TRADING UPDATE

Q1 2018

- **Successful start of 2018, with debt refinancing extending maturities at a lower cost**
- **EPRA NAV €37.23 per share (up 2% vs YE 2017)**
- **EPRA EPS of €0.58 per share (up 2% on Q1 2017)**
- **Vacancy rate 18.8% (up 0.4% vs YE 2017)**
- **Leasing momentum points to like-for-like vacancy improvement for 2018**

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Definitions

EPRA
European Public Real Estate Association - Please refer to www.epra.com for all EPRA definitions

ERV
The estimated rental value (ERV) is the valuer's estimate of the open market rent that a property in its current state can reasonably be expected to achieve given its characteristics, condition, amenities, location and local market conditions.

Theoretical rent
The contractual rent for let space plus the ERV for vacant units.

G4
G4 refers to the locations Amsterdam, The Hague, Rotterdam and Utrecht.

ICR
NSI calculates its interest coverage ratio for a given period by dividing net rental income by net financing expenses, in accordance with its loan covenants.

Net LTV
The loan to value ratio reflects the balance sheet value of interest bearing debts plus short term debts to credit institutions, net of cash and cash equivalents, as a percentage of the total real estate investments, including assets held for sale.

Financial calendar

Publication half year results 2018	19 July 2018
Publication trading update Q3 2018	18 October 2018
Publication final results 2018	29 January 2019
Publication annual report 2018	8 March 2019
AGM	20 April 2018
Ex-dividend date (final dividend 2017)	24 April 2018
Record date	25 April 2018
Stock dividend election period	26 April – 9 May 2018
Payment date	14 May 2018
Ex-dividend date (interim dividend 2018)	24 July 2018

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NSI HIGHLIGHTS

Key financials metrics[1]

	YTD Q1 2018	YTD Q1 2017	Change %
Revenues and Earnings (€ '000)			
Gross rental income	21,148	23,451	-9.8%
Net rental income	15,091	16,104	-6.3%
Direct investment result	10,578	10,152	4.2%
Indirect investment result	-181	2,227	
Total investment result	10,397	12,379	-16.0%
Earnings per share (€)	0.57	0.69	-18.1%
EPRA earnings per share (€)	0.58	0.57	1.6%
EPRA cost ratio A (incl. direct vacancy costs)	26.0%	29.0%	-3.0pp
EPRA cost ratio B (excl. direct vacancy costs)	23.2%	25.8%	-2.6pp

	31 Mar 2018	31 Dec 2017	Change %
Balance Sheet (€ '000)			
Real estate investments	1,112,368	1,072,180	3.7%
Assets held for sale	24,029	28,791	-16.5%
Net debt	-425,807	-408,453	4.2%
Equity	683,085	672,688	1.5%
IFRS equity per share (€)	37.19	36.63	1.5%
EPRA NAV per share (€)	37.23	36.66	1.5%
EPRA NNNAV per share (€)	36.77	36.13	1.8%
Net LTV	37.2%	36.9%	0.3pp
Number of ordinary shares outstanding	18,364,998	18,364,998	
Weighted average number of ordinary shares outstanding	18,364,998	18,133,178	1.3%

Key portfolio metrics

	Mar 18				Dec 17
	Offices	HNK	Other[2]	Total	Total
Number of properties	91	14	18	123	126
Market value (€ m)[3]	772	185	186	1,144	1,108
Contracted rent (€ m)[4]	58	15	16	89	87
ERV (€ m)	69	21	16	107	105
Lettable area ('000 sqm)	443	127	107	678	676
EPRA vacancy rate	16.4%	31.1%	12.7%	18.8%	18.4%
WAULT (years)	4.8	3.1	5.1	4.6	4.7
Average rent/sqm (€ p.a.)	170	178	178	173	169
EPRA net initial yield	5.7%	3.7%	6.2%	5.4%	5.5%

[1] Based on unaudited results
[2] Keizerslanden in Deventer was sold in April 2017 and is included as Assets held for sale in “Other”, with the delivery and transfer set for H1 2018
[3] At market value. Reported in balance sheet at book value excluding lease incentives and part of NSI HQ related to own use
[4] Before rent free and other lease incentives

CEO COMMENTS

In April 2018 we completed the refinancing of most of our debt, having been able to secure a longer average debt maturity at a lower margin. This leaves a further reduction in the vacancy rate and continued asset rotation as the two main points of focus for now. We are confident that we will deliver on both in 2018.

Positive leasing momentum

The EPRA vacancy rate has increased by 0.4% to 18.8% in Q1 2018. This includes a 0.6% like-for-like increase and is negatively impacted by several large asset management initiatives at HNK. Based on our current leasing momentum, with several new leases already agreed with a future start date, we expect a fall in the vacancy rate on a like-for-like basis for the whole of 2018.

The EPRA vacancy rate has fallen from 24.3% (end 2015) to 21.4% (end 2016) and 18.4% (end 2017) and, notwithstanding the increase in Q1, we are adamant that we will continue to progress to a below market vacancy rate in due course, as we further improve the quality and focus of the portfolio.

Asset rotation

In Q1 we sold three small office assets in Leusden, Apeldoorn and Amersfoort and one small industrial asset in Diemen, for a total of €10.7m. We expect to transfer the nearly completed Keizerslanden shopping centre in Deventer and a small office asset in Tilburg in June 2018, for a total of circa €26.6m.

The above disposals fund the recent acquisition in March of the 12,700m2 Q-Port building in Amsterdam Sloterdijk for €36.8m[5]. The net effect on EPRA EPS of the above disposals and acquisition will be positive once we lease up the remaining vacancy in Q-Port. We expect to be able to achieve this before the end of 2018.

Improved terms in debt refinancing

In Q1 2018 we completed an 8-year €40m private placement with Pricoa, on terms that reflected an investment grade credit rating. Earlier this April we refinanced our term loan and revolving credit facilities with our syndicate of banks.

Following these transactions we have an average debt maturity of 5.5 years (was 3.1 years) at an average interest rate of 1.9% (was 2.3%). In combination with a strong LTV of 37.2% we have the financial stability to pursue our development program.

Dividend outlook for 2018 and beyond

The ongoing transition to a better quality, more focused, portfolio, supported by a structurally lower LTV and longer debt maturities signals that we are willing to sacrifice short term EPS in the belief that long term risk-adjusted total returns will be better.

So far the EPS rebase is caused solely by the move to a lower LTV, not because of the asset rotation to a better quality portfolio. As we are still in the middle of a sizeable asset rotation program and have a significant development pipeline to consider it will take some time before we have more clarity on the longer term income-generating capacity of the business.

It is exactly this longer term income-generating capacity of the business, net of capex requirements, that will help us determine what is an appropriate - sustainable - level of dividend.

Our current best estimate, based on analysing multiple scenarios, is that we expect to be able to maintain a dividend distribution of €2.16 per share going forward.

Outlook for 2018

It is too early in the year to revise our previous EPS guidance of €2.35-2.45 for 2018. The timing and the size of potential disposals and/or acquisitions can still have a significant influence on the outlook.

We are off to a good start with a Q1 2018 EPRA EPS of €0.58, or €0,67 adjusted for straight-lining effects and one-offs. With the operational business improving and costs firmly under control we are positive about the outlook, even though the run-rate EPS for Q2 will be lower, mostly due to an increase in maintenance expenditures and the dilution from stock dividend.

It is exactly 20 years ago this month that NSI became a stock exchange listed company (on 3 April 1998). Much has happened since. We are proud to be a listed company and with a new team and new strategy in place, we are looking forward with confidence and renewed energy to the opportunities ahead.

Bernd Stahli

[5] Acquisition price excluding transfer costs

INCOME, COST AND RESULTS

Introduction

EPRA EPS for Q1 2018 is €0.58, a 1.6% increase compared to the same period last year. These results are negatively impacted by lower net rental income as a result of net sales in 2017 and positively impacted by lower admin and finance costs.

On a net basis positive one-offs contribute €0.35m to the EPRA earnings, €0.27m more than in Q1 2017. Most of the positive one-offs are reflecting changes from IFRS 9 relating to provisions made for doubtful debtors.

Rental income

Gross rental income in Q1 2018 is down by 9.8% (€-2.3m), mainly due to net disposals. One-offs in GRI are zero compared to approximately €0.1m in the same period last year.

Gross rents are down 0.9% (-€0.2m) on a like-for-like basis, due to several legacy lease expiries in 2017. Operating costs are €0.3m higher than Q1 2017 on a like-for-like basis, mainly due to an increase in maintenance costs. Consequently like-for-like NRI is 2.1% lower than last year.

Income segment split Q1 2018 (€ '000)

	Offices	HNK	Other	TOTAL
Gross rental income	13,748	3,546	3,854	21,148
Service costs not recharged	-306	-211	-108	-625
Operating costs	-2,673	-1,615	-1,145	-5,433
Net rental income	**10,769**	**1,720**	**2,602**	**15,091**

Service costs

Non-recoverable service charges of €0.6m are €0.2m (23%) lower than last year. One-off releases of provisions (€0.1m) are circa €0.1m lower than last year. Most of the savings are the result of better cost controls, better cost allocation and a higher recovery rate due to improved occupancy levels, in particular in the HNK business line.

Operating costs

Operating costs for Q1 2018 are 17% (€1.1m) lower compared to Q1 2017. The main contributors are lower municipality taxes as a result of asset disposals, lower property management costs due to a reduction in staff and a one-off contribution of €0.3m due to a change in doubtful debt provisions related to changes in IFRS 9. Adjusted for one-offs, operating costs are circa €0.8m (-12%) lower than last year.

The operating margin increased to 71.4%, up 2.7pp on Q1 2017 (68.6%). The margin for the first quarter is typically lower than for other quarters as under IFRIC21 the annual costs for municipal taxes are charged in the actual quarter these are incurred instead of straight-lined over the year.

Administrative expenses

Administrative expenses are €1.8m, a €0.5m (-23%) decrease versus Q1 2017 mostly due to one-offs in Q1 2017. These one-off costs primarily relate to personnel, consultancy and audit fees in Q1 2017.

Net financing expenses

NSI continues to benefit from lower margins and lower swap rates post the refinancing in Q4 2017 and January 2018, in combination with a reduction in the amount of debt. Financing costs for Q1 2018 are down €1.0m (-27%) compared to Q1 2017.

The cost of debt is 2.3% at the end of March 2018, in line with the cost of debt at the end of 2017.

Post-closing events and contingencies

On 18 April NSI closed the refinancing with its syndicate banks, for a new €180m 5-year Term Loan and €300m 5-year Revolving Credit Facility, both at an improved margin.

One small office asset in Tilburg is unconditionally sold in April for €0.9m. Transfer of this asset is foreseen for Q2 2018.

REAL ESTATE PORTFOLIO

NSI sold three smaller office assets and one industrial asset in Q1 2018. One office asset was acquired during the quarter, Q-Port in Amsterdam. This reduces the number of assets to 123. Disposal proceeds of €10.7m are offset by the €36.8m acquisition price. The Keizerslanden shopping centre in Deventer is held for sale and will be transferred on delivery in Q2 2018.

Portfolio breakdown - March 2018

	# Assets	Market Value €m	Value %
Offices	91	772	68%
HNK	14	185	16%
Other	17	162	14%
Total Investment properties	**122**	**1,120**	**98%**
Held for sale	1	24	2%
Total portfolio	**123**	**1,144**	**100%**

The investment portfolio continues to improve in focus and quality, resulting in an overall more efficient operation. The average asset value on 31 March 2018 is €9.3m (€8.8m Q4 2017).

Vacancy

The March 2018 EPRA vacancy rate is 18.8%, a 0.4% increase from the end of the previous year. The like-for-like increase is 0.6%, with a small negative result in all three business segments.

The negative like-for-like in Offices relates to a tenant in Rotterdam that reduced its space requirement. The 0.1% like-for-like increase for HNK is particularly small given the negative impact on the vacancy rate from several larger asset management initiatives at HNK. We have been actively pursuing vacancy in the short term at HNK Houthavens, HNK Utrecht CS and HNK Rotterdam Centrum to either move or expand the offering of MO (managed office) units. The 1.8% like-for-like increase in retail is the result of 3 expiries of which one temporarily.

EPRA Vacancy

	Dec 17	L-f-l	Other	Mar 18
Offices	15.9%	0.5%	0.0%	16.4%
HNK	29.8%	0.1%	1.2%	31.1%
Other	14.0%	1.8%	-3.1%	12.7%
Total portfolio	18.4%	0.6%	-0.2%	18.8%
Offices + HNK	*19.2%*	*0.4%*	*0.3%*	*19.9%*

Rents

Net rental income for Q1 2018 is down 2.1% on a like-for-like basis. This is entirely due to a negative result for Offices, which is largely due to legacy office leases expiring and several positive one-offs in H1 2017. The like-for-like for Offices will once again improve as the year progresses.

Net rent growth like-for-like

	YTD Q1 18 €m	YTD Q1 17 €m	Change €m	L-f-l %
Offices	7.9	8.6	-0.7	-8.2%
HNK	1.7	1.4	0.3	21.8%
Other	2.3	2.1	0.2	6.7%
Total portfolio	**11.9**	**12.1**	**-0.2**	**-2.1%**

The average lease maturity is more or less stable compared to December 2016, at 4.6 years. We are actively looking to extend leases where possible and on average are able to do so marginally ahead of ERV.

Offices

The asset rotation to further upgrade and focus our office portfolio continues apace in Q1 2018. The exposure within the office portfolio to Amsterdam has increased to 51% (Dec 17: 48%). The weighting to the target cities Amsterdam, Utrecht, Rotterdam, The Hague, Leiden, Den Bosch and Eindhoven is now 82%.

Key Offices metrics

	Sep 17	Dec 17	Mar 18
Number of properties	103	93	91
Market value (€m)	733	736	772
Annual contracted rent (€m)	58	57	58
ERV (€m)	69	67	69
Lettable area (k sqm)	467	436	443
EPRA Vacancy	19.4%	15.9%	16.4%
WAULT (years)	5.1	5.0	4.8
Average rent/sqm (€/p.a.)	156	168	170
EPRA net initial yield	5.9%	5.8%	5.7%

We are experiencing a rise in the number of viewings, with strong interest in modern space in good quality G4 locations. Demand for more secondary locations and for lower quality space is limited and this very much remains a tenant's market.

Capacity constraints in the market are starting to have an impact on leasing markets in the G4. Waiting times for material and contractors are impacting time tables in the provision of space to prospective tenants, possibly affecting lease start dates.

There were no major movements in the vacancy rate for the G4, Other Randstad and Other Netherlands in Q1 2018. Some assets are now intentionally left vacant or being vacated as we are preparing these assets for disposal/conversion.

Key Offices metrics geographical split

	G4	Other Randstad	Other NL
Number of properties	34	23	34
Market value (€m)	524	104	144
Annual contracted rent (€m)	35	10	13
ERV (€m)	40	12	18
Reversion	4.2%	-6.5%	-9.5%
Lettable area (k sqm)	202	89	152
EPRA Vacancy	9.0%	17.3%	32.9%
WAULT (years)	5.4	3.9	3.6
Average rent/sqm (€/p.a.)	200	145	134
EPRA net initial yield	5.1%	7.6%	6.3%

HNK

The HNK activities are progressing well. The increase in vacancy to 31.1% in Q1 2018 is due to pro-active asset management initiatives at a variety of locations. We have released space in HNK Schinkel to upgrade the building and prepare for the formal opening in Q2. In HNK Houthavens we have vacated the ground floor to introduce MO (managed office) units and we have been creating vacancy elsewhere in the building to establish evidence of higher ERVs. In HNK Utrecht CS we are adding another floor of MO units.

Both our HNK locations in Rotterdam are improving. In Rotterdam Centrum we are moving the MO units to the ground floor and are actively leasing up the remaining vacancy. At Scheepvaartkwartier we are seeing strong interest from prospective tenants and expect to improve the occupancy rate in the period ahead.

HNK Apeldoorn and HNK Dordrecht remain difficult locations. In HNK Ede we see good demand for the new MO units that we have created, but demand for larger floor plates remains slow. In HNK The Hague and HNK Zuid Oost we continue to invest to upgrade our offering, which is also improving our letting prospects.

We are optimistic about the outlook for our HNK buildings and we expect to show a good improvement in the occupancy rate later in 2018.

Key HNK metrics

	Sep 17	Dec 17	Mar 18
Number of properties	13	14	14
Market value (€m)	158	181	185
Annual contracted rent (€m)	14	15	15
ERV (€m)	20	22	21
Lettable area (k sqm)	121	128	127
EPRA Vacancy	31.6%	29.8%	31.1%
WAULT (years)	3.2	2.9	3.1
Average rent/sqm (€/p.a.)	175	176	178
EPRA net initial yield	4.4%	3.9%	3.7%

Other

We transferred one of our two remaining industrial assets in Q1 2018, located in Diemen. In Q2 2018 we expect to deliver and transfer the Keizerslanden shopping centre in Deventer. Both assets were held for sale at Q4 2017.

We are active with the remainder of our retail portfolio, working on plans for our shopping centre in Heerlen and looking at options for our shopping centre in Rijswijk, where ownership changes at other parts of the centre appear to be creating new opportunities.

Key Other metrics

	Sep17	Dec 17	Mar 18
Number of properties	22	19	18
Market value (€m)	198	191	186
Annual contracted rent (€m)	15	16	16
ERV (€m)	18	16	16
Lettable area (k sqm)	119	113	107
EPRA Vacancy	15.7%	14.0%	12.7%
WAULT (years)	4.8	5.0	5.1
Average rent/sqm (€/p.a.)	171	169	178
EPRA net initial yield	6.3%	6.0%	6.2%

BALANCE SHEET, NAV & FINANCING

Funding status per March 2018

NSI agreed an 8-year unsecured US private placement (USPP) with Pricoa in January. In total €40m was drawn, at a coupon that reflects an implicit investment grade credit rating. Further funding under this USPP is potentially available via a shelf construction, whereby margins and swap rates will be fixed at the time of issue.

Net debt at March 2018 stands at €425.8m, an increase of €17.3m compared to December 2017. This is driven by positive cash flow from operations and the net effect of disposals and acquisitions.

The LTV is 37.2% (Dec 17: 36.9%) and the average cost of debt is 2.3% at the end of March 2018 (Dec 17: 2.3%).

NSI is using swaps to hedge its interest rate risk on the variable loans. The USPP has a fixed rate coupon. The maturity hedge is 101% and the volume hedge is 84% per March 2018.

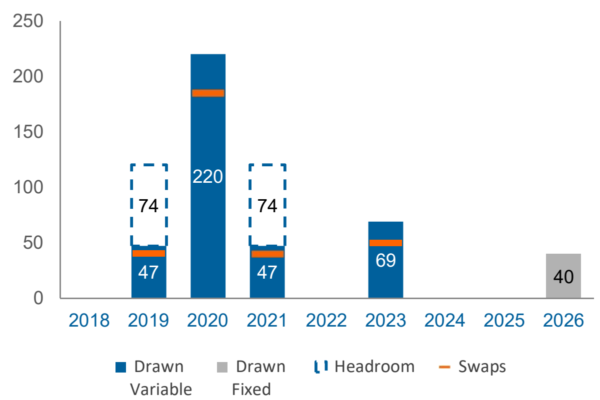
***Net debt - Mar 2018** (€m)*

	Mar 18	Dec 17	Change
Debt outstanding	423.0	407.2	15.8
Amortisation costs	(1.6)	(1.8)	0.2
Book value debt	421.4	405.4	16.0
Debt to credit institutions	22.1	9.9	12.2
Cash	(17.7)	(6.8)	(10.8)
Net debt	**425.8**	**408.5**	**17.4**

Covenants

	Covenant	Dec 15	Dec 16	Dec 17	Mar 18
LTV	≤60%	43.3%	44.1%	36.9%	37.2%
ICR	≥ 2.0x	3.2x	3.8x	4.7x	5.6x

***Maturity profile of loans and swaps Mar 2018** (€m)*



Funding status pro forma for refinancing

Over the past few months NSI has refinanced most of its debt. In December 2017 a €60m secured EU private placement was repaid and an extra €20m was drawn from Berlin Hyp. This was followed by a new €40m USPP with Pricoa in January 2018. In April 2018 we completed the current refinancing by agreeing with our syndicate banks a new Term Loan and Revolving Credit Facility. Both the Term Loan and RCF have been agreed for a new 5 year term and margins are lowered to reflect our structurally lower LTV and improved implied credit rating.

Following this refinancing the average loan maturity is now extended to 5.5 years (March 2018: 3.3 years) and the average cost of debt is down to 1.9% (March 2018: 2.3%).

We now have a concentrated maturity profile, reflecting a bullet in 2023. This is not our preferred way of structuring our maturities, but the €300m RCF includes an option to extend the maturity twice for a period of one year, so ultimately to April 2025. As we continue the transition of NSI we aim to move to a more diverse maturity profile well before 2023.

***Post refinancing maturity profile of loans** (€m)*