRA Net Initial Yield is lower (higher)</li> </ul>

The returns described in the management report represent market practice and are calculated by the (theoretical) net rent of the real estate property divided by the fair value expressed as a percentage. The total EPRA net Initial yield as of 30 June 2015 was 8.4% for the Netherlands (31 December 2014: 9.0%). The yields are specific to the country, real estate type, location, state of repair and leasability of the object. The basis for determining the yields are comparable transactions supplemented with market and property-specific knowledge. These varied from 5.8% to 16.1% for The Netherlands. Comparable transactions in the market were also taken into account in the valuation.

The most important valuation assumptions are:

	The Netherlands	
	HY 2015	2014
<b>Average effective contractual rent per sqm (in €)</b>		
Offices	145	149
Retail	147	151
Industrial	67	70
<b>Average market rent per sqm (in €)</b>		
Offices	129	129
Retail	137	137
Industrial	59	58
<b>Average gross yield (in %)</b>		
Average gross yield (in %)	11.4	11.7
<b>Average net yield (in %)</b>		
Average net yield (in %)	8.4	9.0
<b>Vacancy</b>		
Vacancy	22.2	22.9

Assumptions are made per property, per tenant and per vacant unit based upon the possibility of (re)letting, expected duration of vacancy, incentives and letting costs.

### Sensitivity analysis

The value of the real estate investments implies an average net yield of 6.4%. If the yields applied in the calculation to determine the valuation of real estate investments as per 30 June 2015 would be 100 basis points lower than those currently used, the value of the real estate investments would increase by 5.3% (2014: 13.0%). NSI's equity would in this case increase by €56 million (2014: €217.0 million). The loan-to-value would in that case decrease from 35.1% to 33.4%.

### Real estate investments in operation

The development of the real estate investments in operation per country was as follows:

	30-06-2015			30-06-2014		
	The Netherlands	Belgium		The Netherlands	Belgium	
Balance on 1 January	1,016,495	610,826	1,627,321	1,215,519	582,059	1,797,578
Purchases	-	30,107	30,107	-	-	-
Investments	7,330	2,139	9,469	9,112	2,292	11,404
Reclassification into real estate investments under development	- 4,250	-	4,250	- 3,271	-	- 3,271
Reclassification into assets held for sale	- 550	- 1,350	- 1,900	-	-	-
Sales	- 1,870	- 3,666	- 5,536	- 4,840	- 2,627	- 7,467
Revaluations	2,845	- 2,331	514	- 86,355	- 2,571	- 88,926
Deconsolidation IOW stake	-	- 635,725	- 635,725	-	-	-
<b>Balance on 30 June</b>	<b>1,028,500</b>	<b>-</b>	<b>1,028,500</b>	<b>1,130,165</b>	<b>579,153</b>	<b>1,709,318</b>

The valuations contain:

	The Netherlands	Belgium	Total 30-06-2015	the Netherlands	Belgium	Total 30-06-2014
Prepayment and accrued income in relation to incentives	6,834	-	6,834	7,077	3,937	11,014

The development of the investments in operation by real estate type was as follows:

	Retail	Offices	Industrial	Total 30-06- 2014
Balance on 1 January 2015	431,075	855,866	340,380	1,627,321
Purchases	-	-	30,107	30,107
Investments	2,229	5,199	2,041	9,469
Reclassification into real estate investments under development	-	4,250	-	4,250
Reclassification to asset held for sale	-	- 1,900	-	- 1,900
Sales	-	-	- 5,536	- 5,536
Revaluations	1,501	1,448	- 2,435	514
Disposal minority interests	-	- 332,468	- 303,257	- 635,725
<b>Balance on 30 June 2015</b>	<b>434,805</b>	<b>532,395</b>	<b>61,300</b>	<b>1,028,500</b>

On 30 June 2015, properties with a book value of €1,019.4 million (ultimo 2014: €1,031.2 million) were mortgaged as security for loans taken out and credit facilities at banks amounting to €437.6 million (ultimo 2014: €572 million). It is possible to vary the level of securitisation within the banking arrangements, enabling NSI to create additional loan capacity within the existing facilities or allocate the securities partly to a different facility.

Real estate investments under development	30-06-2015	30-06-2014
Balance on 1 January	17,950	11,190
Investments	1,493	-
Reclassification of real estate investments in operation	- 4,250	3,271
Reclassification to asset held for sale	- 620	-
Sales	- 520	-
Revaluations	717	- 1,035
<b>Balance on 30 June</b>	<b>14,770</b>	<b>13,426</b>

Real estate investments under development contain an offices and two land positions as per 30 June 2015.

## 10. Financial assets

On 18 June 2015, NSI partially divested its stake in Belgian Interinvest Offices & Warehouses ("IOW") from 50.2% to 15.2%. The impact on the presentation of the stake is as follows:

### *Balance sheet*

As per 18 June 2015 IOW will no longer be consolidated in the balance sheet of NSI.

The remaining stake of 15.2% in IOW (2,476,241 shares) is revalued according to the fair value per share (share price IOW: €20.02) as per 18 June 2015. As of 18 June 2015 IOW will be treated as "associates" and the equity method will be applied. This means that the value of the minority stake will fluctuate with the net asset value of IOW.

This method is in accordance with NSI's accounting policies.

### *Profit and loss account*

In the profit and loss account as per 30 June 2015, the 50.2% stake in IOW contributed to the result up to and including 18 June 2015 and is consolidated up to and including 30 June 2015 (€ 7.1 million).

*Realized result on sales*

NSI sold 5.7 million shares in IOW (representing a 35% stake) at € 19.50 per share. The total result of this transaction including revaluation was € 3.0 million. The transaction costs amounted to € 2.2 million. These were included in the result of this transaction.

*Impact Transaction on assets, liabilities, shareholders' equity and results*

As a result of the transaction NSI raised € 110.8 million in cash. As a result of the transaction the value of the real estate investments decreased by € 635.7 million and the total balance sheet decreased by € 656.1 million. The impact on the debt to credit institutions amounts to € 320.4 million. The loan-to-value (LTV) decreased to 35.1% as per 30 June 2015 compared with year-end 2014 (48.9%), mainly as a result of the deconsolidation of IOW. Shareholders' equity decreased by € 154.8 million.

## 11. Debtors and other accounts receivable

The main items concern the expected insurance settlement in connection to shopping centre 't Loon and prepaid costs 2015 for an amount of €2.5 million.

## 12. Shareholders' equity

The number of issued shares remained unchanged during the reporting period.

## 13. Interest-bearing debt

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

	30-06-2015	30-06-2014
Balance on 1 January	792,872	813,879
Drawdowns	- 480,906	66,190
Redemptions	- 590,101	- 76,462
Amortisation financing	- 202	- 110
Deconsolidation IOW stake	- 289,116	-
<b>Balance on 30 June</b>	<b>394,359</b>	<b>803,497</b>
Redemption requirement long-term debt up to 1 year	25,053	155,287
<b>Balance on 30 June</b>	<b>369,306</b>	<b>648,210</b>

Remaining maturities of the loans at 30 June 2015 were as follows:

	Fixed interest	Variable interest	Total
Up to 1 year	600	24,453	25,053
From 1 to 2 years	17,580	22,478	40,058
From 2 to 5 years	54,379	175,455	229,834
From 5 to 10 years	-	99,414	99,414
More than 10 years	-	-	-
<b>Total loans</b>	<b>72,559</b>	<b>321,800</b>	<b>394,359</b>

The interest-bearing debt comprises loans from banks and other financial institutions. The average interest for the outstanding loans and interest swaps as per 30 June 2015 is 5.1% per annum, including margin. This is the result of the decreased interest margins per end of the quarter, following the refinancing, combined with a – through net redemptions on loans – greater influence of relatively high interest derivatives. The interest coverage ratio amounted to 2.9 as at 30 June 2015.

	fixed interest	variable interest	total loans	credit institutions	swaps (variable for fixed i)	% fixed interest after swaps	interest %
The Netherlands	72,559	321,800	394,359	40,000	336,625	94.2	5.1
Belgium	-	-	-	-	-	-	-
<b>Total 30 June 2015</b>	<b>72,559</b>	<b>321,800</b>	<b>394,359</b>	<b>40,000</b>	<b>336,625</b>	<b>94.2</b>	<b>5.1</b>
<b>Total 31 December 2014</b>	<b>214,213</b>	<b>578,659</b>	<b>792,872</b>	<b>63,250</b>	<b>466,625</b>	<b>89.7</b>	<b>4.6</b>

## 14. Financial derivatives

### *Fair value of financial instruments*

The categories of financial instruments in accordance with IAS 39 are: A. assets and liabilities, B. loans and receivables, C. financial assets available for sale, D. cash and cash equivalents and E. financial liabilities.

The carrying amount of financial instruments and fair value in the balance sheet were as follows:

	Note	IAS 39 category	Book value	30-06-2015 Fair value
<b>Financial assets</b>				
Assets held for sale		A	5,670	5,670
Debtors and other accounts	11	B	5,213	5,213
Cash		D	8,958	8,958
<b>Total</b>			<b>19,841</b>	<b>19,841</b>
<b>Financial liabilities</b>				
Interest-bearing debt	13	E	394,359	396,445
Financial derivatives	14	A	27,209	27,209
Current liabilities	15	E	43,321	43,321
<b>Total</b>			<b>464,889</b>	<b>466,975</b>

### *Fair value hierarchy*

The table below shows recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorized into different levels in the fair values hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1: valuation on the basis of 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 apply to all derivative financial instruments; the model in which fair value is determined on the basis of direct or indirect observable market data.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. These quotes are periodically tested for reasonableness by discounting expected future cash flows using a market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of NSI and counterparty when appropriate.

The derivative financial instruments have the following maturities:

	Number of contracts	Nominal	Fair value assets 2015	Fair value liabilities 2015
Up to 1 year	-	-	-	-
From 1 to 5 years	15	302,325	-	14,107
From 5 to 10 years	4	94,300	-	13,102
<b>Total swaps</b>	<b>19</b>	<b>396,625</b>	<b>-</b>	<b>27,209</b>
Total derivatives index loans	2	54,000	-	-
<b>Total derivatives</b>	<b>21</b>	<b>450,625</b>	<b>-</b>	<b>27,209</b>

NSI limits its interest-rate risk by swapping the majority of the variable interest it pays on its loans into a fixed interest rate, by means of contracts with fixed interest rates varying from 0.494 % to 4.445% and with maturity dates between 2016 and 2022. The market value of the financial derivatives amounted to - €27.2 million as at 30 June 2015.

The weighted average remaining maturity of the financial derivatives is 3.6 years. NSI is hedged at a weighted interest rate of 2.5%, excluding margin. 5.8% of the current loans and credit facilities are subject to variable interest and are therefore not hedged.

## 15. Other payables and accrued liabilities

The largest items recognized under the other payables and accrued liabilities concern prepaid rent of €6.9 million, payable operational costs of €5.0 million and payable interest of €6.5 million.

## 16. Liabilities not appearing on the balance sheet

### Disposals

In the second quarter of 2015 NSI has reached agreement on the sale of:

- An office building at the Villawal in Nieuwegein (sales price € 3.1 million), delivered 15 July 2015;
- An office building at the Strekkerweg in Amsterdam (sales price € 0.6 million), expected delivery first half year 2016.

## Management Board Statement

The Management Board states that, as far as it aware that:

- this 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 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 have been included in the interim statement, and the expected course of business; and
- 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 op het financieel toezicht).

NSI considers the credit risk, liquidity risk, interest risk and currency risks as financial risks. Also market risks are being recognised.

### *Risks*

Reference is made to the annual report 2014 with regards to existing risks. Market risks include changes in the economic environment and availability of funding in the credit markets, which is partially related to the euro crises, which may effect both the letting prospects as well as the market value of the properties.

Hoofddorp, 31 July 2015

### *Management Board*

J. Buijs, CEO

D.S.M. van Dongen, CFO

## Other information

### Statement pursuant to the Financial Supervision Act

The members of NSI's Supervisory Board and Management Board have no personal interests in any of the investments made by NSI. Furthermore, they never had any such interest at any time during the period under review. The company is not aware of any property transactions during the period under review with any people or organisations that could be considered to have a direct relationship with the company.

### Holders of shares with a capital interest of 3% or more.

In accordance with the Financial Supervision Act, the Netherlands Authority for the Financial Markets receives notifications of shareholders with an interest of more than 3% in the company. According to the most recent notifications, these interests were as follows:

Cohen & Steers Capital Management, Inc.	12.3%
Habas H.Z. Investments (1960) Ltd.	6.4%
CBRE Clarion Securities, LLC	5.9%
BNP Paribas Investment Partners SA	4.5%
Phoenix Insurance Company Ltd	3.7%
Voya Financial Inc.	3.0%
BlackRock, Inc.	3.0%
Mayer (keshet) Real Estate Ltd.	3.0%

## Financial calendar 2015

### Financial calendar 2014

Trading update first three quarters 2015	30 October 2015
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### Interim-dividends

Setting of HY 2015 interim-dividend	31 July 2015
Listing ex-dividend	4 August 2015
Registration date	5 August 2015
Payment HY 2015 interim dividend	11 August 2015

### Conference call & audio webcast for analysts

On Friday 31 July NSI will host a conference call and audio webcast at 09:30 am CET for analysts.

The dial in number for the conference call is:

The Netherlands: + 31 (0) 20 531 5869.

United Kingdom: +44 (0) 20 33653210

United States: + 1 8663496093

Israel: + 1-80-9212794

To register for the audio webcast, please use the following link: [http://player.companywebcast.com/nsi/20150731\\_1/en/Player](http://player.companywebcast.com/nsi/20150731_1/en/Player).

# Review report

To: the General Meeting of shareholders of NSI N.V.

## Introduction

We have reviewed the accompanying condensed consolidated interim financial information (hereafter 'consolidated interim financial information') as at 30 June 2015 of NSI N.V., Hoofddorp (statutory seat in Amsterdam), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of movements in shareholders' equity, and the consolidated cash flow statement for the period of 6 months ended 30 June 2015, and the notes. Management of the Company is responsible for the preparation and presentation of this 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 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 Entity'. 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 as at 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 31 July 2015  
KPMG Accountants N.V.

H.D. Grönloh RA