

Highlights: Strong first quarter

Strategy:

- Asset rotation: sales transactions for €24.5 million completed in Q1 2015
 - Through its total asset sales since the start of the asset rotation program in 2014, NSI achieved approx. 50% of its 2016 targets in its office portfolio
- Refinancing of €550 million completed:
 - Significant extension average loan maturity from 2.0 years to approx. 4.0 years
 - Average funding costs decrease from 4.6% as per 31 December 2014 to 4.4% and to 4.0% in 2016

Offices NL

- Strong take up in Q1 2015; 9,090 sqm significantly higher compared with Q4 2014 (3,216 sqm) and Q1 2014 (5,131 sqm)
- Take up/supply ratio of 21% in Q1 compared with market average of 17%.
- Stable occupancy rate (71.4% as per 31 March 2015)
- Effective rent level new leases was €130 per sqm in Q1 2015 (€125 per sqm over last 12 months)

HNK

- HNK share in total gross rental income of the Dutch office portfolio increased from 9.9% in 2014 to 12.6%
- Like-for-like growth of 29.7%
- Take up / supply ratio in HNK was 36%
- 8th HNK location opened in the South of the Netherlands (Den Bosch); first tenant Panasonic (1,100 sqm) moved in

Retail NL

- Stable occupancy rate (88.2% as per 31 March 2015)
- Effective rent level new leases of €175 per sqm versus €180 per sqm in total retail portfolio
- Like-for-like growth of 3.1%

Other (Large Scale Retail and Industrials NL)

- Strong improvement of the occupancy rate in the Large Scale Retail portfolio from 84.5% at year-end 2014 to 91.6% as result of a new lease with a home furniture store
- Improvement of the occupancy rate in the Dutch industrial portfolio from 76.6% at year-end 2014 to 80.8%

Belgium

- Occupancy rate improved in both segments to 86.7% for total portfolio (31 December 2014: 86.0%)
- Acquisition of logistic site in Herstal brings share of logistics in total portfolio to 48%

Johan Buijs, CEO van NSI:

“In the first quarter of 2015, the Dutch economy and the producer and consumer confidence improved. Thanks to our specific expertise and capabilities, we were able to benefit strongly from this. The occupancy rate of the total portfolio improved and NSI succeeded in letting out twice as much out of vacancy compared with last year. In combination with the improvement in the quality of the portfolio as result of asset rotation, we achieved a take up/supply ratio of 21% in the Dutch office portfolio, significantly better than the market average of (17%).

Also the direct investment result showed an improvement compared with both the last and the first quarter of last year. Although this has been positively influenced by a large one-off item, the first quarter is altogether a strong quarter, reflecting the effects of our strategy.”

Results (x € 1,000)	Q1 2015	Q4 2014	Q1 2014
Gross rental income	34,085	33,289	33,869
Net rental income	29,898	27,237	27,823
Direct investment result	13,496	11,908	12,826
Occupancy rate (in%)	80.6	79.9	78.5

Leasing activities

	Offices NL*		HNK		Retail	
	Q1 2015	Q4 2014	Q1 2015	Q4 2014	Q1 2015	Q4 2014
Occupancy rate	71.4%	71.5%	57.5%	56.6%	88.2%	88.4%
Take up in sqm	9,090	3,216	4,250	1,778	831	2,489
Take up/supply ratio	21%	13%	36%	26%	13%	41%
Effective rent lever per sqm new lettings	€ 130	€151	€ 175	€ 196	€ 178	€ 193
Effective rent level persqm total portfolio	€ 146	€149	€ 167	€ 163	€ 180	€ 182

*) includes HNK

Offices NL

NSI aims to increase the quality of its portfolio through its asset rotation strategy. Through the sale of the non core portfolio in 2014, NSI sold approx. 10% of the bottom end of its portfolio so that the average quality of the portfolio has increased. With the total asset sales since the start of the asset rotation strategy in 2014, NSI is approx. halfway in achieving its 2016 targets in its office portfolio.

NSI signed 9,090 sqm of new leases (take-up) in the Dutch office portfolio in Q1 2015. This is significantly higher than the take up in Q1 2014 (5,131 sqm) and Q4 2014 (3,216 sqm) and represents approx. 2.9% of the total take up in the market (NSI portfolio represents 1.1% of the total market). The take-up/supply¹ ratio of 21% was considerably better than the market average of 17%. This sharp improvement was driven by the strong leasing performance and the reduction in supply in the NSI portfolio as result of the sale of the non core portfolio.

The effective rent level of new leases in the office portfolio amounted to €130 per sqm in Q1 2015 (€125 per sqm over the last 12 months). The effective rent level for the overall Dutch office portfolio amounted to €146 per sqm as per 31 March 2015 (31 December 2014: €149 per sqm).

The average lease duration of the portfolio remained stable at 3.8 years as per 31 March 2015.

HNK

HNK represented almost 50% of the total take up in offices in Q1 2015. A number of large leases (3,500 sqm) took place in the 'tailor made office' proposition, including Panasonic in HNK Den Bosch (1,100 sqm) and the Rutgers Stichting (1,100 sqm) in HNK Utrecht Central Station. In this proposition, tenants exactly determine the required floorplate, while benefiting from the added value of the HNK concept, including the meeting room and conferencing facilities and the possibility of having access to office space in multiple locations at relatively low costs. Also for the larger floorplates, the 'social heart' turns out to be a key differentiator which makes HNK the preferred solution over conventional office space. HNK tenants increasingly rent in multiple locations with multiple products. For example through combining 'tailor made office' with a Managed Office or memberships at other HNK locations. The take up/ supply ratio in HNK amounted to 36%, compared to the market average of 17% and 21% in the total Dutch office portfolio of NSI.

The roll-out to 20 HNK locations branches with nationwide coverage in 2016 is on schedule. With the opening of HNK Den Bosch on 22 April 2015, NSI added a strategic location in the Southern part of the Netherlands to its HNK network. HNK Ede is expected to be opened on 1 July 2015 and HNK Utrecht Central Station on 1 September 2015.

The average occupancy rate in HNK was 57.5% as per 31 March 2015 (31 December 2015 56.6%). The average effective rent level in the HNK portfolio amounted to €167 per sqm. The retention rate of 85% shows that the flexibility for which HNK tenants choose in the HNK concept practically translates into long-term leasing.

The share of HNK in the total gross rental income of the Dutch office portfolio grew from 9.9% to 12.6%. HNK showed a like-for-like growth of 29.7%. The organic growth in Q1 2015 versus Q4 2014 was 1.4%.

NSI invested €1.7 million in HNK in Q1 2015, bringing the total cumulative investments in the HNK roll-out to €13.4 million, out of the total 3-years investment plan (until 2016) of €31.0 million.

¹ The take-up supply ratio is recalculated on annualized basis. According to Dynamis, total take up in the Dutch office market amounted to 304,205 sqm

Retail NL

The retail landscape remains challenging despite the improving consumer confidence. Also 2015 has again seen a number of bankruptcies of a number of national retail chains. With the focus on 'convenience' and neighbourhood shopping centers, NSI managed to maintain the occupancy rate stable at 88.2% on 31 March 2015 (31 December 2014: 88.4%).

The effective rent level in the retail portfolio was €180 per sqm as per 31 March 2015 (31 December 2014: €182 per sqm), while the effective rent level of new leases amounted to €178 per sqm in Q1 2015.

The average lease duration of the portfolio increased slightly to 4.6 years as per 31 March 2015 (31 December 2014: 4.5 years).

Belgium

The occupancy rate in the Belgian portfolio improved slightly from 86.0% as per 31 December 2014 to 86.7% per 31 March 2015 as a result of a slight improvement in both portfolios; the occupancy rate of the logistics portfolio improved from 91.2% to 91.7% and the office portfolio improved from 82.7% to 83.1%.

The leasing activities involved primarily renewals in both portfolios in Q1 2015. In the logistic site Neerland 1 in Wilrijk the lease of 3,653 sqm to a governmental agency (Facilitair Agentschap) was extended. Furthermore, after the closing of Q1 2015, the extension and expansion was agreed with CooperVision Belgium in the recently acquired logistics site in Herstal. Due to the strong growth of CooperVision and the centralization of the continental European distribution activities, the capacity of the site had to be expanded considerably. The new agreement commences on April 1, 2015 and runs until 2024 and delivers an annual rental income of €0.8 million per year.

Financial results

Results (x € 1,000)	Q1 2015	Q4 2014	Q1 2014
Gross rental income	34,085	33,289	33,870
Net rental income	29,898	27,237	27,823
Direct investment result	13,496	11,908	12,826
Occupancy rate (in%)	80.6	79.9	78.5

Gross rental income by segment Q1 2014 up to Q1 2015

Gross rental income by segment in the Netherlands and Belgium:

x € 1.000	Q1 2014	Purchases	Disposals	Organic Growth	Q1 2015
The Netherlands					
Offices	13,725	-	-142	-1,200	12,382
Retail	6,849	-	-	210	7,059
Large scale retail	1,522	-	-	124	1,646
Industrial	1,716	-	-10	-209	1,497
Residential	69	-	-69	-	-
Total	23,881	-	-221	-1,075	22,585
Belgium					
Offices	6,135	-	-	270	6,450
Industrial	3,854	1,116	-16	141	5,095
Total	9,989	1,116	-16	411	11,500
Total NSI	33,870	1,116	-237	-664	34,085

The negative like-for-like growth is largely due to the expiration of a number of large contracts, as previously announced, at 31 December 2014. The impact of the expiration of the contracts with the Central Government Real Estate agency ("Rijksgedebouwendienst", 5,000 sqm) ROC Amsterdam (5,000 sqm) and Prorail amounted to €0.9 million (9,000 sqm).

In the large scale retail, Q1 was influenced by the positive effect of the settlement of turnover rent over 2014 (€0.4 million).

The acquisitions of the logistics site in Opglabbeek (end 2014) and the logistics site in Herstal (February 2015) contributed to the gross rental income in line with expectations.

Gross rental income by segment Q4 2014 up to Q1 2015

Gross rental income by segment in the Netherlands and Belgium:

x €1.000	Q4 2014	Purchases	Disposals	Organic Growth	Q1 2015
The Netherlands					
Offices	13,410	-	87	-1,114	12,382
Retail	6,578	-	-	481	7,059
Large scale retail	1,297	-	-	349	1,646
Industrial	1,810	-	-273	-40	1,497
Total	23,095	-	-186	-324	22,585
Belgium					
Offices	6,206	-	-	199	6,405
Industrial	3,989	1,049	-	57	5,095
Total	10,195	1,049	-	274	11,500
Total NSI	33,289	1,049	-186	-67	34,085

Net rental income

The net rental income amounted to €29.9 million in Q1 2015 (Q4 2014: €27.2 million, Q1 2014: €27.8 million). This increase is largely due to received refurbishment fees in Belgium of €2.5 million.

Direct investment result

The direct investment result increased to €13.5 million (Q4 2014: €11.9 million, Q1 2014: €12.8 million). Besides the higher net rental income, slightly lower financing costs and administrative costs also contributed to the improved direct investment result.

Financing

NSI completed and signed the documentation of the refinancing, which was announced on 13 February 2015. With this facility of €550 million, NSI has given substance to the key objectives of its funding strategy; the diversification of funding resources, the extension of the average maturity of the loan portfolio, and the reduction of financing costs. Moreover, NSI has significantly simplified the structure.

Characteristics of the new facility are:

- Diversification of funding sources through participation of international banks and multiple institutional investors
- Simplification of the financing structure of NSI: 2 syndicated facilities and several bilateral agreements are merged into one single loan document
- The average maturity of the facility is five years. The average duration of the entire loan portfolio from 2.0 (at 31 december 2014) will increase to slightly below 4.0 years at effectuation date.
- The new facility explicitly provides the possibility of releasing securities over time, after which the largest part of the facility will continue as corporate facility.
- The applicable conditions provide flexibility to the implementation of the strategy of NSI, including asset rotation.

The facility will take effect as per mid May 2015, after which the average financing costs will decrease to 4.4% as at 30 June 2015 compared with 4.6% at 31 December 2014, and to approx. 4.0% in 2016.

The LtV (loan-to-value) was 47.7% as at 31 March 2015 (31 December 2014: 48.9%). It should be taken into account that no dividend is distributed in the Q1 and that the Dutch portfolio is not being appraised in Q1.

The interest cover ratio was 3.0 as per 31 March 2015 (31 December 2014: 2.6). The interest cover ratio was positively influenced by the one-off refurbishment fees in Belgium.

Developments in the portfolio (acquisitions and disposals)

In Q1 2015 NSI sold an office property at the Karel du Jardinstraat in Amsterdam at 70% above book value. By identifying opportunities for alternative use, and by integrating this in the sale process, NSI was able to realize the maximum value under its management.

Furthermore, NSI completed a number of previously announced transactions in Q1 2015, including the sale of 14 non-core assets, resulting in the disposal of 43,000 sqm of non performing assets. Furthermore, the sale of an office property at the Bovendonk (3,361 sqm) in Roosendaal and a non-strategic property at the Montaubanstraat (2,143 sqm) in Zeist was completed. The annual gross rental income of these sold properties amount to €1.3 million. The total proceeds of the sales completed in 2015 amounted to €24,5 million. On average, the sales took place as 24% above book value.

With these transactions NSI gives substance to the execution of its asset rotation strategy. This asset rotation strategy involves the disposal of properties of which the value has been optimised or when the required investments will not result in the required returns. This enables NSI to improve the quality of the portfolio and to reinvest its resources in properties where NSI can create value through its active management strategy.

Intervest Offices & Warehouses (IOW) completed the acquisition of the logistics site of 52,000 sqm in Herstal (Liege) for €28.6 million in February 2015. The site was fully occupied as per 31 March 2015.

IOW has expanded its position on the logistic axes Antwerp-Limburg-Liege through this transaction. This transaction is another step in progressing to its strategic target to grow the logistics portfolio to at least 60% of its total portfolio.

About NSI

NSI creates - with and for its customers - inspiring environments to meet, work and do business. NSI realises this by investing in offices and retail in attractive, high-quality locations in the Netherlands and Belgium. NSI is a publicly listed real estate company, and manages invested assets of around €1.7 billion.

Financial calendar	Date
Interim report half-year results 2015	31 July 2015
Trading update Q3 2015	30 October 2015

Dividend distribution 2015	Datum
Setting interim-dividend 2015	31 July
Listing ex-dividend	4 August 2015
Record date	5 August 2015
Payment interim-dividend 2015	11 August 2015

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