

NSI: Balance sheet resolved, full focus on operations

Financial highlights

- Direct investment result of €46.3 million (€0.61 per average outstanding share) in 2013, €10.2 million for the 4th quarter (€0.10 per average outstanding share)
- Total investment result for 2013 amounted to €134.1 million negative, mainly due to revaluations in the real estate portfolio
- 6th consecutive quarter of outperformance in take-up in Dutch office portfolio of 3.5% vs 1.2% market share.
- Occupancy Dutch office portfolio improved to 72.1% versus 71.3% at year end 2012
- Occupancy retail portfolio decreased to 87.2% versus 92.5% at year end 2012, reflecting the challenging Dutch retail environment
- Loan-to-value decreased to 45.4% compared to 59.6% as at 30 September 2013 as a result of the €300 million equity placement
- Financing costs significantly decreased in 4th quarter following the debt and derivative redemption after the equity placement
- Dividend proposal for the 4th and final dividend: €0.09 per share (pay-out ratio of 87%), resulting in €0.28 dividend for 2013.
- NSI will propose a revised dividend policy to the AGM of distributing at least 75% of the direct result as dividend in cash, applicable from the financial year 2014 onwards

Johan Buijs, CEO of NSI:

“Getting our balance sheet back in order was our main priority in 2013. With the equity placement in November 2013, we have fulfilled a fundamental prerequisite to continue the execution of our strategy and enhance our competitive position in the changing real estate landscape.

The letting market was challenging and will remain challenging going forward. The forecasted limited economic growth will not relieve the oversupplied Dutch office market in the short term. NSI is however well-placed to continue to outperform the market, having the knowledge of the market and the customers deeply embedded in our commercial processes, combined with the execution power of a strong operational letting platform and now the ability to invest in our properties.

In oversupplied markets, customers must be tempted with distinctive and appealing products and services. NSI's operational strategy is to build on active management and understanding our customers. NSI's investment focus is on upgrading its current portfolio to anticipate customer needs and market trends. Our solid balance sheet following the recapitalization brings us in a position to fully use our capital in the most efficient way; focusing on assets where we can achieve the best returns, and not spending management time and capital on underperforming properties. This comes down to clear choices, based on a clear vision on our portfolio and the market. This approach applies to all asset classes and markets we operate in and leads to a primary investment focus on Dutch offices.

These choices are the basis of our value add "asset rotation" strategy, in which underperforming properties or properties that have reached their optimal value will be disposed of, to release capital to reinvest. By rotating our assets we will also build a core portfolio of properties to safeguard a constant cash flow that enables us to fund investments necessary to optimise property values

Because of all the work done, NSI is now well positioned to capitalize upon the trend of consolidation in the Dutch office market, in the first place through actively optimising its standing portfolio. We will only very prudently assess new investments, as we are highly committed to keep a strong balance sheet.”

Operational highlights

Offices NL (38% of portfolio)

- While on national level vacancy in the office market increased, the occupancy rate (72.1%) in NSI's Dutch office portfolio improved compared with year-end 2012 (71.3%)
- After 4 consecutive quarters of improving occupancy, the 4th quarter showed a 1% decline compared to the 3rd quarter (73.1%), mainly due to the expiration of a large single tenant contract (4,400 sqm)
- Like-for-like rental growth 2013 versus 2012 was -4.6%, and -0.8% in the 4th quarter versus the 3rd quarter
- 6th consecutive quarter of outperformance in take-up levels; 14,982 sqm in 4th quarter, 35,594 sqm for the full year 2013, which represents approx. 3.5% of the take-up in the Dutch office market in the respective periods, while the NSI portfolio represents 1.2% of the total Dutch office market, and meaning a significant better take-up/supply ratio (19%) compared with the market average (13%).
- Effective rental level of new leases over last the 12 months: €106 per sqm (€113 per sqm in 4th quarter), reflecting the market trend
- Third HNK office opened in Utrecht; HNK-Utrecht welcomed first tenant in December 2013 and achieved an occupancy of 40% to date already
- HNK represents approx. 10% of NSI's take up in 2013, showing a significant higher take-up/supply ratio (30%) than NSI's total Dutch office portfolio.

Retail NL (26% of portfolio)

- Occupancy rate decreased from 89.7% (30 September 2013) to 87.2%, reflecting the increasing challenges in the Dutch retail environment, most distinct in the large retail segment. The occupancy rate was impacted by 1.6% due to the termination of two contracts with home furniture stores in the 4th quarter. Occupancy rate compared to year-end 2012 (92.5%) is also impacted (1.1%) by the disposal of fully let retail centres.
- New contracts with strong tenants, including Primark and Big Bazar (Zuidplein in Rotterdam).
- Contract with Ahold regarding Albert Heijn supermarkets (10,000 sqm) long-term extended
- Like for like rental growth 2013 versus 2012 was -6.0%, and -4.8% in the 4th quarter 2013 versus the 3rd quarter 2013

Belgium (32% of portfolio)

- Occupancy rate of 85.0% (31 December 2012: 86.6%, 30 September 2013: 84.8%) due to improvement in the logistics portfolio (91.3%) offset by a decrease in the office portfolio (81.5%)
- Logistics portfolio Intervest Offices & Warehouses grew to 42% of total portfolio (2012: 40%), progressing towards strategic target of 50%
- Improved performance in new letting despite challenging office market; 4,572 sqm take-up (2012: 3,200 sqm)
- Redevelopment of Neerland in Wilrijk on track; first phase completed in December 2013

Other (4% of portfolio)

- NSI completed its exit from the Swiss market in 2013; last remaining asset Pérolles 2000 sold in October 2013

Financial key figures

	Q4 2013	Q3 2013	31-12-2013	31-12-2012
Results (x €1,000)				
Gross rental income	35,160	35,792	144,564	160,545
Net rental income	28,901	30,424	121,791	137,334
Direct investment result	10,196	10,605	46,272	63,405
Indirect investment result	- 55,791	- 55,835	- 180,347	- 166,522
Result after tax	- 45,595	- 45,230	- 134,075	- 103,117
Occupancy rate (in %)	79.5	80.7	79.5	81.1
Loan-to-value (debts to credit-institutions/real estate investments in %)	45.4	59.6	45.4	58.2
Issued share capital				
Ordinary shares with a nominal value of €0.46	143,201,841	68,201,841	143,201,841	68,201,841
Average number of outstanding ordinary shares during period under review	98,364,884	68,201,841	75,804,581	64,288,818
Data per average outstanding ordinary share (x €1)				
Direct investment result	0.10	0.16	0.61	0.99
Indirect investment result	- 0.57	- 0.83	- 2.38	- 2.59
Total investment result	- 0.47	- 0.67	- 1.77	- 1.60
Data per average outstanding ordinary share (x €1)				
(Interim-) dividend	0.09	-	0.28	0.86
Net asset value	5.59	8.18	5.59	9.78
Net asset value according to EPRA	5.85	9.03	5.85	10.95

Prospects

Although the Dutch economy turned slightly positive in the second half of 2013, the fundamentals remain fragile. For 2014, an economic growth of 0.5% is expected (source: CPB), mainly driven by exports, while consumer confidence and consumer spending are still under pressure over a rising unemployment rate. This means that the occupiers market will remain challenging. However, the investment market picked up substantially in 2013, showing increasing investment volumes.

De-risking the balance sheet has been the main priority of the company during 2013. The continuing decrease of property values urged NSI to thoroughly and extensively investigate all possibilities to strengthen its balance sheet. This key priority has been realized in November 2013 with the € 300 million equity placement, finally enabling NSI to put its business operations fully back in focus.

NSI's focus for the years 2014-2016 will be on operational excellence and transforming the current portfolio into a high quality core portfolio and a "value add" portfolio. The core portfolio will safeguard a solid cash flow (and dividend) that will enable the company to fund its investments in the "value add" portfolio. In combination with the stable performance of the core portfolio, unlocking the value potential in the value add portfolio will ultimately deliver the highest total returns.

Based on a fundamental review of the assets, NSI's capital will be put to work in the most efficient and value creating way by focusing on the properties where the best returns can be achieved. No management time and capital will be spent on underperforming properties.

Key in this process will be transforming "value-add" properties into core properties by upgrading these properties to meet customer needs and market trends and improving the performance. Underperforming properties will be divested, releasing capital to reinvest in high quality core products or in "value-add" properties that can support the roll out of HNK.

This 'asset rotation' program will improve (in terms of quality and occupancy) and de-risk our portfolio while maintaining a solid balance sheet. The primary focus is NSI's current portfolio. Acquisitions will over time, and only prudently, be made when capital is released from disposals. The asset rotation program will transform the composition of the Dutch office portfolio from a 40% core/ 57% 'value add'/ 3% non-core and an occupancy rate of 72% into a 70% core/ 30% value add and an occupancy rate of 80% in 2016. The composition of the retail portfolio is targeted to transform from a 42% core/ 50% 'value add'/ 8% non-core and an occupancy rate of 87% into a 46% core/ 47% value add/ 8% non core and an occupancy rate of 90% in 2016.

As stated, the letting market will remain challenging, and therefore will continue to put pressure on rental levels. As a result NSI expects growth in net rental income will only start after 2014. For 2014, NSI expects a limited decrease in net rental income. However, this will be compensated by lower financing costs.

Reporting

- NSI decided to replace the extensive financial reports on the first quarter and on the first nine months by concise 'trading updates', in line with market practice of many other real estate companies. In these trading updates NSI will report on the key performance indicators and developments in the portfolio in terms of occupancy rate, leasing activity and disposals and acquisitions. NSI will continue to publish its full report for the full year and the half-year.

Governance

- Following the resignation of Mr Hertzels Habas from the Supervisory Board of NSI in October 2013, Mr Henk Breukink assumed the role of Chairman of the Supervisory Board. Henk Breukink was previously Vice Chairman. Furthermore, the Supervisory Board initiated a search for two new members of the Supervisory Board.

Dividend policy and final dividend 2013

In the current dividend policy the pay-out ratio is geared at funding regular capital requirements from cash flow from operations. Furthermore, the pay-out ratio was made dependent on the LtV development, as reducing the LtV was NSI's highest priority. After the equity placement in November 2013, it now is a natural moment to review the dividend policy.

In the changing dynamics of the real estate market, it is crucial to maintain or upgrade the standing portfolio to required quality levels. Especially in the office market, which faces a situation of structural oversupply, tenants must be tempted with a distinctive and appealing product. The best alternative for price competition is offering quality and uniqueness, which is demonstrated by e.g. HNK, showing above average rental levels and take-up, but accompanied by a higher level of regular investments. This also demonstrates however that the office market requires a structural higher level of regular capital expenditures.

In this context and after a fundamental review of its assets, NSI has made a multi-year investment plan for its standing portfolio to meet the requirements of the changing letting market, aimed at driving value in its portfolio. NSI has assessed in which way funding for these investments can be obtained in the most value creating way and concluded that by funding these investments - partly - from the direct result is the most efficient way.

Therefore, NSI will propose to the Annual General Meeting to adopt:

- a dividend policy of distributing at least 75% from the direct result in cash

Retaining part of the direct result to reinvest in the portfolio will – in combination with cash dividends - ultimately offer the shareholders the highest total return.

NSI proposes for practical reasons to change the frequency of its dividend payments from a quarterly dividend into a bi-annual dividend. Furthermore, NSI will only publish its full year and half-year results in full, providing the (audited) results on which (interim) dividend are based. NSI will publish trading updates for the first quarter and the first nine months.

Final dividend 2013

Based on the applicable dividend policy as per today (pay-out of the direct result of at least 85% of the direct result), NSI proposes a 4th quarter and final dividend of €0.09 per share in cash, representing a pay-out of 87% of the direct result per average outstanding share. This totals the 2013 dividend to €0.28 per share of which €0.19 has already been distributed as interim dividend. (1st quarter: €0.10, 2nd quarter €0.09, 3rd quarter: no dividend distributed).

Financial report

Total investment result

The total investment result, consisting of the sum of the direct and indirect investment results amounted to - €134.1 million in 2013 (2012: - €103.1 million).

NSI's Q4 2013 total investment result was - €45.6 million. This mainly results from a positive operational result and negative revaluations of properties.

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 €46.3 million in 2013 (2012: €63.4 million). The direct investment result in Q4 2013 slightly decreased from €10.6 in Q3 2013 to €10.2 million, mainly as a result of disposals, increased operating costs, partly offset by lower financing costs.

Gross rental income in 2013 decreased to €144.6 million compared to €160.5 million in 2012 primarily as a result of the loss of rental income of disposed assets, lower reversionary rent levels and increased vacancy in the retail portfolio. On a quarterly basis, gross rental income decreased from €35.8 million in Q3 2013 to €35.2 million. The like-for-like development of the 4th quarter versus the 3rd quarter of 2013 was -1.9%.

The annualized outflow of gross rental income of assets sold in 2013 amounts to €5.7 million.

The occupancy rate of the total portfolio decreased to 79.5% as at year end 2013, compared to 80.7% on 30 September 2013 (ultimo 2012: 81.1%).

Leasing activities

Offices NL

The financial occupancy rate¹ improved to 72.1% compared with year-end 2012 (71.3%), while the Dutch office market in general saw an increase in vacancy.

The financial occupancy rate in the Dutch office portfolio decreased to 72.1% at year-end 2013 from 73.1% at 30 September 2013, mainly due to the expiration of a large single tenant contract (4,400 sqm) with the RGD (Rijksgebouwendienst; Government Buildings agency), after 4 quarters of improvement.

NSI signed 14,982 sqm of new leases (take-up) in the Dutch office portfolio in the 4th quarter and 35,594 sqm in 2013 in total. This means a significant better take-up/supply ratio (19%) compared with the market average (13%). Within the Dutch office portfolio of NSI, the take-up in HNK showed even significant higher take-up supply ratio (30%).

The table below shows movements in occupancy in square meters.

Leased 1 January 2013	Leased	Vacated	Portfolio per 31 December 2013	Leased per 31 December 2013
%	sqm	sqm	sqm	Sqm
68.2	37,746	43,225	593,679	402,141
				67.7

Retention:

Expiry sqm 2013	Renewed sqm 2013	Retention 2013
97,086	57,509	59%

The like-for-like rental growth in the 4th quarter versus the 3rd quarter was -0.8%.

The effective rent level of new leases in the office portfolio, taking incentives into account, amounted to €106 per sqm in the past 12 months (€113 per sqm in the 4th quarter). The effective rent level for the overall Dutch office portfolio amounted to

¹ Financial occupancy is calculated as (contractual rent + vacancy * market rent)/ theoretical rent

€144 per sqm as per 31 December 2013 (30 September: €146 per sqm). The average lease duration of the portfolio was 3.6 years as per 31 December 2013.

Retail NL

The financial occupancy of the retail portfolio decreased to 87.2% compared with 89.7% as per 30 September 2013, reflecting the challenging environment of the Dutch retail sector. Consumer spending remains under pressure. This has impacted the home related retail in the large scale retail segment in particular, due to the low level of movement in the housing market. The financial occupancy was impacted by 1.6% due to the termination of two contracts with home furniture stores. Compared to year-end 2012 (92.5%), the financial occupancy rate has also been impacted (1.1%) by the disposal of fully let retail centers.

However, NSI succeeded in attracting new strong tenants, including Big Bazar and Primark in Zuidplein (Rotterdam). As a result, NSI managed to improve the profile and branche-mix in this shopping centre.

The table below shows movements in occupancy in *square meters*.

Leased 1 January 2013	Leased	Vacated	Portfolio per 31 December 2013	Leased per 31 December 2013
%	sqm	sqm	sqm	Sqm
93.0	13,890	25,399	270,453	238,982
				88.4

Expiry sqm 2013	Renewed sqm 2013	Retention
63,353	41,018	65%

The effective rent level for the entire portfolio amounted to €152 per sqm (30 September 2013: €154 per sqm). The average lease duration of the retail portfolio increased to 3.9 years as at 31 December 2013 (30 September 2013: 3.7 years).

Belgium

The overall occupancy in the Belgian portfolio slightly decreased to 85.0% (85.6% 31 December 2012). In the logistics portfolio the occupancy rate improved to 91.3% (31 December 2012: 89.0%). The occupancy rate in the office portfolio decreased to 81.5% (31 December 2013 84.5%). Despite the challenging market, the letting performance improved as shown by a higher volume of new lettings; Intervest Offices and Warehouses was able to realise 4,572 sqm of take-up (2012: 3,200 sqm).

Intervest Offices & Warehouses enhanced its strong position in the logistics market. The extension (5,000 sqm) in the logistic site Oevel has been delivered and became operational in June 2013. Furthermore, tenant Peugeot moved into the new workplace and showroom in Wilrijk in December 2013.

In the office portfolio, Intervest Offices & Warehouses is anticipating market trends with innovative propositions like Re-Flex (flexible business hub) and 'turn-key solutions'.

The average lease duration of the Belgian portfolio decreased from 4.3 year as per 31 December 2012 to 4.0 as per ultimo 2013.

Rental income in the Netherlands and Belgium x €1,000

	2013	2012
Netherlands		
Gross rental income	103,208	114,027
Net rental income	81,578	93,761
Belgium		
Gross rental income	40,219	41,505
Net rental income	39,304	39,913

Gross rental income by segment

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

x €1,000	2012	Purchases	Disposals	organic growth	2013
The Netherlands					
Offices	64,233	-	- 1,487	- 4,831	57,915
Retail	42,218	-	- 2,187	- 1,259	38,772
Industrial	6,908	-	- 461	- 235	6,212
Residential	668	-	- 341	- 18	309
Total	114,027	-	- 4,476	- 6,343	103,208
Switzerland					
Offices	1,751	-	- 1,404	- 29	318
Retail	3,262	-	- 2,390	- 53	819
Total	5,013	-	- 3,794	- 82	1,137
Belgium					
Offices	26,398	-	-	- 1,591	24,807
Industrial	15,107	-	- 681	986	15,412
Total	41,505	-	- 681	- 605	40,219
Total NSI	160,545	-	- 8,951	- 7,030	144,564

Gross rental income Q3 2013 up to Q4 2013

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

x €1,000	Q3 2013	Purchases	Disposals	Organic growth	Q4 2013
the Netherlands					
Offices	14,437	-	- 17	- 49	14,371
Retail	9,895	-	- 526	- 402	8,967
Industrial	1,401	-	-	29	1,430
Residential	71	-	-	5	76
Total	25,804	-	- 543	- 417	24,844
Switzerland					
Offices	101	-	- 89	2	14
Retail	3	-	-	- 2	1
Total	104	-	- 89	-	15
Belgium					
Offices	6,085	-	-	133	6,218
Industrial	3,799	-	185	99	4,083
Total	9,884	-	185	232	10,301
Total NSI	35,792	-	- 447	- 185	35,160

Service costs not recharged to tenants remained stable in 2013 (€4.7 million), but increased in the 4th quarter 2013 (€1.4 million) compared with the 3rd quarter 2013 (€1.0 million) due to final settlement related to preceding years and scattered vacancy in multi-tenant properties.

Operating costs amounted to €18.1 million in 2013 (2012: €18.5 million). Operating expenses increased in the 4th quarter (€4.9 million) in comparison with the 3rd quarter (€4.4 million). Increased letting costs reflect the intensified efforts required to acquire new tenants and the necessity to invest in upgrading properties. NSI also saw its provision for bad debts increase (€1.5 million).

Administrative costs remained stable at €6.5 million in 2013 (2012: €6.5 million). The 4th quarter (€1.9 million) includes the crisis tax on higher incomes and severance payments.

Financing costs significantly decreased in the 4th quarter (€14.0 million) compared with the 3rd quarter of 2013 (€15.6 million), following the debt and derivative redemption in conjunction with the equity placement in November, totalling the financing costs to €58.0 million in 2013 (2012: €56.0 million). NSI used the net proceeds (€288.9 million) of the equity placement to reduce its debt exposure through a combination of prepayments on term loans, unwinding of derivatives and increasing the availability of the revolving credit facilities and working capital facilities.

Indirect investment result

The 2013 indirect investment result amounted to €180.3 million negative (2012: -€166.5 million). The indirect investment result consists of both realized revaluations (sales results on investments sold) and unrealized revaluations. These unrealized revaluations mainly concern the changes in the market value of real estate investments (- €192.3 million), partly offset by the change in market value of derivatives (€25.7 million).

The indirect investment result in the 4th quarter amounted to €55.8 million negative (3rd quarter 2013: €55.8 million negative) predominantly from revaluations of real estate of - €53.0 million.

The realised revaluations includes the result on sales (-€3.6 million) of 16 sold properties in 2013. In the 4th quarter, the last remaining Swiss asset (Pérolles 2000 in Fribourg) was sold on book value.

The impact of derivatives positively influenced the indirect result by €25.7 million in 2013, of which €3.4 million in the 4th quarter. This was mainly due to an increase in Euribor rates and an increase of the maturity of the derivative instruments. Furthermore, NSI unwound approx. €347 million of its derivative portfolio in relation to the debt reduction. As a result of this, the total value of derivatives in the balance sheet decreased by €43 million.

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.

NSI appraises the entire real estate portfolio internally every quarter. Externally, NSI effectively appraises on average approx. 25% of the Dutch portfolio each quarter. As of 1 January 2014, NSI will appraise its Dutch portfolio twice a year externally (50% per 30 June and 50% per 31 December). The Belgian portfolio continues to be externally appraised quarterly.

Values in the Dutch portfolio remain under pressure and revaluations amounted to €193,4 million negative for 2013, of which -€131.7 million was related to the Dutch office portfolio, -€50.1 to the Dutch retail portfolio and €11.0 million to the Dutch industrial portfolio.

The downward revaluation of the Dutch office portfolio in the 4th quarter (-€31.5 million) decreased compared to the record level in the 3rd quarter (-€37.5 million), in line with the preceding quarters. The retail segment remained under pressure due to continued weak consumer spending, in particular the large scale retail segment. The revaluation in the Dutch retail portfolio amounted to -€17.1 million in the 4th quarter, (3rd quarter: -€15.9 million) and as such shows an increased effect of rising vacancy and lower rental levels.

The revaluation of the Belgian portfolio was €1.3 million in 2013, consisting of a negative revaluation of €19,3 million in the office portfolio, offset by a positive revaluation of €20.5 million in the industrial portfolio. The 4th quarter showed a positive revaluation in both the office portfolio (€1.1 million) and the industrial portfolio (€0.2 million).

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

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	2011*	2010*	2009*	2008*
Offices	-31,488	-37,463	-29,394	-33,313	-23,264	-32,583	-25,434	-20,809	-31,400	-21,435	-37,875	-44,871
Retail	-17,145	-15,939	-11,716	-5,296	6,752	2,893	3,951	2,828	622	1,179	7,920	7,770
Industrial	-5,195	-1,983	-1,865	-1,980	2,467	2,145	1,285	197	1,351	2,416	5,504	4,367
Residential	-470	20	-	85	-	25	125	5	135	1,747	44	248
Total	-54,298	-55,405	-42,975	-40,674	-32,483	-37,646	-30,795	-23,839	-33,238	-26,777	-51,255	-41,716

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

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

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	2012	2011
Offices	1,057	-	4,722	-	14,730	1,913
Industrial	203	872	20,240	198	2,420	-
Total	1,260	-	3,850	-	5,510	1,715

Yields in % at 31 December 2013 and 31 December 2012

The gross yield is calculated as the theoretical annual rent expressed as a percentage of the market value of the property. The net yield is calculated as the theoretical net rental income expressed as a percentage of the market value of the property.

	gross yield 31-12-2013	net yield 31-12-2013	gross yield 31-12-2012	net yield 31-12-2012
Offices	11.3	9.3	10.3	8.6
Retail	8.4	7.2	7.8	6.7
Industrial	8.6	7.8	9.1	8.3
Residential	9.0	7.9	7.2	6.8
Total	10.1	8.5	9.4	8.0

	gross yield 31-12-2013	net yield 31-12-2013	gross yield 31-12-2011	net yield 31-12-2011
The Netherlands	10.7	9.0	9.6	8.3
Belgium	8.8	8.2	9.0	8.7
Total	10.1	8.5	9.4	8.0

EPRA Net Initial Yields and Topped-up Net Initial Yields in % at 31 December 2013 and 31 December 2012

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 in respect of the expiration of rent free periods (or other unexpired lease incentives).

	EPRA net initial yield 31-12-2013	EPRA topped up NI yield 31-12-2013	EPRA net initial yield 31-12-2012	EPRA topped up NI yield 31-12-2012
The Netherlands	6.5	6.4	6.2	6.2
Belgium	7.1	7.0	7.4	7.5
Total	6.7	6.6	6.5	6.4

Balance-sheet and financing

The value of the real estate investments amounted to €1,808.8 million on 31 December 2013 (year-end 2012 €2,106.1 million). This is the result of the balance of disposals, revaluations and investments.

NSI's LtV has been significantly decreased to 45.4% from 59.6% as per 30 September 2013 following debt reduction after the equity placement in November. NSI is committed to maintain the LtV level sustainably below 50%.

NSI reduced its debts to credit institutions over the year from €1,226.4 million as per 31 December 2012 to €821.9 million as per ultimo 2013 (30 September 2013: €1,110.2 million). Next to regular redemption obligations, NSI used the net proceeds (€288.9 million) of the equity placement to reduce its debt exposure through a combination of prepayments on term loans and to increase the availability of the revolving credit facilities and working capital facilities. Furthermore, NSI used the proceeds from asset sales to reduce debt.

The funding available to the company under the committed credit facilities as at 31 December 2013 amounted to €150.8 million (30 September 2013: €53.2 million, year-end 2012: €71.3 million).

The average remaining maturity of the loans amounted to 2.2 years at 31 December 2013 (30 September 2013: 2.6 years, 31 December 2012: 2.3 years).

The fixed-interest part of the interest bearing debt, including interest rate swaps, decreased from 88.5% at year-end 2012 to 87.4% as at 31 December 2013. NSI unwound approx. €347 million of its derivative portfolio at market in relation to the debt reduction.

In connection with the improved balance sheet, NSI was able to conclude more favorable financing terms to lower its average costs of funds. Average costs of debt funding decreased from 5.3% as at 30 September 2013 (year end 2012: 4.8 %) to 4.8% on 31 December 2013.

The average cost of debt (%) is based on the current interest margins by quarter end, which does not reflect the average interest margin for the period.

The interest coverage ratio amounted to 2.1 as per 31 December 2013 .

Equity

NSI's equity increased to €932.9 million (31 December 2012: €789.8 million), predominantly as the result of the equity placement (€288.9 million), the net loss of €117.8 million and the cash dividend payments of €20.5 million.

(EPRA) Net Asset Value per share

The number of outstanding shares increased from 68.2 million ultimo 2012 to 143.2 million on 31 December 2013 as a result of the equity placement of 75 million new ordinary shares in November 2013. The net asset value, including deferred tax and the market value of the derivatives, amounted to €5.59 per share on 31 December 2013 (31 December 2012: €9.78, 30 September 2013: €8.18). 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 €5.85 per share (31 December 2012: €10.95, 30 September 2012: €9.03).

Developments in the portfolio

The value of the real estate portfolio decreased by €297.3 million to €1,808.8 million in 2013, from €2,106.1 million at year-end 2012. This decrease is the result of revaluations of -€192.3 million, disposals of €123.7 million, investments of €18.2 million, reclassification to own office use (€0.8 million) and exchange-rate differences of -€0.3 million.

In the 4th quarter, the last remaining Swiss asset (Pérolles 2000 in Fribourg) was sold on book value, completing its exit from the Swiss market.

This brings the number of sold properties on 16 in 2013. Divesting non strategic assets and assets of which the value potential under NSI's management has been optimised, is part of NSI's strategy.

In the Dutch portfolio, 5 office buildings (Herengracht, Leidsegracht and Oudezijds Voorburgwal in Amsterdam, Parklaan in Eindhoven and Gildestraat in Heerhugowaard), 5 retail properties (Kersenboogerd in Hoorn and Overwhere in Purmerend, De Esch in Rotterdam, Mereveldplein in De Meern and Rozemarijndonk in Spijkenisse) and 2 industrial properties (Cessnalaan at Schiphol and Archimedesbaan in Nieuwegein) were sold.

In Belgium, an industrial property (Guldendelle in Kortenberg) and a plot of land were sold. In Switzerland, the HertiZentrum shopping mall and the office in Fribourg were sold.

The most important investments took place in shopping centre 't Loon (€1.8 million) and the roll out of HNK; in 2013 HNK Hoofddorp and HNK Utrecht have been transformed and opened, involving an investment of €3.4 million. In Belgium, investments took primarily place in logistics sites Wilrijk (€2.7 million) and Oevel (€2.9 million).

As at 31 December 2013 the portfolio consisted of 48 residential units and 255 commercial properties, spread across:

	in %	x € 1,000
Sector spread		
Offices	56	1,017,897
Retail	26	473,960
Industrial	18	313,161
Residential	-	3,750
Total real estate investments	100	1,808,768
Geographical spread		
The Netherlands	68	1,226,089
Belgium	32	582,679
Total real estate investments	100	1,808,768

Financial occupancy rate

The financial occupancy in the entire portfolio as at 31 December 2013 decreased to 79.5%, from 80.7% as per 30 September 2013 (year-end 2012: 81.5%). Financial occupancy levels per sector were: 74.8% in offices, 88.0% in industrial and 87.2% in retail. Per country financial occupancy was 77.3% in the Netherlands and 85.0% in Belgium.

Retail

The financial occupancy of the retail portfolio decreased from 89.7% as per 30 September 2013 to 87.2% (31 December 2012: 92.5%). The retail sector remained under pressure due to generally low consumer spending. In comparison to year-end 2012, the financial occupancy rate has been impacted by the disposal of fully let retail centres (1.1%).

Offices

The financial occupancy rate in the total office portfolio decreased from 75.6% at 30 September 2013 to 74.8% at 31 December 2013, but increased compared to year-end 2012 (74.8%). The financial occupancy of the Belgian office portfolio remained stable at 81.5%. The financial occupancy rate in the Dutch office portfolio (72.1%) improved compared with year-end 2012 (71.3%), but decreased compared with 30 September 2013 (73.1%), after 4 quarters of improvement.

Industrial/ Logistics

The financial occupancy rate in the total logistics portfolio decreased from 88.9% at 30 September 2013 to 88.0% at year-end 2013 (year-end 2012: 88.5%), mainly due to a large expiration in the Dutch industrial portfolio. The financial occupancy in the Belgian industrial portfolio improved to 91.3% (31 December 2012: 91.0%).

The theoretical gross annual rental income per segment in the Netherlands and Belgium per 31 December 2013:
(x € 1.000)

	The Netherlands	Belgium	Total
Offices	82,278	32,998	115,276
Retail	40,030	-	26,809
Industrial	8,634	18,175	40,030
Residential	337	-	337
Total	131,279	51,173	182,452

Contractual annualized rental income from the portfolio amounted to €145.0 million as at 31 December 2013, compared with €148.2 million as at 30 September 2013 (31 December 2012: €160.1 million).

Financial key figures

	31-12-2013	31-12-2012
Results (x €1,000)		
Gross rental income	144,564	160,545
Net rental income	121,791	137,334
Direct investment result	46,272	63,405
Indirect investment result	- 180,345	- 166,522
Result after tax	- 134,075	- 103,117
Occupancy rate (in %)	79.5	81.1
Balance sheet data (x €1,000)		
Real estate investments	1,808,768	2,106,091
Equity including minority interests	932,914	789,788
Shareholders' equity attributable to NSI shareholders	801,159	666,850
Net debts to credit institutions (excluding other investments)	821,854	1,226,432
Loan-to-value (debts to credit institutions/real estate investments in %)	45.4	58.2
Issued share capital		
Ordinary shares with a nominal value of €0.46 on 31 December	143,201,841	68,201,841
Average number of outstanding ordinary shares during period under review	75,804,581	64,288,818
Data per average outstanding ordinary share (x €1)		
Direct investment result	0.61	0.99
Indirect investment result	- 2.38	- 2.59
Total investment result	- 1.77	- 1.60
Data per share (x €1)		
(Interim-) dividend	0.28	0.86
Net asset value	5.59	9.78
Net asset value according to EPRA	5.85	10.95
Average stock-exchange turnover (shares per day, without double counting)	199,858	92,580
High price	7.00	9.70
Low price	4.51	5.95
Closing price	4.60	6.08

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

	2013	2012	Q4 2013	Q4 2012
Gross rental income	144,564	160,545	35,160	40,317
Service costs not recharged to tenants	- 4,723	- 4,754	- 1,375	- 1,141
Operating costs	- 18,050	- 18,457	- 4,884	- 4,884
Net rental income	121,791	137,334	28,901	34,292
Financing income	477	165	250	81
Financing costs	- 58,042	- 56,011	- 14,062	- 14,545
Administrative costs	- 6,458	- 6,469	- 1,910	- 1,930
Direct investment result before tax	57,768	75,019	13,179	17,898
Corporate income tax	- 121	327	- 29	- 96
Direct investment result after tax	57,647	74,692	13,150	17,802
Direct investment result attributable to non-controlling interest	- 11,375	- 11,287	- 2,954	- 2,844
Direct investment result	46,272	63,405	10,196	14,958
Revaluation of real estate investments	- 192,314	- 146,219	- 53,037	- 47,897
Elimination of rental incentives	1,049	140	321	94
Revaluation of other investments	- 3,536	-	- 3,536	-
Net result on sales of investments	- 3,649	- 7,870	- 1,651	- 116
Movements in market value of financial derivatives	25,705	- 19,369	3,446	- 193
Exchange-rate differences	- 287	- 127	- 150	- 12
Allocated management costs	- 2,546	- 2,554	- 637	- 813
Indirect investment result before tax	- 175,578	- 175,999	- 55,886	48,913
Corporate income tax	95	1,526	156	511
Indirect investment result after tax	- 175,483	- 174,473	- 55,730	48,402
Indirect investment result attributable to non-controlling interest	- 4,864	7,951	61	6,176
Indirect investment result	- 180,347	- 166,522	- 55,791	42,226
Total investment result	- 134,075	- 103,117	- 45,595	27,268
Direct investment result	0.61	0.99	0.10	0.22
Indirect investment result	- 2.38	- 2.59	- 0.57	- 0.63
Total investment result	- 1.77	- 1.60	- 0.47	0.41

Condensed consolidated financial information

Consolidated statement of comprehensive income (x €1,000)

	2013		2012	
Gross rental income		144,564		160,545
Service costs recharged to tenants	22,016		23,009	
Service costs	- 26,739		- 27,763	
Service costs not recharged	-	4,723	-	4,754
Operating costs	-	18,050	-	18,457
Net rental income		121,791		137,334
Revaluation of investments	- 194,801		- 142,868	
Revaluation of assets held for sale	-		- 3,211	
Revaluation of investments	-	194,801	-	146,079
Net result on sales of investments	120,035		93,041	
Book value at time of sale	- 123,684		- 100,911	
Net result on sales of investments	-	3,649	-	7,870
Total net proceeds from investments		- 76,659		- 16,615
Administrative expenses	-	9,004	-	9,023
Financing income	264		165	
Financing expenses	- 58,116		- 56,138	
Movements in market value of financial derivatives	- 25,705		- 19,369	
Net financing result	-	32,147	-	75,342
Result from bargain purchase		-		-
Result before tax		- 117,810		- 100,980
Corporate income tax	-	26	-	1,199
Result after tax		- 117,836		- 99,781
Exchange-rate differences on foreign participations	-	1	-	55
Total non-realised result		- 1		55
Total realised and non-realised result		- 117,837		- 99,726
Result after tax attributable to:				
NSI shareholders	-	134,075	-	103,117
Non-controlling interest		16,239		3,336
Result after tax		117,836		- 99,781
Total realised and non-realised results attributable to:				
NSI shareholders	-	134,075	-	103,062
Non-controlling interest		16,239		3,336
Total comprehensive income		117,836		- 99,726
Data per average outstanding share (x €1)				
Diluted as well as non-diluted result after tax	-	1.77	-	1.60

Consolidated statement of financial position

Before proposed profit appropriation 2012
(x €1,000)

	31-12-2013	31-12-2012
Assets		
Real estate investments	1,808,768	2,036,114
Intangible assets	8,481	8,486
Tangible fixed assets	2,865	3,750
Financial derivatives	234	666
Total fixed assets	1,820,348	2,049,016
Assets held for sale	-	69,977
Debtors and other accounts receivable	14,291	21,915
Cash	13,204	7,007
Total current assets	27,495	98,899
Total assets	1,847,843	2,147,915
Shareholders' equity		
Issued share capital	65,872	31,372
Share premium reserve	923,435	657,912
Other reserves	- 54,073	80,683
Retained earnings	- 134,075	- 103,117
Total shareholders' equity attributable to shareholders	801,159	666,850
Non-controlling interest	131,756	122,938
Total shareholders' equity	932,915	789,788
Liabilities		
Interest-bearing loans	707,300	961,046
Financial derivatives	36,857	80,787
Deferred tax liabilities	-	164
Total long-term liabilities	744,157	1,041,997
Redemption requirement long-term liabilities	106,579	186,273
Financial derivatives	517	-
Debts to credit institutions	21,179	86,119
Other accounts payable and deferred income	42,496	43,738
Total current liabilities	170,771	316,130
Total liabilities	914,928	1,358,127
Total shareholders' equity and liabilities	1,847,843	2,147,915

Consolidated cash flow statement

(x €1,000)

	2013		2012	
Result after tax	-	117,836	-	99,781
Adjusted for:				
Revaluation of real estate investments		192,314		146,219
Net result on sales of investments	-	3,649		7,870
Bookprofit on divestment tangible fixed assets	-	24	-	19
Net financing expenses		32,147		75,342
Deferred tax liabilities	-	164	-	1,526
Depreciation		725		667
Cash flow from operating activities		221,349		228,553
Movements in debtors and other accounts receivable		7,624	-	7,958
Movements in other liabilities, accrued expenses and deferred income		246	-	1,968
Financing income		264		165
Financing expenses	-	59,603	-	55,619
Cash flow from operations		52,044		63,392
Purchases of real estate and investments in existing properties	-	18,221	-	30,474
Proceeds of sale of real estate investments		127,333		93,041
Investments in tangible fixed assets	-	662	-	537
Divestments of tangible fixed assets		70		83
Investments in intangible assets	-	66	-	33
Cashflow from investments		108,454		62,080
Dividend paid	-	27,882	-	43,861
Costs related to optional dividend	-	8	-	91
Share issue		288,854		24,348
Repurchase of own shares		-		502
Unwinding derivatives	-	17,122	-	898
Drawdown of loans		31,653		58,544
Redemption of loans	-	364,554	-	172,963
Cash flow from financing activities	-	89,059	-	135,423
Net cash flow		71,439	-	9,951
Exchange-rate differences	-	302		167
Cash and debts to credit institutions as of 1 January	-	79,112	-	69,328
Cash and debts to credit institutions as of 31 December	-	7,975	-	79,112

Consolidated statement of movements in shareholders' equity

(x €1,000)

The development of the item shareholders' equity 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 2013	-	-	-	134,075	134,075	16,239	117,836
Exchange rate differences on foreign participations	-	-	1	-	1	-	1
Total comprehensive income 2013	-	-	1	134,075	134,076	16,239	117,837
Final cash dividend for 2012	-	-	7,502	-	7,502	7,421	14,923
Costs related to optional dividend 2012 profit appropriation	-	-	8	-	8	-	8
Distributed cash interim dividend 2013	-	-	103,117	103,117	-	-	-
Issue of shares	34,500	265,523	- 11,169	-	288,854	-	288,854
Total contributions by and to shareholders	34,500	265,523	134,755	103,117	268,385	7,421	260,964
Balance as of 31 December 2013	65,872	923,435	54,073	- 134,075	801,159	131,756	932,915

The development of the item shareholders' equity in 2012 was as follows:

	issued share capital	share premium reserve	other reserves	retained earnings	total share- holders' equity attributable to shareholders	non- controlling interest	total share- holders' equity
Balance as of 1 January 2012	27,732	637,054	53,727	62,705	781,218	128,402	909,620
Result 2012	-	-	-	103,117	103,117	3,336	99,781
Exchange rate differences on foreign participations	-	-	55	-	55	-	55
Total comprehensive income 2012	-	-	55	103,117	103,062	3,336	99,726
Final cash dividend for 2011	-	-	7,539	-	7,539	8,800	16,339
Stock dividend	685	685	-	-	-	-	-
Costs related to optional dividend	-	25	10	-	35	-	35
2011 profit appropriation	-	-	62,705	62,705	-	-	-
Distributed cash interim dividend 2012	-	-	27,522	-	27,522	-	27,522
Stock dividend	1,594	1,594	-	-	-	-	-
Costs related to optional dividend	-	41	15	-	56	-	56
Issue of shares	1,389	23,677	718	-	24,348	-	24,348
Own shares acquired	28	474	-	-	502	-	502
Total contributions by and to shareholders	3,640	20,858	26,901	62,705	11,306	8,800	20,106
Balance as of 31 December 2012	31,372	657,912	80,683	103,117	666,850	122,938	789,788

Financial Calendar 2014

	Datum
Publication annual report 2013 & convocation AGM	Mid March 2014
AGM	25 April 2014
Publication trading update first quarter 2014	16 May 2014
Publication first half year results 2014	8 August 2014
Publication trading update third quarter 2014	14 November 2014

Dividend distribution 2014	Date
Setting of final dividend for 2013	25 April 2014
Listing ex-dividend	29 April 2014
Payment of final dividend for 2013	7 May 2014

The figures in this press release have not been audited.

Conference call & audiowebcast for analysts

NSI will host a conference call and audiocast at 10.30 a.m. CET for analysts.

The dial in number for the conference call (participation code: 66918212#)is:

Netherlands: +31 (0) 20 717 68 68

United Kingdom +44 (0)20 30 43 24 42

United States +1 914 885 07 80

Israel (toll free) - 1 809 214 432

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About NSI

NSI offers tenants sustainable accommodation that entitles them to run their businesses successfully over the long term, so that institutional and individual investors are offered a total return on their invested assets. NSI invests in office and retail properties at prime business locations in the Netherlands and Belgium. NSI is a listed closed-end property investment company with variable capital and manages assets of approximately € 1.8 billion.

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