

Interim report per 30 June 2013

NSI N.V.

Report of the Management Board

NSI: investing in operational performance

Results

- Direct investment result for the 1st half-year of 2013 amounted to €25.5 million (€0.37 per share); for the 2nd quarter, €12.1 million (€0.18 per share)
- Total investment result for the 1st half-year of 2013 amounted to €43.3 million negative, comprising a positive direct investment result of €25.5 million and a negative indirect investment result of €68.7 million.
- Revaluations in the real estate portfolio amounted to €80.0 million negative in the 1st half-year of 2013; -€37.6 in the 2nd quarter
- The occupancy rate of the total portfolio improved from 81.3% as at 31 March 2013 to 81.5% as at 30 June 2013
- Improvement in the occupancy rate of the Dutch office portfolio continued, from 72.1% as at 31 March 2013 to 72.8% as at 30 June 2013
- Like-for-like rental development Q2 2013 vs Q1 2013 stable in the retail portfolio (0.2%), slightly negative in the office portfolio (-0.4%)
- NSI realized for a total of €86 million of asset sales in the 1st half year of 2013, representing annualized gross rental income of €6.7 million.
- Largest credit facility of €260 million successfully refinanced; loan maturity improved to 2.6 year as per 30 June 2013 (31 March 2013: 2.1 year)
- Loan to value amounted to 58.9% as at 30 June 2013 (58.0% at 31 March 2013)
- The interim dividend for the 2nd quarter amounts to €0.09 per share in cash (€0.19 for the 1st half-year)

Johan Buijs, CEO of NSI:

"The results for the 1st half-year show our operational strength in a market that persistently remains challenging. Foremost, we have improved occupancy for the 3rd quarter in succession.

We have also continued the disposal of properties that are non-core assets or that have reached their optimal value under our management. Despite the fact that activity remains low in the transaction market too, we have been successful there, with a total sales volume of €86 million in the 1st half of 2013, over and above the €101 million realised in 2012. The downside is that this also means that we lose the related rental income and as a result of which we have adjusted our outlook for 2013.

We have also successfully refinanced the largest credit facility of €260 million in June. In the past six quarters, we have refinanced more than 90% (€790 million) of our outstanding Dutch debt. This is a strong sign of the confidence of our financing partners.

In the office market, we continue to outperform the market in terms of new leases and are succeeding in mitigating the pressure on market leases with new letting concepts. In July, for example, we opened our second HNK office in Hoofddorp. In the retail portfolio, we retained the occupancy level, supported by the strong representation of supermarkets in our portfolio, but we are seeing an increase in pressure, particularly in the large-scale retail segment.

Another development which continued was the negative revaluations, which we saw at persistent high levels in the 1st two quarters in 2013, totaling an amount of - €80 million. The uncertainty regarding the future development of valuations puts more emphasis on our commitment and efforts to improve our balance sheet, as also shown by the high level of asset sales realized in the 1st half year.

Nevertheless, in the real estate market of today, it all comes down to the strength of your operational leasing platform; NSI has a strong foundation on which we have built for years, based on our vision of a fully equipped active asset management, with all operational competences in-house. With our new COO Mark Siezen on board, we will pursue our aim of operational excellence even further."

Operational highlights

Retail NL (28% of portfolio)

- Occupancy rate stable at 92.0%
- Renewals with national chains in both food and non-food segments
- Take-up of 4,029 sqm in locations including Rotterdam (Ambachtsplein), Rijswijk (Sterpassage) and Heerlen ('t Loon)
- Construction work started in 't Loon shopping mall in Heerlen
- Stable like-for-like rent development Q2 2013 vs Q1 2013 (0.2%)
- Effective rent level for total portfolio slightly improved to €155 per sqm in Q2 2013 (Q1 2013: €152)
- Shopping centre De Esch in Rotterdam has been sold in July 2013

Offices NL (38% of portfolio)

- Further improvement occupancy for 3rd successive quarter to 72.8% as at 30 June 2013 (72.1% as at 30 March 2013, 71.3% at year-end 2012.
- Despite occupancy improvement, the like-for-like growth was slightly negative. (-0.4%)
- Take-up of 13,326 in the 1st half-year, representing 2.7% of the take-up in the Dutch office market in the first half-year, while the NSI portfolio represents 1.2% of the total Dutch office market
- Transformation of HNK Hoofddorp completed and the NSI head office has been located here since 15 July 2013. HNK Utrecht will open in the autumn.
- Effective rent level of new leases at € 135 per sqm over last 12 months (Q2: €142 per sqm). Effective rent for total portfolio amount almost stable at €145 per sqm in Q2 (Q1: €146 per sqm).
- NSI won HNK the Springwrq award for the most innovative leasing concept

Belgium (30% of portfolio)

- Stable occupancy of 85.3% through positive development in the logistics portfolio and a decrease in the office portfolio
- Expansion of Oevel logistical site delivered in June 2013
- Higher leasing activity and active pipeline in 1st half of 2013 in comparison with 1st half of 2012
- Net revaluation result of €5.5 million in 2nd quarter (1st half-year: €3.8 million) through positive revaluation in the logistics portfolio (€20.2 million) and a negative revaluation in the office portfolio (€14.7 million).
- Sale of semi-industrial asset 'Guldendell' in Kortenberg 15% above book value (as per 31 December 2012)

Other (4% of portfolio)

- Transfer of sold Swiss retail centre HertiZentrum
- The sale of the last remaining Swiss asset (2,267 sqm office centre in Fribourg) is in progress.

Key figures

	HY 2013	HY 2012	2012
Results (x €1,000)			
Gross rental income	73,612	81,349	160,545
Net rental income	62,466	69,501	137,334
Direct investment result	25,471	32,570	63,405
Indirect investment result	- 68,721	- 78,305	- 166,522
Result after tax	- 43,250	- 45,735	- 103,117
Occupancy rate (in %)	81.5	81.8	81.1
Loan-to-value (debts to credit institutions/real estate investments in %)	58.9	56.4	58.2
Issued share capital			
Ordinary shares with a nominal value of €0.46 during period under review	68,201,841	65,964,770	68,201,841
Average number of outstanding ordinary shares during period under review	68,201,841	61,956,195	64,288,818
Data per average outstanding ordinary share (x €1)			
Direct investment result	0.37	0.53	0.99
Indirect investment result	- 1.00	- 1.27	- 2.59
Total investment result	- 0.63	- 0.74	- 1.60
Data per share (x €1)			
(Interim) dividend	0.19	0.51	0.86
Net asset value	8.93	11.26	9.78
Net asset value according to EPRA	9.85	12.38	10.95

Outlook 2013

The macro-economic indicators are pointing towards negative economic growth in the Netherlands in 2013, while a modest recovery is expected in the 2nd half of the year (source: CPB Netherlands Bureau for Economic Policy Analysis). In this environment, the distinctive and operationally strong approach of NSIs remains, even more, crucial.

In the 2nd half of 2013, NSI will specifically focus on:

Organisation

- Further professionalization of the organisation, amongst others by appointing a COO (Chief Operating Officer). Mark Siezen has joined NSI as per 1 July 2013.

Offices

- Further improvement of the occupancy over the year in 2013. As a result of proactive management of the expiration calendar in the previous years, only 6% (in value) of the contracts can expire in 2013, which will support the improvement of the occupancy level.
- Further roll out of the HNK concept. NSI has launched HNK Hoofddorp recently, and the launch of HNK Utrecht is scheduled for the autumn of 2013. The planned investment is approx. €2.3million.
- Through different business concepts and propositions, NSI aims to sustain the effective rent level (€120 per sqm in 2012), or even increase its effective rent level by providing additional services and flexibility, like in the HNK concept.

Retail

- NSI will continue to actively pursue the right mix in branches, including a further increase of the presence of supermarkets.
- NSI expects pressure on occupancy levels in the retail portfolio, in particular in the large scale segment, to increase in the second half of 2013.
- The effective rent level is expected to remain stable at the current level (€155 per sqm).

Strategy

- NSI will continue its disposal strategy of non-core assets and assets of which the value potential under NSI's management has been optimised. The sale of the last Swiss asset is in progress. Proceeds of asset sales will be used to strengthen the balance sheet. In the 1st half of 2013, NSI has sold assets for a total of €86 million.

Financing

- NSI refinanced virtually all debt initially maturing in 2013 and is largely covered for the in 2014 maturing debt. NSI has started the refinancing process regarding the remaining debt maturing in 2014 (approx. €100 million).

NSI is highly committed to reduce its LtV to below 55%. However, the 1st two quarters of 2013 showed continued high levels of negative property revaluations, which resulted in an increase in LtV to 58.9% as at 30 June 2013. The uncertainty regarding future property valuations puts more emphasis on our commitment and efforts to bring back the LtV below 55%, as also shown by the level of asset disposals realized in the 1st half of 2013 (€86 million).

Intervest Offices & Warehouses

- The shareholding of NSI in Intervest Offices & Warehouses has been diluted from 54.8% to 54.0% since NSI opted for dividend in cash while 20.6% of the dividend has been distributed in shares.

NSI aims to further improve the occupancy rate in the 2nd half of 2013. Furthermore, NSI has continued the disposal of assets in 2013. The effect of the annualized gross rental income of assets disposed in 2013 (as per 30 June) amounts to €6.7 million and €6.7 million for assets sold in 2012. In addition to the (anticipated) higher financing costs, NSI refinanced a credit facility in 2013 which would have matured in 2014.

Primarily due to the effects of the sale of assets and the refinancing, NSI expects a direct result for the full year 2013 in the range of €46 to €48 million.

Financial report

Total investment result

The total investment result, consisting of the balance of the direct and the indirect investment result, amounted to -€43.3 million (1st half-year 2012: -€ 45.7 million) in the 1st half-year of 2013.

Direct investment result

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

The direct investment result amounted to €25.5 million (HY 2012: €32.6 million) in the 1st half-year of 2013. The direct investment result in the 2nd quarter of 2013 decreased to €12.1 million, compared with €13.4 million in the 1st quarter of 2013, mainly as a result of disposals, increased financing costs (€0.4 million) and slight dilution of NSI's share in Intervest Offices & Warehouses (€0.2 million).

Gross rental income amounted to €73.6 million (HY 2012: € 81.3 million). In the 2nd quarter, gross rental income was €36.5 million, compared with €37.1 million in the 1st quarter of 2013, mainly as a result of disposals (€ 4.8 million on annual basis). In the 2nd quarter, disposals of two office buildings (Herengracht and Leidsegracht in Amsterdam), 1 industrial property (Cessnalaan at Schiphol), the Swiss HertiZentrum shopping mall and an industrial property in Belgium (Kortenbergh) were completed.

The occupancy rate of the total portfolio increased to 81.5% as at 30 June 2013, compared to 81.3% as at 31 March 2013 (year-end 2012: 81.1%). The occupancy in the Dutch office portfolio improved for the 3rd quarter in succession, from 72.1% as at 30 March 2013 to 72.8% as at 30 June 2013. The occupancy level of the retail portfolio remained stable at 92.0%.

Leasing activities

Offices NL

The table below shows movements in occupancy in square meters. In addition to the occupancy in square meters, NSI reports the financial occupancy rate, which improved from 72.1% as at 31 March 2013 to 72.8% as at 30 June 2013.

Leased 1 January 2013		Leased in period		Vacated in period		Portfolio 30 June 2013		Leased per 30 June 2013	
sqm	%	sqm		sqm		sqm	sqm	%	
434,277	68,2%	14,055		18,234		604,020	425,786	70,5%	

'Leased in period' (see table) are leases that commenced in the 1st half-year of 2013.

Take-up (new leases) concerns contracts signed during the period under review. NSI signed for 3,314 sqm of new leases (take-up) in the Dutch office portfolio in the 2nd quarter and 13,326 sqm in the 1st half-year of 2013, which represents about 2.7% of the total take-up in the Dutch office market. The NSI portfolio represents 1.2% of the total Dutch office market, showing that NSI continues to outperform the market average for take-up.

As per 1 August 2013, NSI has leased its own former office on the Kruisweg in Hoofddorp to BuyItDirect.com. This shows that, with the right knowledge and expertise, NSI is able to create attractive premises for its clients.

The NSI head office relocated in mid-July to the new HNK building in Hoofddorp. The HNK building on the Antareslaan in Hoofddorp is the 2nd HNK establishment in the NSI portfolio.

The 3rd HNK building (some 3,000 sqm) will open in Utrecht in the autumn of 2013. NSI won with HNK the Springwrq award for the most innovative leasing concept. NSI has already pre-let 22% of this new location.

Furthermore, NSI continues its focus on (proactively) renewing contracts. The proactive approach and continuous dialogue with tenants create a more balanced negotiation momentum and a well spread expiration calendar.

In the remaining months of 2013, 6% of the contracts could expire.

NSI realised lease renewals for 41,867 sqm in the 1st half-year of 2013.

Retention:

Expiry sqm Q2 2013	Renewed sqm	Retention
58,977	41,867	71%

The retention rate amounted to 71% in the 2nd quarter of 2013, reflecting NSI's ability to continue to meet tenants' needs

Despite the slight occupancy improvement, the like-for-like rental growth was slightly negative. The effective rent level of new leases in the office portfolio, taking incentives into account, amounted to €135 per sqm in the past 12 months (€142 per sqm in the 2nd quarter). The effective rent level for the overall portfolio amounted to €145 per sqm as at 30 June 2013 (31 March 2013: €146 per sqm). The average lease duration of the portfolio was 3.8 years as per 30 June 2013.

Retail NL

The financial occupancy of the retail portfolio remained stable at 92.0% compared with the 1st quarter of 2013.

Pressure on the retail sector increased further in the 1st half year, as a result of generally low consumer spending. NSI benefits from a balanced mix of tenants and sectors. The retail portfolio is characterised by a good mix, with supermarkets accounting for a share of about 24%. Supermarkets are traditionally less sensitive to economic conditions, as the 1st half of 2013 showed.

NSI also aims for a good ratio of national chains to local businesses in its shopping centres. While chains are important for attracting the public, local business provide for distinctive capacity. Many retail chains are reviewing their branch policy. The dynamic that this creates offers opportunities for NSI's shopping malls.

Pressure through low consumer spending has also increased in the large-scale retail trade (16% of the retail portfolio), particularly in the home segment, where the impact of low spending is intensified by the lack of movement in the housing market. NSI expects that vacancy in this segment will increase.

The table below shows the development of occupancy in square meters.

Leased per 1 January 2013		Leased in period	Vacated in period	Portfolio 30 June 2013	Leased per 30 June 2013	
Sqm	%	Sqm	Sqm	Sqm	Sqm	%
271,953	93.0%	5,490	13,422	284,761	256,692	90.1%

Expiry sqm Q1 2013	Renewed sqm	Retention
26,598	19,190	72%

Take-up consisted of a number of smaller transactions, which amounted to 4,029 sqm in the 1st half-year of 2013.

Furthermore, Bricksworld Megastore signed a leasing agreement to open the largest LEGO shop (690 sqm) of Europe in shopping centre 't Loon.

This unit will be located on the 1st floor, next to Ce-A and BCC, which will create a strong offering to support a solid footfall. The construction activities of 't Loon has started recently, after the required permits were granted.

Renewals included contracts with a number of supermarkets and various national chains, including Plus supermarket in the Esch shopping centre in Rotterdam and Lidl in the Zevenkampse ring shopping centre in Rotterdam.

The like-for-like rental growth in the retail portfolio was stable.

The effective rent level for the entire retail portfolio amounted to € 155 per sqm in the 2nd quarter of 2013 (Q1 2013: € 152 per sqm). The average lease duration of the retail portfolio was 3.7 years as at 30 June 2013.

Belgium

The occupancy of the Belgian portfolio remained stable overall at 85.3%. The logistics portfolio, in particular, continues to perform strongly. In the office portfolio, there is an active pipeline but occupancy is under pressure due to the difficult Belgian office market.

The average lease duration in the Belgian portfolio as at 30 June 2013 was 4.2 years for the office portfolio and 3.8 years for the logistics portfolio.

Rental income in the Netherlands, Switzerland and Belgium

x €1,000

	Q2 2013	Q2 2012
The Netherlands		
Gross rental income	52,560	57,046
Net rental income	42,011	46,663
Switzerland		
Gross rental income	1,018	3,787
Net rental income	859	2,697
Belgium		
Gross rental income	20,034	20,516
Net rental income	19,596	20,141

Gross rental income HY 2012 up to HY 2013

Gross rental income by segment in the Netherlands, Switzerland and Belgium:

x €1,000	HY 2012	Purchases	Disposals	Organic growth	HY 2013
the Netherlands					
Offices	32,395	-	- 773	- 2,516	29,106
Retail	20,238	-	- 724	412	19,926
Industrial	4,075	-	- 98	- 596	3,381
Residential	338	-	- 161	- 30	147
Total	57,046	-	- 1,756	- 2,730	52,560
Switzerland					
Offices	1,529	-	- 1,269	- 58	202
Retail	2,258	-	- 1,417	- 25	816
Total	3,787	-	- 2,686	- 83	1,018
Belgium					
Offices	13,190	-	-	- 686	12,504
Industrial	7,326	-	- 271	475	7,530
Total	20,516	-	- 271	- 211	20,034
Total NSI	81,349	-	- 4,713	- 3,024	73,612

Gross rental income Q1 2013 up to Q2 2013

Gross rental income by segment in the Netherlands, Switzerland and Belgium:

x €1,000	Q1 2013	Purchases	Disposals	Organic growth	Q2 2013
the Netherlands					
Offices	14,598	-	- 36	- 54	14,508
Retail	10,017	-	- 125	- 17	9,909
Industrial	1,719	-	- 16	- 41	1,662
Residential	88	-	- 15	- 14	59
Total	26,422	-	- 192	- 92	26,138
Switzerland					
Offices	102	-	-	- 2	100
Retail	498	-	- 176	- 4	318
Total	600	-	- 176	- 6	418
Belgium					
Offices	6,266	-	-	- 28	6,238
Industrial	3,787	-	- 328	- 284	3,743
Total	10,053	-	- 328	- 256	9,981
Total NSI	37,075	-	- 696	- 158	36,537

NSI continues its focus on cost discipline. Operating costs amounted to €8.8 million in the 1st half year of 2013 (HY 2012: €9.3 million). Operating expenses increased slightly in the 2nd quarter (€4.5 million) in comparison with the 1st quarter (€4.2 million), as letting costs were lower in the 1st quarter (€0.4 million), due to one-off compensation fees. NSI also saw its provision for bad debts increase (€0.4 million).

Administrative costs slightly decreased to €3.1 million in the 1st half of 2013 (HY 2012: €3.2 million).

Financing costs increased in the 1st half year to €28.3 million in comparison with €27.8 million in the 1st half of 2012, due to higher margins and financing costs, partially offset by lower Euribor rates, hedging costs and a reduction in outstanding loans. On a quarterly basis, financing costs increased from €14.0 million in the 1st quarter to €14.3 in the 2nd quarter, through the contracting of a new financing agreement.

Indirect investment result

The indirect investment result for the 1st half-year of 2013 amounted to €68.7 million negative. 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 (-€80.0 million) and the interest hedging instruments (€17.9 million).

The realised revaluations include the result on sales (-€0.8 million) of 10 sold properties. In the Netherlands, two office properties were sold in the second quarter (Herengracht and Leidsegracht in Amsterdam) and one industrial property (Cessnalaan at Schiphol). In addition, in Belgium a plot of land was sold and the 'Guldenelle' logistical property in Kortenberg was transferred at the end of May. In Switzerland, the HertiZentrum shopping mall was sold.

In the Netherlands, two shopping malls were sold in the 1st quarter (Mereveldplein in De Meern and Rozemarijndonk in Spijkenisse), two office properties (Oudezijds Voorburgwal in Amsterdam and Parklaan in Eindhoven) and an industrial property (Archimedesbaan in Nieuwegein). On average, the properties were sold 1% below book value.

The negative value of derivatives decreased on balance due to continuing low interest swap rates in combination with a decreased maturity of the derivative instruments.

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 downward revaluation of the Dutch real estate portfolio amounted to €83.6 million in 1st half-year (HY 2012: -€54.6 million). The downward revaluation in the second quarter of the Dutch portfolio amounted to €43.0 million (1st quarter of 2013: -€40.7 million). The valuation of the Dutch office portfolio decreased by €29.4 million in the second quarter (1st quarter: €33.3 million). Although occupancy rates improved slightly, pressure on market rents increased and yields also remained under pressure due to lack of market reference through continuing low transaction volumes. The downward revaluation of the retail portfolio was €11.7 million in the second quarter (1st quarter: -€5.3 million). In the retail portfolio, too, yields and market rents are under pressure. In the Belgian portfolio, a downward revaluation in the office portfolio (€14.7 million) was offset by a positive revaluation in the logistics portfolio (€20.2 million).

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

	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	2011*	2010*	2009*	2008*
Offices	-29,394	-33,313	-23,264	-32,583	-25,434	-20,809	-31,400	-21,435	-37,875	-44,871
Retail	-11,716	-5,296	-6,752	-2,893	-3,951	-2,828	-622	-1,179	-7,920	7,770
Industrial	-1,865	-1,980	-2,467	-2,145	-1,285	-197	-1,351	-2,416	-5,504	-4,367
Residential	-	85	-	25	125	5	135	-1,747	44	248
Total	-42,975	-40,674	-32,483	-37,646	-30,795	-23,839	-33,238	-26,777	-51,255	-41,716

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

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

	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	2011
Offices	-14,730	-1,913	-15,891	-2,847	-3,587	426	2,555
Industrial	20,240	198	2,420	2,529	1,872	1,125	-6,126
Total	5,510	-1,715	-13,471	-318	-1,715	1,551	-3,571

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

	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	2011
Offices	-15	22	-161	3	-265	-2,559	208
Retail	-105	-	-1,782	6	-1,011	-1,734	-1,152
Total	-120	22	-1,943	9	-1,276	-4,293	944

Yields in % at 30 June 2013 and 31 December 2012

	gross yield*	net yield**	gross yield*	net yield**
	3-06-2013	30-06-2013	31-12-2012	31-12-2012
Offices	10.6	8.8	10.3	8.6
Retail	8.1	6.9	7.8	6.7
Industrial	8.6	7.7	9.1	8.3
Residential	8.0	7.8	7.2	6.8
Total	9.6	8.1	9.4	8.0

* gross yield: the theoretical annual rent expressed as a percentage of the market value of the property.

** net yield: the theoretical net rental income expressed as a percentage of the market value of the property.

	gross yield*	net yield**	gross yield*	net yield**
	30-06-2013	30-06-2013	31-12-2012	31-12-2012
The Netherlands	9.9	8.4	9.6	8.3
Switzerland	5.9	5.0	7.3	5.3
Belgium	8.8	8.6	9.0	8.7
Total	9.6	8.1	9.4	8.0

Balance sheet and financing

The value of the real estate investments amounted to €1,948.6 million on 30 June 2013 (31 March 2013: €2,039.7 million, year-end 2012: €2,106.1 million). This is the result of the balance of investments, disposals and revaluations.

The loan-to-value increased to 58.9% at 30 June 2013 (31 March 2013: 58.0%, year end 2012: 58.2%). NSI is highly committed to reducing its LtV (loan-to-value) to below 55% and will actively continue to work on reducing its LtV further by disposing of assets that do not strategically fit within the portfolio.

In the 1st half-year of 2013, NSI repaid debt of €77 million, in line with the aim to reduce the debt exposure. Debts to credit institutions amounted to €1,148.6 million as per 30 June 2013 (31 March 2013: €1,183.2 million, year-end 2012: €1,226.4 million). In June, NSI fully refinanced the largest credit facility of €260 million. The syndicated loan was originally due to mature in 2013 and 2014 and represented the largest share of the debt due to mature in these years. The new loan runs until July 2017, extending the average term of the overall portfolio (2.6 years as per 30 June 2013). NSI has all but covered the refinancing of the debt due to mature in 2013 and has largely covered that due to mature in 2014. NSI has started the refinancing process regarding the remaining debt maturing in 2014 (€100 million).

Equity

NSI's equity decreased to €735.4 million in the 1st half year of 2013 (31 March 2013: €771.8 million, year-end 2012: €789.8 million), mainly as the result of the negative total investment result of €43.3 million.

The number of outstanding shares remained unchanged in the 1st half of 2013. The net asset value (including deferred tax and the market value of the derivatives) amounted to €8.93 per share on 30 June 2013 (31 March 2013: €9.47, year-end 2012: €9.78). 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 €9.85 per share on 30 June 2013 (31 March 2013: €10.52, year-end 2012: €10.95).

Financial ratios

The funding available to the company under the committed credit facilities as at 30 June 2013 amounted to €52.4 million (31 March 2013: €84.0 million, year-end 2012: €71.3 million).

The average remaining maturity of the loans increased from 2.3 years as per 31 March 2013 (year-end 2012: 2.3 years) to 2.6 years. The variable interest part of the mortgaged loans increased from 3.1% (31 March 2013) to 9.9% as per 30 June 2013.

Due to a higher awareness of financing partners in relation to real estate related risks, in combination with the overall economic situation and changing regulations (Basel III/ Solvency II), NSI notes a general decreased availability of real estate financing in the market. Processes of refinancing take significantly longer to complete. Margins and bank costs have been rising substantially since the beginning of the crisis as a result of aforementioned trends. Loan covenants tend to become more restrictive and are more intensively monitored for the effects of real estate valuations, property sales and developments in vacancy rates.

Average costs of debt funding increased from 5.0% as at 31 March 2013 (year-end 2012: 4.8%) to (including margin) 5.2% on 30 June 2013, mainly due to the refinancing of low interest loans at higher commercial margins. The average cost of debt (%) is based on the current – increased - interest margins by quarter end, which does not reflect the average interest margin for the period. The interest coverage ratio amounted to 2.2 as per 30 June 2013.

Interim dividend Q2 2013

The AGM adopted the new dividend policy in April 2013. This dividend policy is geared at funding regular capital requirements from funds of operations. According to the dividend policy, 85%-100% of the direct result will be distributed as dividend on a quarterly basis. Furthermore, to safeguard the necessary funds to invest, the dividend policy has been linked to the LtV performance of the company. This means that:

- If LtV (post dividend) is above 55% but below 60%; the pay-out ratio is 50% of the direct result in cash.
- If LtV (post dividend) is above 60%: the pay out ratio is 50% distributed as stock dividend until the LtV has been reduced to a level below 60%.

The dividend pay-out in relation to LtV will be determined on a quarterly basis.

Assuming all other variables unchanged, a change in valuation of the real estate portfolio of €30 million has an impact of approx. 1% on the LtV.

The dividend for the 1st half-year of 2013 amounts to €0.19 per share in cash, which reflects a pay-out of 50% of the direct result, in accordance with the defined pay-out at the current LtV level (58.8%). Of this, €0.10 per share has already been paid out as an interim dividend for the 1st quarter. The distribution of €0.09 per share as an interim dividend for the 2nd quarter will be made payable on 3 September 2013.

Developments in the portfolio

The value of the real estate portfolio decreased in the 1st half-year of 2013 by €157.5 million to €1,948.6 million as at 30 June 2013 (year-end 2012: €2,106.1 million, 31 March 2013: €2,039.7 million). This diminution is the result of revaluations (-€ 80.0 million), sales (€84.2 million), investments (€6.9 million) and exchange rate differences (-€0.2 million).

Sold properties in the 1st half-year of 2013 in the Netherlands were:

In the second quarter, two office buildings were sold in the Netherlands (Herengracht and Leidsegracht in Amsterdam) and 1 industrial property (Cessnalaan at Schiphol). A plot of land was also sold in Belgium and the 'Guldendelle' logistics building in Kortenberg was delivered at the end of May. In Switzerland, the HertiZentrum shopping mall was sold.

In the 1st quarter, two shopping malls (Mereveldplein in De Meern and Rozemarijndonk in Spijkenisse), 2 office buildings (Oudezijds Voorburgwal Amsterdam and Parklaan in Eindhoven) and 1 commercial property (Archimedesbaan in Nieuwegein) were sold in the Netherlands.

On average, the properties were sold at 1% below the book value.

NSI sold shopping centre De Esch (1,888 sqm) in Rotterdam in July 2013.

NSI continues its efforts to divest non-strategic assets.

As at 30 June 2013, the portfolio consisted of 48 residential units and 257 commercial properties, spread across:

	in %	x €1,000
Sector spread		
Offices	56	1,091,727
Retail	28	535,507
Industrial	16	317,152
Residential	-	4,240
Total real estate investments	100	1,948,626
Geographical spread		
The Netherlands	70	1,358,754
Switzerland	-	7,886
Belgium	30	581,986
Total real estate investments	100	1,948,626

Financial occupancy rate portfolio

The occupancy rate of the entire portfolio as at 30 June 2013 rose to 81.5% (31 March 2013: 81.3%, year-end 2012: 81.1%). Occupancy levels as at 30 June 2013 per sector were: 75.3% in offices, 91.0% in industrial premises and 92.0% in retail. Occupancy levels per country were: 80.0% in the Netherlands, 86.2% in Switzerland and 85.3% in Belgium.

Retail

The occupancy rate of the retail portfolio remained stable, at 92.0% as at 30 June 2013.

Offices

The occupancy rate in the offices portfolio improved slightly from 75.1% as at 31 March 2013 to 75.3%, as the occupancy rate of the Dutch offices portfolio improved for the 3rd successive quarter, from 72.1% as at 31 March 2013 to 72.8% as at 30 June 2013. The occupancy rate of the Belgian offices portfolio fell from 83.2% as at 31 March 2013 to 81.3% as at 30 June 2013.

Industrial/logistics

The occupancy rate in the total logistics portfolio increased to 91.0% as at 30 June 2013 (31 March 2013: 89.7%), due to an improvement in occupancy in the Belgian logistics portfolio.

The theoretical gross annual rental income per segment in the Netherlands, Switzerland and Belgium per 30 June 2013:
(x €1,000)

	The Netherlands	Switzerland	Belgium	Total
Offices	82,208	464	33,086	115,758
Retail	43,116	-	-	43,116
Industrial	9,091	-	18,130	27,221
Residential	338	-	-	338
Total	134,753	464	51,216	186,433

The annualized contractual rental income from the property portfolio as at 30 June 2013 amounted to €151.9 million (30 June 2012: €161.7 million, 31 March 2013: €157.0 million).

Financial key figures

	30-06-2013	31-03-2013	30-06-2012	2012
Results (x €1,000)				
Gross rental income	73,612	37,075	81,349	160,545
Net rental income	62,466	31,692	69,501	137,334
Direct investment result	25,471	13,415	32,570	63,405
Indirect investment result	- 68,721	- 34,573	78,305	- 166,522
Result after tax	- 43,250	- 21,158	45,735	- 103,117
Occupancy rate (in %)	81.5	81.3	81.8	81.1
Balance sheet data (x €1,000)				
Real estate investments	1,948,626	2,039,746	2,188,816	2,106,091
Shareholders' equity	735,400	771,779	867,120	789,788
Shareholders' equity attributable to NSI shareholders	609,269	645,679	742,770	666,850
Net debts to credit institutions (excluding other investments)	1,148,577	1,183,219	1,233,736	1,226,432
Loan-to-value (debts to credit institutions/ real estate investments in %)	58.9	58.0	56.4	58.2
Issued share capital (in shares)				
Ordinary shares with a nominal value of €0.46 during period under review	68,201,841	68,201,841	65,964,770	68,201,841
Average number of outstanding ordinary shares during period under review	68,201,841	68,201,841	61,956,195	64,288,818
Data per average outstanding ordinary share (x €1)				
Direct investment result	0.37	0.20	0.53	0.99
Indirect investment result	- 1.00	- 0.51	- 1.27	- 2.59
Total investment result	- 0.63	- 0.31	- 0.74	- 1.60
Data per share (x €1)				
(Interim-) dividend	0.19	0.10	0.51	0.86
Net asset value	8.93	9.47	11.26	9.78
Net asset value according to EPRA	9.85	10.52	12.38	10.95
Average stock-exchange turnover (shares per day, without double counting)	187,169	198,971	105,463	92,580
High price	7.00	7.00	9.70	9.70
Low price	4.86	5.00	5.95	5.95
Closing price	4.92	7.00	6.72	6.08

Consolidated direct and indirect investment result

(x €1,000)

	HY 2013	HY 2012	2 ^e quarter 2013	2 ^e quarter 2012
Gross rental income	73,612	81,349	36,537	39,850
Service costs not recharged to tenants	- 2,364	- 2,587	- 1,228	- 1,105
Operating costs	- 8,782	- 9,261	- 4,535	- 4,323
Net rental income	62,466	69,501	30,744	34,422
Financing income	156	52	48	24
Financing costs	- 28,340	- 27,787	- 14,373	- 13,780
Administrative costs	- 3,087	- 3,153	- 1,562	- 1,337
Direct investment result before tax	31,195	38,613	14,887	19,329
Corporate income tax	- 66	- 226	- 49	- 146
Direct investment result after tax	31,129	38,387	14,838	19,183
Direct investment results attributable to non-controlling interest	- 5,658	- 5,817	- 2,782	- 2,794
Direct investment result	25,471	32,570	12,056	16,389
				- 33,786
Revaluation of real estate investments	- 79,996	- 60,367	- 37,585	202
Elimination of rental incentives	863	- 91	816	- 202
Net result on sales of real estate investments	- 813	- *7,801	- 1,174	- 7,801
Movements in market value of financial derivatives	17,589	- 10,893	9,245	- 6,094
Exchange-rate differences	- 73	- 122	- 81	401
Allocated management costs	- 1,273	- 1,161	- 637	- 580
Indirect investment result before tax	- 63,703	- 80,435	- 29,416	- 47,658
Corporate income tax	- 61	**1,061	- 61	**1,254
Indirect investment result after tax	- 63,764	- 79,374	- 29,477	- 46,404
Indirect investment result attributable to non-controlling interest	- 4,957	1,069	- 4,671	1,401
Indirect investment result	- 68,721	- 78,305	- 34,148	- 45,003
Total investment result	- 43,250	- 45,735	- 22,092	- 28,614
Data per average outstanding share (x €1)				
Direct investment result	0.37	0.53	0.18	0.26
Indirect investment result	- 1.00	- 1.27	- 0.50	- 0.71
Total investment result	- 0.63	- 0.74	- 0.32	- 0.45

*) including €1,9 million costs related to early redemption of fixed interest CHF loans and the provision of a rental guarantee (€ 1.2million).

***) including €1.3 million due to release of a provision of deferred tax liabilities in relation to the sale of Swiss assets.

Condensed consolidated interim financial information

30 June 2013

Consolidated statement of comprehensive income

(x €1,000)

	note		HY 2013		HY 2012		2e quarter 2013		2e quarter 2012
Gross rental income			73,612		81,349		36,537		39,850
Service costs recharged to tenants		9,959		10,678		4,226		4,994	
Service costs in total		<u>- 12,323</u>		<u>- 13,265</u>		<u>- 5,454</u>		<u>- 6,099</u>	
Service costs not recharged to tenants			- 2,364		- 2,587		- 1,228		- 1,105
Operating costs	4		- 8,782		- 9,261		- 4,535		- 4,323
Net rental income	2		62,466		69,501		30,774		34,422
Revaluation of investments			- 79,133		- 60,458		- 36,769		- 33,584
Net result on sales of investments	5		- 813		- 7,801		- 1,174		- 7,801
Total net proceeds from investments			- 17,480		1,242		- 7,169		- 6,963
Administrative costs	6		- 4,360		- 4,314		- 2,199		- 1,917
Financing income		156		52		48		24	
Financing costs		- 28,413		- 27,909		- 14,454		- 13,379	
Movements in market value of financial derivatives		<u>17,589</u>		<u>- 10,893</u>		<u>9,245</u>		<u>- 6,094</u>	
Net financing result			- 10,668		- 38,750		- 5,161		- 19,449
Result before tax			- 32,508		- 41,822		- 14,529		- 28,329
Corporate income tax	13		- 127		835		- 110		1,108
Result after tax			- 32,635		- 40,987		- 14,639		- 27,221
Exchange-rate difference on foreign participations			- 1		31		4		21
Total non-realised result			- 1		31		4		21
Total realised and non-realised result			- 32,636		- 40,956		- 14,635		- 27,242
Result after tax attributable to:									
NSI shareholders			- 43,250		- 45,735		- 22,092		- 28,614
Non-controlling interest			10,615		4,748		7,453		1,393
Result after tax			- 32,635		- 40,987		- 14,639		- 27,221
Total realised and non-realised result attributable to:									
NSI shareholders			- 43,251		- 45,704		- 22,088		- 28,635
Non-controlling interest			10,615		4,748		7,453		1,393
Total comprehensive income			- 32,636		- 40,956		- 14,635		- 27,242
Data per average outstanding share (x €1)									
Diluted as well as non-diluted result after tax			- 0.63		- 0.74		- 0.32		- 0.45

Consolidated statement of financial position

Before proposed profit appropriation Q2 2013
(x €1,000)

	Note	30-06-2013	31-12-2012	30-06-2012
Assets				
Real estate investments	7	1,940,428	2,036,114	2,152,289
Intangible assets		8,464	8,486	8,495
Tangible assets		3,821	3,750	3,928
Financial derivatives		448	666	-
Total fixed assets		1,953,161	2,049,016	2,164,712
Assets held for sale	8	8,198	69,977	36,527
Debtors and other accounts receivable	9	27,481	21,915	22,885
Cash		14,400	7,007	27,131
Total current assets		50,079	98,899	86,543
Total assets		2,003,240	2,147,915	2,251,255
Shareholders' equity				
Issued share capital		31,372	31,372	30,344
Share premium reserve		657,912	657,912	658,966
Other reserves	-	29,945	80,683	108,196
Retained earnings	-	50,070	- 103,117	- 54,736
Total shareholders' equity attributable to shareholders		609,269	666,850	742,770
Non controlling interest		126,131	122,938	124,350
Total shareholders' equity	10	735,400	789,788	867,120
Liabilities				
Interest-bearing loans	11	923,945	961,046	730,832
Financial derivatives	12	62,509	80,787	72,854
Deferred tax liabilities	13	156	164	635
Total long-term liabilities		986,610	1,041,997	804,321
Redemption requirement long-term liabilities	11	157,961	186,273	445,743
Financial derivatives	12	394	-	432
Debts to credit institutions		81,071	86,119	84,292
Other accounts payable and deferred income	14	41,804	43,738	49,347
Total current liabilities		281,230	316,130	579,814
Total liabilities		1,267,840	1,358,127	1,384,135
Total shareholders' equity and liabilities		2,003,240	2,147,915	2,251,255

Consolidated cash flow statement

(x €1,000)

	note	30-06-2013	30-06-2012
Result after tax		- 32,635	- 40,987
Adjusted for:			
Revaluation of real estate investments	5	79,996	60,367
Net result on sales of investments		- 813	7,801
Net financing expenses		10,688	38,750
Deferred tax liabilities	13	- 8	- 1,061
Depreciation		349	231
Cash flow from operating activities		90,192	106,088
Movements in debtors and other accounts receivable	9	- 5,566	- 8,928
Movements in other liabilities, accrued expenses and deferred income		1,341	6,031
Financing income		156	52
Financing expenses		- 31,690	- 29,784
Cash flow from operations		21,798	32,472
Purchases of real estate and investments in existing properties	7	- 6,899	- 17,394
Proceeds of sales of real estate investments		85,027	83,238
Investments in tangible fixed assets		- 401	- 287
Divestments of tangible fixed assets		3	31
Cash flow from investment activities		77,730	65,588
Dividend paid		- 21,744	- 25,340
Costs related to optional dividend		- 8	- 50
Share issue		-	24,348
Repurchase of own shares		-	- 502
Drawdown of loans	11	12,571	30,775
Redemption of loans	11	- 77,007	- 115,311
Cash flow from financing activities		- 86,188	- 86,080
Net cash flow		13,340	11,980
Exchange-rate differences		- 899	187
Cash and debts to credit institution as of 1 January		- 79,112	- 69,328
Cash and debts to credit institutions as of 30 June		- 66,671	- 57,161

Consolidated statement of movements in shareholders' equity

(x €1,000)

The development of the item shareholders' equity over the 1st six months ending at 30 June 2013 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 2013	31,372	657,912	80,683	- 103,117	666,850	122,938	789,788
Result Q2 2013	-	-	-	43,250	43,250	10,615	32,635
Exchange-rate differences on foreign participations	-	-	1	-	1	-	1
Total realised and non-realised results Q2 2013	-	-	1	43,250	43,251	10,615	32,636
Distributed final dividend 2012 in cash	-	-	7,502	-	7,502	7,422	14,924
Profit appropriation	-	-	103,117	103,117	-	-	-
Distributed cash interim-dividend 2013	-	-	-	6,820	6,820	-	6,820
Costs related to optional dividend	-	-	8	-	8	-	8
Total contributions by and to shareholders	-	-	-110,627	96,297	- 14,330	7,422	21,752
Situation as of 30 June 2013	31,372	657,912	29,945	- 50,070	609,269	126,131	735,400

The development of the item shareholders' equity per over the 1st six months ending at 30 Juni 2012 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 2012	27,732	637,054	53,727	62,705	781,218	128,402	909,620
Result Q1 2012	-	-	-	45,735	45,735	4,748	40,987
Exchange-rate differences on foreign participations	-	-	31	-	31	-	31
Total realised and non-realised results Q1 2012	-	-	31	45,735	45,704	4,748	40,956
Distributed final dividend 2011 in cash	-	-	7,539	-	7,539	8,800	16,339
Stockdividend	685	685	-	-	-	-	-
costs related to optional dividend	-	25	10	-	35	-	35
Profit appropriation 2011	-	-	62,705	62,705	-	-	-
Distributed cash interim-dividend 2012	-	-	-	9,001	9,001	-	9,001
Stock dividend	566	566	-	-	-	-	-
costs related to optional dividend	-	15	-	-	15	-	15
Share issue	1,389	23,677	718	-	24,348	-	24,348
Repurchase of own shares	-	474	-	-	502	-	502
Total contributions by and to shareholders	- 2,612	21,912	54,438	- 71,706	7,256	8,800	1,544
Situation as of 30 June 2012	30,344	658,966	108,196	- 54,736	742,770	124,350	867,120

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 Hoorn). These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and a joint venture..

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 2012.

These interim financial statements were authorised for issue by the Company's Management and Supervisory Board on 7 August 2013

(b) Judgements and estimates

In preparing these interim financial statements, Management make 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 2012.

3. Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2012. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2013.

IFRS 10 Consolidated financial statements (2011)

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, IFRS 10 (2011) requires the Group to consolidate investees that it controls on the basis of de facto circumstances.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion for its investees at 1 January 2013.

IFRS 11 Joint arrangements

As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group is not involved in a joint arrangement.

IFRS 13 Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard (see Note 14).

Presentation of items of other comprehensive income (changes in IAS 1)

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its condensed consolidated statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

IAS 19 Defined benefit plans (2011)

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit.

This change has no effect on the assets and liabilities, nor on realized and unrealized results, as the Group has insured its pension plan externally.

4. Segment information

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

Per country	The Netherlands		Switzerland		Belgium		Total	
	HY 2013	HY 2012	HY 2013	HY 2012	HY 2013	HY 2012	HY 2013	HY 2012
Gross rental income	52,560	57,046	1,018	3,787	20,034	20,516	73,612	81,349
Service costs not recharged to tenants	- 1,949	- 1,891	-	- 170	- 415	- 526	- 2,364	- 2,587
Operating costs	- 8,600	- 8,492	- 159	- 920	- 23	151	- 8,782	- 9,261
Net rental income	42,011	46,663	859	2,697	19,596	20,141	62,466	69,501
Revaluation results	- 83,043	- 54,410	- 142	- 5,569	4,052	- 479	- 79,133	- 60,458
Net result on sales	- 1,847	- 123	- 1,081	- 7,678	2,115	-	813	- 7,801
Segment result	- 42,879	- 7,870	- 364	- 10,550	25,763	19,662	- 17,480	1,242
Reconciliation								
Administrative costs	- 2,412	- 2,141	- 129	- 358	- 1,819	- 1,815	- 4,360	- 4,314
Net financing costs	- 7,243	- 29,939	- 170	- 1,353	- 3,255	- 7,458	- 10,668	- 38,750
Result before tax	- 52,534	- 39,950	- 663	- 12,261	20,689	10,389	- 32,508	- 41,822
Corporate income tax	- 68	- 5	- 10	886	- 49	- 46	- 127	835
Result after tax	- 52,602	- 39,955	- 673	- 11,375	20,640	10,343	- 32,635	- 40,987
Non-controlling interest	-	-	-	-	- 10,615	- 4,748	- 10,615	- 4,748
Investment income attributable to shareholders NSI	- 52,602	- 39,955	- 673	- 11,375	10,025	5,595	- 43,250	- 45,735

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Per country	The Netherlands		Switzerland		Belgium		Total	
	30-06-2013	31-12-2012	30-06-2013	31-12-2012	30-06-2013	31-12-2012	30-06-2013	31-12-2012
Real estate investments	1,358,754	1,482,789	7,886	34,567	581,987	588,735	1,948,627	2,106,091
Other assets	41,035	26,300	1,531	2,170	11,590	12,824	54,156	41,294
Non-allocated assets	-	-	-	-	-	-	457	529
Total Assets							2,003,240	2,147,915
Long-term liabilities	747,109	720,016	165	164	239,346	259,817	986,610	1,041,997
Current liabilities	199,885	216,944	5,823	26,659	74,422	62,447	280,130	306,050
Non-allocated liabilities	-	-	-	-	-	-	100	80
Total liabilities							1,266,840	1,356,944
Purchases and investments in existing properties	3,985	15,187	143	274	2,771	15,013	6,899	30,474

5. Exchange-rate differences

In order to hedge currency risks, real estate investments in currencies other than the euro are generally funded by loans in the currency of the investment (in this case Swiss Francs). As at 30 June 2013, the exchange rate for the Swiss franc was: CHF1 = €0.81050 (30 June 2012: €0.83126).

6. Operating costs

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

	HY 2013	HY 2012
Municipal taxes	1,844	2,482
Insurance premiums	380	379
Maintenance costs	1,865	1,974
Contributions to owner's associations	204	286
Property management (including attributed administrative expenses)	2,576	2,440
Letting costs	1,131	741
Other costs	782	959
Total	8,782	9,261

7. Net result on sales of investments

	HY 2013	HY 2012
Sales of real estate investments	85,533	87,135
Book value at time of sale	84,214	91,039
Total	1,319 -	3,904
Sales costs	- 2,132	- 3,897
Total	- 813	- 7,801

The sales costs are including broker costs, legal costs, breakage costs for loan redemption and a rental guarantee.

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8. Administrative expenses

The administrative costs can be specified as follows:

	HY 2013	HY 2012
Management costs	6,221	6,115
Audit costs	176	285
Consultancy costs	302	300
Appraisal costs	202	231
Compensation of Supervisory Directors, members of the Investments Advisory Board and Stichting Prioriteit NSI	131	135
Other costs	271	222
Total	7,303	7,288
Allocated to operating costs	- 2,713	- 2,794
Allocated to real estate portfolio	- 230	- 180
Total	4,360	4,314

9. Real estate investments

Real estate investments in operation

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

	HY 2013	HY 2012
Real estate investments in operation	1,918,978	2,135,784
Real estate investments under development	21,450	16,505
Total	1,940,428	2,152,289

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 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 fair value of Dutch real estate investments are being determined on the basis of internally every quarter, and are at least once a year, or more frequent if required or desirable, in line with the valuation procedure, validated by valuations determined by external independent experts. Possible discrepancies between internal and external valuations are limited and are explained and substantiated on a quarterly basis.

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Per 30 June 2013, 54.2% of the real estate investments have been externally appraised by independent, certified appraisers and all other properties have been externally appraised within the year. 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 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 the country, property type, location, state of maintenance and lettability of each asset. The basis for the determination of the yields is based on comparable transactions, complemented by market- and asset-specific knowledge.

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 net yields as of 30 June 2013 8.1% (31 December 2012: 8.0%). The net yields were 8.4% for the Netherlands (2012: 8.3%), 5.0% for Switzerland (2012: 5.3%) and 8.6% for Belgium (2012: 8.7%). The yields are specific to the country, real estate type, location, state of repair and lease ability of the object. The basis for determining the yields are comparable transactions supplemented with market and property-specific knowledge. These varied between 5.8% and 17.4% for the Netherlands (2012: 5.4% and 14.0%) and between 6.0% and 9.5% for Belgium (2012: 7.0% and 8.5%). Comparable transactions in the market were also taken into account in the valuation.

The most important valuation assumptions are:

	The Netherlands HY 2013	The Netherlands 2012	Switzerland HY 2013	Switzerland 2012	Belgium HY 2013	Belgium 2012
Average market rent per m² (in €)						
Offices	124	131	216	218	142	145
Retail	146	144	-	245	-	-
Industrial	61	63	-	-	44	47
Residential (per apartment) per month	549	670	-	-	-	-
Average gross yield (in %)						
Average gross yield (in %)	9.9	9,6	5.9	7,3	8.8	9,0
Average net yield (in %)						
Average net yield (in %)	8.4	8,3	5.0	5,3	8.6	8,7
Vacancy						
Vacancy	20.0	21,0	13.8	4,1	14.7	14,4

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 8.1% (2012: 8.0%). If the yields applied in the calculation to determine the valuation of real estate investments as per 30 June 2013 would be 100 basis points lower than those currently used, the value of the real estate investments would increase by 14.0% (2012: 14.2%). NSIs equity would in this case increase by €273.7 million (2012: €299.7 million). The loan-to-value would then decrease from 58.9% to 51.7% (2012: 51.0%). In case the net yield would have been 100 basis point higher, the opposite would apply.

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Real estate investments in operation

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

	The Netherlands	Switzerland	Belgium	Total 2013	The Netherlands	Switzerland	Belgium	Total 2012
Balance on 1 January	1,437,009	-	583,860	2,020,869	1,605,790	123,084	587,889	2,316,763
Purchases	-	-	-	-	-	-	7,966	7,966
Investments	3,947	-	2,771	6,718	3,599	-	5,718	9,317
Reclassification into real estate investments under development	- 8,040	-	-	8,040	- 11,455	-	-	11,455
Reclassification into assets held for sale	-	-	-	-	-	119,925	-	119,925
Sales	- 10,190	-	12,402	22,592	- 4,920	-	4,005	8,925
Revaluations	- 83,222	-	5,245	77,977	- 54,634	- 4,293	- 164	59,091
Exchange-rate differences	-	-	-	-	-	1,134	-	1,134
Balance on 30 June	1,339,504	-	579,474	1,918,978	1,538,380	-	597,404	2,135,784

The valuations contain:

	The Netherlands	Switzerland	Belgium	Total 2013	the Netherlands	Switzerland	Belgium	Total 2012
Prepayment and accrued income in relation to incentives	7,318	-	4,439	11,757	8,570	-	4,434	13,004

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

	Retail	Offices	Industrial	Residential	Total 2013
Balance on 1 January 2013	551,377	1,146,269	318,898	4,325	2,020,869
Investments	1,142	2,773	2,803	-	6,718
Reclassification into real estate investments under development	-	-	8,040	-	8,040
Sales	-	1,450	21,142	-	22,592
Revaluations	17,012	77,473	16,593	85	77,977
Balance on 30 June 2013	535,507	1,062,079	317,152	4,240	1,918,978

On 30 June 2013, properties with a book value of €1,356.3 million (ultimo 2012: €1,507.2 million) were mortgaged as security for loans taken out and credit facilities at banks amounting to €878.3 million (ultimo 2012: €951.0 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.

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Real estate investments under development	2013	2012
Balance on 1 January 2013	15,245	5,050
Investments	38	-
Reclassification of real estate investments in operation	8,040	11,455
Revaluations	1,873	-
Balance on 30 June 2013	21,450	16,505

Real estate investments under development contain 4 offices and 2 land positions per 30 June 2013.

10. Assets held for sale

The book value of real estate held for sale equals the expected sales proceeds, representing fair value.

	2013	2012
Balance on 1 January	69,977	-
Reclassification of real estate investments in operation	-	119,925
Investments	143	111
Sales	61,622	82,114
Revaluations	148	1,276
Exchange-rate differences	152	119
Balance on 30 June	8,198	36,527

11. Debtors and other accounts receivable

The main items concern the expected insurance settlement in connection to shopping centre 't Loon, loan provided to buyer shopping centre Zug (€4.4 million), prepaid costs 2013 for an amount of €4.2 million, corporate income tax (€3.3 million) and rental income overdue for an amount of €5.2 million.

12. Shareholders' equity

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

The company set and distributed the following dividends:

- Final dividend (Q4 2012): €0.11 per share;
- Interim dividend (Q1 2013): €0.10 per share.

13. Interest-bearing debt

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

	2013	2012
Balance on 1 January	1,147,319	1,259,837
Drawdowns	12,571	30,775
Redemptions	- 77,007	- 115,311
Exchange-rate differences	- 977	1,274
Balance on 30 June	1,081,906	1,176,575
Redemption requirement long-term debt up to 1 year	157,961	445,743
Balance on 30 June	923,945	730,832

Remaining maturities of the loans at 30 June 2013 was as follows:

	Fixed interest	Variable interest	Total
Up to 1 year	28,404	129,557	157,961
From 1 to 2 years	-	96,960	96,960
From 2 to 5 years	225,080	593,023	818,103
From 5 to 10 years	-	8,882	8,882
More than 10 years	-	-	-
Total loans	253,484	828,422	1,081,906

The interest-bearing debt comprises predominantly loans from banks and a €75 million Belgian bonds with an average remaining maturity of 2.6 years. The weighted average interest on outstanding mortgages and interest-rate swaps at 30 June 2013 was 5.2% per annum including margin. The interest coverage ratio amounted to 2.2 as at 30 June 2013.

As collateral for the loans and the current account facilities at the banks, mortgages are registered on real estate with a value of €1,356.3 million, together with a possessory lien on the rental income in some cases.

14. Financial derivatives

At fair value valued Financial derivatives

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 counterparty uses a 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 if the Group entity and counterparty when appropriate.

The derivative financial instruments have the following maturities:

	Number of contracts	Nominal	Negative market value	Positive market value
Up to 1 year	2	20,000	-	394
From 1 to 5 years	38	694,497	-	49,512
From 5 to 10 years	4	99,300	-	12,997
Total swaps	44	813,797	-	62,903
Total derivatives index loans	2	54,000	448	-
Total derivatives	46	867,797	448	62,903

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 2.14% to 4.61% and with maturity dates between 2014 and 2022. The market value of the financial derivatives amounted to €62.5 million as at 30 June 2013.

The weighted average remaining maturity of the financial derivatives is 3.5 years. NSI is hedged at a weighted interest rate of 3.1%, excluding margin. 9.1% of the current loans and credit facilities are subject to variable interest and are therefore not hedged.

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15. Deferred tax liabilities

Deferred tax liabilities are recognized at nominal value for the corporate income tax payable in future periods that arise because of the differences between market value and value for tax purposes of the properties in Switzerland.

16. Other payables and accrued liabilities

The largest items recognized under the other payables and accrued liabilities concern prepaid rent of €13.8 million, payable operational costs of €10.7 million and payable interest of €5.0 million.

17. Liabilities not appearing on the balance sheet

Exit tax

In the 1st half-year of 2013, there have been no changes in the off-balance sheet obligations of the property investment fund as described in note 25 of the Financial report of the Annual report 2012. In the case of the disputed assessments regarding the levy of exit tax on securitisation premiums, the tax authorities have rejected one of the claims and the property investment fund prepares an appeal to the Court of First Instance. It is expected that this case can be pleaded in the course of 2014. Invest Offices & Warehouses is currently waiting for the other claims to be processed further by the tax authorities.

Disposals

In June, NSI reached agreement on the sale of shopping center 'De Esch' in Rotterdam. The sale price is € 3.3 million and transfer is expected to take place at end of July 2013.

Management Board Statement

The Management Board states that, as far as they are aware:

- 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).

As described in detail in the annual report 2012, NSI's business is exposed to certain risks. NSI considers the credit risk, liquidity risk, interest risk and currency risks as financial risks. Also market risks are being recognised.

Financial risks

Due to a higher awareness of financing partners in relation to real estate related risks, in combination with the overall economic situation and changing regulations (Basel III/ Solvency II), NSI notes a general decreased availability of real estate financing in the market. Processes of refinancing take significantly longer to complete. Margins and bank costs have been rising substantially since the beginning of the crisis as a result of aforementioned trends. However, NSI refinanced more than 90% (€790 million) of its Dutch outstanding debt over the last six quarters, of which most recently its largest facility (€260 million). The process regarding refinancing debt that is due to mature in 2014 (approx. €100 million) has started. Loan covenants tend to become more restrictive and are more intensively monitored for the effects of real estate valuations, property sales and developments in vacancy rates.

Market 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. Market circumstances led to high negative revaluations of real estate in the preceding periods and it is uncertain when this will change.

NSI is highly committed to reduce its LtV to below 55%, reducing its debt exposure by sales of assets, and extending its loan maturities. NSI will continue its disposal strategy of non-core assets and assets of which the value potential under NSI's management has been optimised to reduce its LtV (realized disposal volume was €86 million in 1st half 2013 and €101 million in 2012).

Our risks are being monitored on a continuous basis.

Hoofddorp, 9 August 2013

Management Board

J. Buijs, CEO

D.S.M. van Dongen, CFO

Other information

Statement pursuant to the Financial Supervision Act

The Netherlands Authority for the Financial Markets granted a licence to NSI N.V. on 13 July 2006. A copy of this license can be obtained at the company's office as well as via its website: www.nsi.nl

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 5% or more:

In accordance with the Financial Supervision Act, the Netherlands Authority for the Financial Markets received a notification of a shareholder with an interest of more than 5% in the company. According to the most recent notification, this interest was as follows: Habas Investments (1960) Ltd. and its subsidiaries (20.5%). The date of the notification mentioned above was 18 September 2012.

Financial calendar 2013

Financial calendar 2013	
Publication Q3 results 2013	8 November 2013
Interim-dividends	
Setting of HY 2013 interim-dividend	23 August 2013
Listing ex-dividend	27 August 2013
Payment of HY 2013 interim-dividend	3 September 2013
Setting of Q3 2013 interim-dividend	22 November 2013
Listing ex-dividend	26 November 2013
Payment of Q3 2013 interim-dividend	3 December 2013

Review report

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

Introduction

We have reviewed the on page 18 to 31 accompanying condensed consolidated interim financial information of NSI N.V., Hoofddorp (statutory seat Hoorn), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statements of comprehensive income for the period of 3 months and 6 months ended 30 June 2013, the consolidated statement of movements in shareholders' equity and the consolidated cash flow statement for the period of 6 months ended 30 June 2013 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 2013 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 9 August 2013

KPMG Accountants N.V.
H.D. Grönloh RA