HALF YEAR RESULTS

H1 2017

- **Execution of new strategy on track, with combined €337m of acquisitions/disposals in H1**
- **EPRA EPS of €1.35 per share (up 21% on H1 2016)**
- **EPRA NAV €35.44 per share at June 2017 (up 2% vs YE 2016)**
- **Net rents up 1.8% on a like-for-like basis in H1 2017**
- **Stable interim dividend of €1.04 per share, with optional share dividend**
- **Acquisition of a 7,200sqm office building in Leiden for €17.5m**

INDEX

Definitions

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

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, Den Haag, Rotterdam en Utrecht.

ICR
NSI calculates its interest coverage ratio for a given period by expressing the net rental income as a multiple of the net financing expenses.

Net LTV
The loan to value ratio is calculated by expressing 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 trading update Q3 2017	26 October 2017
Publication preliminary results 2017	30 January 2018
Publication annual report 2017	9 March 2018
Publication trading update Q1 2018	19 April 2018
Publication half year results 2018	19 July 2018
Ex-dividend date	31 July 2017
Record date	1 August 2017
Stock dividend election period	2 – 16 August 2017
Payment of final dividend	21 August 2017

For additional info please contact:
NSI N.V.
Investor Relations

Dirk Jan Lucas
T +31 (0)20 763 0368
E dirkjan.lucas@nsi.nl

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NSI HIGHLIGHTS

Key financials metrics[1]

(€ '000)	Supplemental[2]		IFRS[3]		
	H1 2017	H1 2016	H1 2017	H1 2016	Change %
Revenues and Earnings					
Gross rental income	45,640	45,787	32,400	30,122	7.6%
Net rental income	36,446	33,910	25,273	21,839	15.7%
Direct investment result			24,175	19,842	21.8%
Indirect investment result			13,372	-9,050	
Total investment result			37,547	10,792	247.9%
EPRA earnings per share (€)			1.35	1.11	21.4%
Dividend per share (€)			1.04	1.04	0.0%
EPRA cost ratio A (incl. direct vacancy costs)			26.4%	31.3%	-4.9pp
EPRA cost ratio B (excl. direct vacancy costs)			23.9%	26.7%	-2.8pp

(€ '000)	30 Jun 2017	31 Dec 2016	Change %
Balance Sheet			
Real estate investments	879,323	770,434	14.1%
Assets held for sale	195,899	389,923	-49.8%
Net debt	-410,176	-512,267	-19.9%
Equity	629,441	604,254	4.2%
IFRS equity per share (€)	34.70	33.76	2.8%
EPRA NAV per share (€)	35.44	34.61	2.4%
EPRA NNNAV per share (€)	34.89	33.56	4.0%
Net LTV	38.1%	44.1%	-6.0pp
Number of ordinary shares outstanding[4]	18,137,084	17,900,230	1.3%
Weighted average number of ordinary shares outstanding	17,961,734	17,900,230	0.3%

Key portfolio metrics

	Jun 17					Dec 16
	Offices	HNK	Retail[5]	Other	Total	Total
Number of properties	107	13	19	3	142	165
Market value (€m)	721	157	186	11	1,075	1,160
Contracted rent (€m)[6]	57	13	15	1	86	98
ERV (€m)	70	20	16	1	107	116
Lettable area (k sqm)	477	122	106	15	720	870
EPRA Vacancy rate	20.5%	33.2%	16.1%	13.8%	22.2%	21.4%
WAULT (years)	5.2	3.1	5.0	4.2	4.8	4.7
Average rent/sqm (€/p.a.)	164	171	185	98	167	149
EPRA net initial yield	5.9%	4.4%	6.1%	10.0%	5.6%	6.0%

[1] Based on unaudited results. 2016 numbers are adjusted to align with the following elements as reported in the 2016 year end results: 1) Lease incentives amortization from NRI to GRI, 2) Allocation of overhead from indirect to direct result, 3) Rent of NSI Head Office eliminated in GRI and admin expenses
[2] Figures with Retail and Belgium reported as continuing operations, IOW as discontinued operations (sold)
[3] Retail, Belgium and Intervest (IOW) operations accounted for as discontinued operations under IFRS regulations as adopted by the EU
[4] The number of ordinary shares has changed due to stock dividend and a share consolidation see “Condensed consolidated financial information” note 13
[5] Keizerslanden in Deventer that was sold in April is included in Retail, with the delivery and transfer of this asset set for 2018 and NSI benefitting from revenues in the meantime.
[6] Before rent free and other rent incentives

CEO COMMENTS

The execution of our new strategy to become the leading value-add Dutch office specialist, as announced in February 2017, is firmly on track. In H1 we sold €237[7]m of non-core assets and acquired €99m of offices with good medium term value-add potential. We now have circa €1.1bn of assets, of which 81% in offices and HNK.

The €151m disposal of 16 retail assets in April (at book value) and the €74m disposal of our Large Scale Retail portfolio in June (at a 9% premium) have reduced our retail exposure to €164[8]m. The pace of retail disposals is expected to slow from here, as the focus is now shifting to individual asset deals. As we have stated before, we are in no rush whatsoever and will sell only when the opportunity is right for our shareholders.

External valuations

In H1 2017 we have taken the final step in reducing our list of appraisers to three well-recognised international firms. Whilst we have seen a further write down of our provincial offices, a positive revaluation of the G4 offices and the HNK assets has more than compensated for this.

In what is an improving, but still discerning, investment market, we report an 0.6% average uplift in capital values for H1 2017. The evidence of our €237m in disposals so far this year, on average at circa 3% ahead of the December 2016 book value, should provide further comfort in our valuations.

Business & ESG performance

The 22.2% vacancy rate per H1 has been negatively impacted by the disposal of retail assets with lower vacancies. The like-for-like occupancy rate is down by 0.8%, largely due to three major office lease expiries in Q1.

We expect the occupancy rate to improve in H2 2017, even as we continue to face further lease expiries, in part as we expect to sign new tenants and in part due to continued asset rotation.

As of this interim report we will start to provide regular updates on the sustainability of our portfolio. Obviously there is more to sustainability than energy labels, but we recognise that this is where the focus is for the market for now. The Dutch Government has stipulated that as of 2023 all office buildings must have an energy label of C or better.

As of H1 2017 79 % (by value) of our office assets (including HNK) already have a C label or better. We estimate that it will cost €5m to upgrade all our offices to C label over the coming years.

Strategy update

We continue to work towards exiting the retail business. In certain of our retail assets we may invest additional capital first, if it will enable us to achieve a better exit later on.

A pick up in liquidity is noticeable in several regional office markets. This allows us to consider a wider range of options for some of our smaller non-G4 office assets. We will look to exploit this opportunity as to continue to rationalise our office portfolio. At present NSI is still active in 50+ local office markets and by reducing this number we can further improve our cost efficiency.

Following a review of the transformation potential of our assets we have reduced the list of opportunities to 9 assets, as we prefer to focus only on the larger, most promising, opportunities. We are preparing detailed plans for each opportunity and have no intention in exiting early if this would result in giving away most of the embedded upside to a third party developer.

A healthy balance sheet

As per the end of H1 2017 the LTV is 38.1%. The acquisition in Leiden announced post close results in an increase in the LTV to 39.3%. This is below the 40-45% target range previously indicated, but for now we are comfortable at the lower end of this range as a strong balance sheet does allow us to consider moving up the risk curve selectively, in search for better returns.

The LTV is set to remain volatile, depending on the timing and size of future disposals and acquisitions. We aim to retain a prudent balance sheet – taking into account the improving risk profile of the business – especially as the Dutch property cycle continues to mature.

Outlook 2017

Following a significant turnover in staff over the past 12 months, the new team is largely in place now. With the start of a trainee programme in September we are building a business that is ready for the future.

The EPRA EPS for H1 2017 is €1.35 per share. We expect a lower level of EPS for H2, due to the effect of recent disposals and as we plan to increase maintenance spending in H2. Whilst further acquisitions and disposals could still significantly impact the outlook, we forecast a 2017 EPRA EPS in the range of €2.52-€2.55.

We have decided to keep the 2017 interim dividend at €1.04 and will once again offer shareholders a share dividend alternative.

We are working hard to strengthen the business on many fronts. The portfolio quality and the still relatively modest occupancy rate are key priorities at this time. We are confident about the success of the ongoing transition, which is being supported by the positive outlook for the Dutch economy and for the G4 office markets in particular.

Bernd Stahli

[7] Including Keizerslanden shopping centre
[8] Excluding Keizerslanden shopping centre

INCOME, COST AND RESULTS

In the interest of continuity and clarity in our reporting, in this section the retail portfolio is treated as if it has not been discontinued. The notes to the IFRS condensed consolidated financial information later in this report treat both retail and Belgium as discontinued operations, in accordance with IFRS as adopted by the European Union.

Introduction

EPRA EPS for first half of 2017 is €1.35, a 21.4% increase compared to the same period last year. The results are impacted by various one-offs, both positive and negative.

In H1 2017 NSI incurred one-off restructuring costs of €0.7m. Total one-off costs are largely off-set by one-off revenues. Most of the positive one-offs are reflected in operating costs and in non-recoverable service charges.

The indirect result for H1 2017 is €0.74 per share, which is positively impacted by €6.9m in asset revaluations, a €3.2m book profit on disposals and a €3.4m positive non-cash market-to-market gain on financial derivatives.

Rental income

Gross rental income in the first half of 2017 is down by 0.3% (€0.1m), mainly due to net disposals. One-offs in GRI are €0.9m lower than for the comparable period last year.

Gross rents are down €0.3m (-0.9%) on a like-for-like basis, due to a lower occupancy rate. As a result of an improved operating margin like-for-like net rents are up by €0.5m (1.8%).

Service costs

Non-recoverable service charges of €1.2m are €1.0m lower than last year. Roughly half of the reduction is due to one-off releases of provisions relating to retail assets that have been sold.

Operating costs

Operating costs in H1 2017 are 17.1% (€1.6m) lower compared to H1 2016. Adjusting for one-offs, operating costs are circa €1.1m lower than last year.

NRI in H1 2017 is up by 7.5% (€2.5m). Excluding one-offs in both 2017 and 2016 NRI is up by 6.8%.

NSI has changed the way it is allocating its property management costs to operating costs. The new system is based on actual costs rather than on a fixed percentage of GRI. Consequently, property management costs are €0.6m higher than last year's restated figure.

The operating margin increased to 79.9%, up 5.8% on H1 2016 (74.1%). Lower costs, in particular maintenance costs, office acquisitions with better margins and one-offs all contribute to the higher margin. The operating margin for HNK is up, even though it has been negatively affected by the change in the cost allocation.

Administrative expenses

Administrative expenses are €4.4m, a €0.2m decrease versus 2016. One-offs in admin expenses amount to €0.8m versus €0.6m in the first half of 2016. These costs mainly relate to personnel change and consultancy and audit fees.

NSI continues to seek a further reduction in overhead costs. Costs are expected to decline further due to ongoing cost cutting. In H1 2017 NSI has consolidated its entire staff on one floor, down from two, and the vacated floor has been let, generating additional income.

Net financing expenses

NSI continues to lower its funding costs, benefitting from lower margins and lower swap rates post the refinancing at the end of 2016 in combination with a reduction in the amount of debt. Financing costs are down €2.2m compared to H1 2016.

The cost of debt is 2.8% at the end of June 2017, stable compared to the end of 2016. Paying down the RCFs at below average margins has had a negative impact on the average interest rate, whilst the cancelation of a swap with an effective rate of 4.81% had a positive impact on the cost of debt.

Revaluation of investment

At June 2017 all assets have been externally appraised. The total revaluation for the half year is €6.9m, or 0.6%, with capital values in Amsterdam up 5.5% and in Other Netherlands down -8.3%.

Result on asset sales

The net result on asset disposals for H1 2017 is €3.2m. A positive €6.5m result on the disposal of the Large Scale Retail portfolio is reduced by sales costs for transactions of in total €237m.

Revaluation of derivatives

The derivatives portfolio shows a positive revaluation of €3.4m in the first half of 2017, as a consequence of the shorter duration of the legacy swaps and a small change in the yield curve.

Discontinued operations

In H1 2017 the retail portfolio and the last wholly-owned asset in Belgium are reported as discontinued operations. In H1 2016 the remaining stake in IOW in Belgium was reported as discontinued operation.

Post-closing events and contingencies

In July 2017 2 office buildings (in Maarssen and Gouda) were sold for a total amount of €2.5m, one at book value and one at a small premium.

On 18 July the Court of Appeal has rendered its judgement that Swiss Partners must pay an amount of € 4.9m, excluding legal interest.

On 19 July the District Court of Amsterdam has dismissed the claim of € 1.6m of the insurance company of one of the tenants in 't Loon Heerlen.

On 28 July NSI is set to acquire a €17.5m office building in Leiden.

EPRA Earnings, segment split and bridge to IFRS discontinued operations H1 2017

(€ '000)	Continuing			Discontinued		TOTAL	Adj. to discontinued	TOTAL
	Offices	HNK	Other	Belgium	Retail			
Gross rental income	25,588	6,422	389	42	13,198	45,640	-13,240	32,400
Service costs not recharged	-622	-496	101	-9	-210	-1,237	219	-1,018
Operating costs	-3,752	-2,367	10	-5	-1,843	-7,958	1,848	-6,110
Net rental income	**21,214**	**3,559**	**500**	**28**	**11,145**	**36,446**	**-11,173**	**25,273**
Administrative costs	-503	-134	-3,552	-1	-234	-4,425	235	-4,190
Earnings before interest and taxes	**20,711**	**3,424**	**-3,052**	**26**	**10,911**	**32,021**	**-10,938**	**21,083**
Net financing result	-3	0	-7,834	-1	4	-7,834	-4	-7,838
Direct investment result before tax	**20,708**	**3,424**	**-10,887**	**26**	**10,916**	**24,187**	**-10,941**	**13,245**
Corporate income tax		-2	-8	-3		-12	3	-9
Direct investment result discontinued operations							10,938	10,938
Direct investment result / EPRA earnings	**20,708**	**3,423**	**-10,894**	**23**	**10,916**	**24,175**		**24,175**
Revaluation of investments	4,035	4,705	631	-970	-1,479	6,922	2,449	9,372
Net result on sale of investments	216	0			2,974	3,190	2,974	216
Other indirect costs and income	-30	14			-3	-19	3	-16
Net financing result			3,374			3,374		3,374
Indirect investment result before tax	**4,221**	**4,719**	**4,005**	**-970**	**1,492**	**13,467**	**-522**	**12,945**
Corporate income tax			-95			-95		-95
Indirect investment result discontinued operations							522	522
Indirect investment result	**4,221**	**4,719**	**3,910**	**-970**	**1,492**	**13,372**		**13,372**
Investment result discontinued operations							11,460	11,460
Total investment result	**24,929**	**8,142**	**-6,984**	**-947**	**12,408**	**37,547**		**37,547**

NETHERLANDS PROPERTY MARKET OVERVIEW

Economy – positive momentum[9]

The Dutch economy is expected to grow by 2.5% in 2017, with the level of unemployment below 5% and falling. Consumer spending is increasing. The economic recovery has spread well beyond the Randstad, underpinned by house price inflation and persistent low interest rates.

This is having a positive effect on the Dutch real estate market, in particular on Amsterdam. Transaction volumes are above pre-crises highs, as investors appear to like the prospects for rental growth and yield levels that are relatively high in comparison to other European office markets.

Offices

The vacancy in the Dutch office market in H1 2017 has fallen to circa 6.5m sqm out of a stock of 54m sqm, a circa 12% vacancy rate. This is down from 12.7% at year-end 2016, according to JLL. In the period 2014 to 2016 most of the fall in the vacancy rate was due to net withdrawals and conversions, but this year it is mostly net take-up that is driving vacancy levels down.

Amsterdam is healthy and experiencing good rental growth. The vacancy rate at H1 2017 is circa 8%, and below 4% for modern grade-A space. Prime rents are up by 10-15% over the past year. Prime rents for the South-Axis submarket are now in excess of €400 per sqm and for many other submarkets rents are now well in excess of €200 per sqm. CBRE expects 7% pa rental growth for Amsterdam for 2017 and 2018, as new development supply is limited to a few submarkets.

Beyond Amsterdam the outlook is improving. Central Utrecht is performing well, with rental growth expected at 8% pa[10]. The Hague is seeing incentives being reduced, with rental growth bound to come next. Rotterdam, in contrast, appears to be lagging. In regional markets like Eindhoven and Den Bosch there is a noticeable pick up in leasing activity, but vacancy rates are often too high to expect any rental tension any time soon.

Office conversions & development

The continued strength of the housing market, in combination with an increasing number of local authorities recognising that some office markets are no longer fit for purpose, is resulting in a steady flow of office conversion projects. Whole office submarkets are in the process of being taken out for conversion, with Hoofddorp and Amersfoort as most notable examples.

At NSI we are being approached on a regular basis by local developers that are opportunistically looking for well-located secondary office stock to convert to alternative use. Assets are priced off residual land values including the running cash flow, with capital values in the range of €200-1600 per sqm.

In Amsterdam new development activity is mostly limited to the South-axis and Houthavens market. The current new supply is set to add circa 2% to the Amsterdam office stock by 2019 and is already mostly pre-let. The City of Amsterdam is considering to allow more development, including in other submarkets, but with no major new supply due before 2020 the near term outlook for rents is set to remain healthy.

[9] The data in this section is based on a variety of industry sources and reports, including JLL, CBRE and Cushman & Wakefield
[10] Source CBRE for 2017 and 2018

The Utrecht central station area is set to see 208,000 sqm of new supply by 2022 which, given an office stock for the entire city of Utrecht of 2.5m sqm, is adding circa 8% of stock. As this location is prime/central and supported by excellent infrastructure this appears a good market to develop into.

HNK/Flex offices

The number of providers of flex offices and the stock of flex offices is increasing more or less in tandem with the strong growth in demand in recent years. In 2016 circa 7% of the office take up in Amsterdam was flex office-based and take up is estimated to grow at circa 20% pa.

The challenge for most flex office providers is the competition for the best space (and nowadays also the lesser space) from regular office tenants. Having to make concessions on location/product and facing higher ingoing rent costs as a result, for some the roll-outs programmes will only work as long as demand is improving in line with the economy.

Some operators are bound to find out that growth is not the same as profitability. Especially those operators that are running smaller flex office facilities are at risk of a margin squeeze.

Retail

The outlook for retail is mixed. Consumer confidence is improving, but most of the growth in retail sales is enjoyed online and not in store. In some of the best high streets, including in Amsterdam, it appears prime rents have been pushed too far, whereas in most other markets rents have stabilised at lower levels.

Investment markets

Investment demand is strong, particularly in Amsterdam and the other G4 cities. Transaction volumes in 2017 are set to surpass previous record levels. Good quality product is becoming scarce and trades at yields that are no longer of interest for value-add or international private equity operators. Instead, these are attracting foreign capital with relatively modest return requirements.

Investors are moving up the risk curve in search for returns. Some provincial office markets are seeing a resurgence in interest, in part for the higher yield, if the WAULT is long enough, or for the potential to convert some assets into residential. Few investors are willing to buy vacancy in these markets in the hope that tenant demand will return.

Prime office yields in Amsterdam are now sub 4%. In the better submarkets yields of 5.5% are being noted for new product, but it is also still possible to find yields in excess of 7% for what are generally good quality buildings.

In the other G4 markets of Utrecht, The Hague and Rotterdam yields for prime assets are often still at 6.5%+.

REAL ESTATE PORTFOLIO

During the first 6 months of 2017 NSI has sold 27[11] and acquired 3 assets. The majority of disposals are retail assets, which have been sold in 2 portfolio deals. A portfolio of 16 assets was sold at the end of April for €151m and the Large Scale Retail portfolio comprising 6 assets was sold at the end of June for €74m. A further small retail asset in Heerlen was sold in Q1. A total of 4 smaller offices in Heerlen, Groningen, Zwolle and Elst have been disposed during the period for €8.6m. NSI acquired 3 offices in Amsterdam and Utrecht for €99m.

Portfolio split - Jun 2017

	# assets	Value €m	Value %
Offices	102	713	66%
HNK	13	157	15%
Other	2	9	1%
Total Investment properties	**117**	**879**	**82%**
Held for sale	25	196	18%
Total portfolio	**142**	**1,075**	**100%**

The share of Offices and HNK is 81% of the portfolio by value in Q2 2017, up from 66% at the end of 2016. The rotation out of smaller assets into larger, more efficient, assets continues apace. The average asset value is €7.6m in Q2 2017 (€7.0m Q4 2016).

Vacancy

The H1 2017 EPRA vacancy rate is 22.2%, a 0.8% deterioration from the end of last year. The increase is mostly due to the sale of retail assets with lower vacancy levels and the expiry of three large office leases in Q1. HNK continues to lease up well (-3.8%).

The improvement in the Offices vacancy rate (-0.8%) is driven by asset rotation, with the like-for-like vacancy rate for the standing portfolio increasing due to some large leases expiring in Q1.

EPRA Vacancy

	Dec 16	L-f-l	Other	Jun 17
Offices	21.3%	2.1%	-2.9%	20.5%
HNK	37.1%	-3.9%	0.0%	33.2%
Retail	12.5%	2.5%	1.1%	16.1%
Other	16.5%	-2.7%	0.0%	13.8%
Total portfolio	**21.4%**	**0.8%**	**0.0%**	**22.2%**

Rents

Net rental income in Q2 2017 is up 1.8% on a like-for-like basis compared to Q2 2016, with continued strong growth in HNK. In Offices the like-for-like has been particularly impacted by a lease expiry in Meppel, as reported in the first quarter.

Net rent growth like-for-like

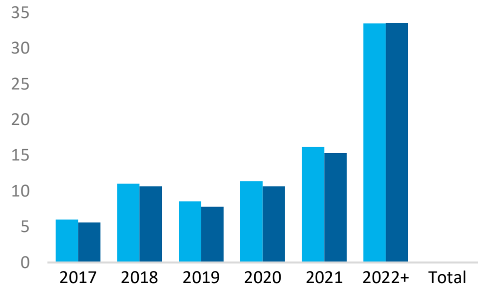
	Q2 17 €m	Q2 16 €m	Change €m	L-f-l %
Offices	17.1	17.4	-0.3	-1.9%
HNK	3.5	2.9	0.6	20.9%
Retail	5.4	5.2	0.2	3.2%
Other	0.5	0.5	0.0	4.8%
Total portfolio	**26.5**	**26.0**	**0.5**	**1.8%**

[11] Including Keizerslanden in Deventer

One-offs in Q2 16 and Q2 17 are roughly stable and so have had no impact on the Q2 like-for-like reported.

The average lease maturity is stable compared to December 2016 at 4.8 years. This is a comfortable level, particularly when taking into account the typically shorter leases at HNK and the value add acquisitions in the first half of the year with typically shorter lease terms.

Annual expirations and reversion (€m)



	2017	2018	2019	2020	2021	2022+	Total
Ann. rent (€m)	6.0	11.0	8.5	11.4	16.2	33.5	86.6
ERV (€m)	5.6	10.6	7.8	10.6	15.3	33.5	83.5
# Contracts	391	221	127	115	116	163	1133
reversion	-6.1%	-3.1%	-9.0%	-6.6%	-5.4%	0.1%	3.5%

Reversionary Potential, ERV bridge

At the end of June 2017 the portfolio is 3.5% over-rented, a major improvement compared to 6.7% at December 2016. This is partly due to the expiry of legacy over-rented lease contracts, partly due to the effect of disposals and acquisitions and partly due to an improvement in ERVs.

ERVs increased by 1.2% on a like-for-like basis. The ERVs for Offices and HNK are up by 1.3% and 2.1% respectively. In contrast retail ERVs are marginally lower, reflecting a still more challenging environment.

Reversion[12,13]

	Dec 16	Jun 17
Offices	-8.3%	-3.2%
HNK	0.3%	2.4%
Retail	-6.3%	-9.2%
Other	-17.3%	-13.9%
Total portfolio	**-6.7%**	**-3.5%**

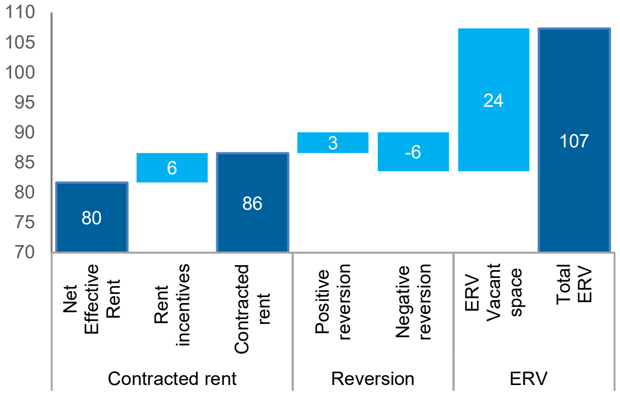
ERV like-for-like

	Dec 16 €m	Jun 17 €m	Change €m	Change %
Offices	55.7	56.5	0.8	1.3%
HNK	19.9	20.3	0.4	2.1%
Retail	13.7	13.6	-0.1	-0.6%
Other	1.3	1.3	0.0	1.6%
Total portfolio	**90.6**	**91.7**	**1.1**	**1.2%**

[12] Reversion = ERV let space / contractual rent
[13] In 2016 HNK managed office ERVs are adjusted. Managed office ERVs are equal to contracted rents

The ERV bridge highlights that most of the upside sits in pro-actively reducing the vacancy.

Bridge contracted rent to ERV - Jun 17 (€m)



EPRA Yields

The EPRA net initial yield for the portfolio is 5.6%, down 40bps in comparison to the end of 2016. The fall is mostly due to portfolio rotation, with now a lower weight to slightly higher yielding retail assets, and due to the small uplift in capital values in H1 2017.

Yields

	EPRA Net Initial Yield		Reversionary yield	
	Jun 17	Dec 16	Jun 17	Dec 16
Offices	5.9%	6.0%	9.7%	9.9%
HNK	4.4%	4.3%	12.9%	13.1%
Retail	6.1%	6.4%	8.7%	8.8%
Other	10.0%	10.9%	11.5%	10.9%
Total	**5.6%**	**6.0%**	**10.0%**	**10.0%**

Valuations

The portfolio is externally appraised per June 2017. The uplift for H1 2017 is €6.9m (0.6%). The investment market continues to be polarised. Office values are up, largely driven by positive revaluations in Amsterdam (€18m; 5.5%).

The acquisitions made in 2015 and 2016 continue to perform well. Assets from the Cobra portfolio and Glass House were up 4.8% on average. In Other Randstad (€0.1m) the investment market is stabilising, whilst Other Netherlands (-€11.7m) remains a buyer's market.

The HNK portfolio has noted a positive revaluation of €4.7m. The assets in Amsterdam and Utrecht are driving the uplift, whereas both Rotterdam and Den Bosch have seen small mark downs. The remaining HNKs are relatively stable.

The valuation of the retail portfolio is marginally down due to a small negative impact from lower ERVs.

Revaluations - Jun 2017

(€m)	Valuation	Revaluation			
	Jun 17	Positive	Negative	Total	% YoY
Offices	721	26	-22	4	0.6%
HNK	157	8	-3	5	3.1%
Retail	186	2	-4	-1	-0.8%
Other	11	1	-1	0	-2.9%
Total	**1,075**	**37**	**-30**	**7**	**0.6%**

Offices

The acquisitions in H1 have significantly increased the exposure to the Amsterdam market and the wider G4. As per June 2017, the G4 makes up 66% of the Offices portfolio, up from 54% at Q4 2016, 49% at Q4 2015 and 33% at Q4 2014.

The exposure to Amsterdam has increased to 47% (vs 43% at Q4 2016). The weighting to the target cities of Amsterdam, Den Bosch, Eindhoven, Leiden, The Hague, Rotterdam and Utrecht is now 73%.

Key Offices metrics

	Jun 16	Dec 16	Jun 17
Number of properties	112	108	107
Market value (€m)	562	617	721
Annual contracted rent (€m)	49	53	57
ERV (€m)	45	61	70
Lettable area (k sqm)	438	457	477
EPRA Vacancy	23.2%	21.3%	20.5%
WAULT (years)	4.9	5.3	5.2
Average rent/sqm (€/p.a.)	154	156	164
EPRA net initial yield	6.5%	6.0%	5.9%

NSI continues to explore investment deals in the G4 and other target cities, focussing on larger, more efficient office assets. The average asset size has increased from €5m in June 2016 to €6.7m in June 2017, a 35% increase. This shift is set to continue, as a result of the further disposal of smaller assets.

The vacancy rate in the G4 is about market average at 8.6%. The challenge for NSI is in Other Randstad and Other Netherlands, with average vacancies in excess of 25%. The vacancy rate for assets with plans for transformation is arguably less relevant, as these assets ultimately need to become vacant to be able to execute the transformation.

Key Offices metrics geographical split

		G4	Other Randstad	Other NL	Trans-formation
Assets	(#)	30	25	43	9
Lettable area	(k sqm)	184	94	165	34
Market value	(€m)	457	90	133	41
Value	(€/sqm)	2,489	957	806	1,206
WAULT	(years)	6.2	4.6	3.8	2.2
Contracted rent	(€m)	32	9	13	3
ERV	(€m)	36	11	18	5
Reversion	(%)	1.8%	-6.4%	-11.4%	-11.0%
Avg. rent let space	(€/sqm)	198	135	128	152
EPRA Vacancy	(%)	8.6%	28.5%	37.0%	30.7%
EPRA net initial yield	(%)	5.1%	6.6%	7.1%	6.3%

For the second half of 2017 the focus for the Office portfolio is on improving occupancy and selling smaller assets.

The strength of the G4 markets is noticeable, showing good ERV growth, good like-for-like rental growth and a positive revaluation. The Other Randstad office market is picking up as well, with Other Netherlands still lagging.

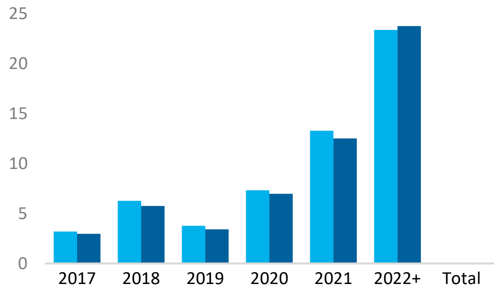
Like-for-like[14]

	NRI growth %	Revaluation %	ERV growth %
G4	3.5%	5.2%	3.4%
Other Randstad	12.2%	0.1%	1.2%
Other Netherlands	-22.3%	-8.8%	-1.6%
Transformation	21.0%	-2.2%	2.2%
Total	**-1.9%**	**0.0%**	**1.3%**

The reversion in the Offices portfolio has significantly improved from -8.3% at Q4 2016 to -3.2% at Q2 2017. The reversionary potential in the G4 has turned positive (1.8%), partly due to asset rotation and because of a 3.4% rise in ERVs in H1 2017.

The over-renting for Other Netherlands has improved as well, from -17.7% at the end of last year to -11.4% at the end of June. This reflects the expiry of several sizeable and highly over-rented lease contracts. This is the only part of the portfolio that has seen a small negative ERV change (-1.6%).

Annual expirations and reversion (€m)



	2017	2018	2019	2020	2021	2022+	Total
Ann. rent (€m)	3.2	6.3	3.8	7.3	13.3	23.4	57.2
ERV (€m)	3.0	5.8	3.4	7.0	12.5	23.7	55.4
# Contracts	71	78	44	45	55	71	364
reversion	-6.9%	-8.1%	-9.7%	-4.8%	-5.7%	1.7%	-3.2%

For NSI the sustainability of its office portfolio is a way to preserve the build environment and to drive long term investment returns, not a cost to run the business.

Sustainability is being anchored in all our processes and in 2017 we have taken the first steps to become a member of GRESB. Energy consumption in our buildings is CO2 neutral, waste is being separated, solar panels are being installed on several of our buildings and electricity and gas are both durably purchased.

By value 78% of our office portfolio has at least a C energy label, with 87% for the HNK assets, 86% for the G4 and on average 60% for our Other Randstad and Other Netherlands offices.

[14] NRI like-for-like H1 2017 compared to H1 2016, only assets in portfolio for whole H1 2016 and H1 2017. Revaluation and ERV growth for assets in portfolio on 31 December 2016 and 30 June 2017.

HNK

The demand for office space and for flex offices in particular is growing, which is benefitting our HNK business. The vacancy rate has fallen by 3.9% to 33.2% in H1 2017. For 5 of the 13 HNKs that are currently in operation the occupancy rates are above 85%, at which point it is possible to push rental growth.

No new openings are scheduled for 2017, with the opening of Amsterdam Schinkel now set for Q2/Q3 2018. The opportunities to open two further HNK's in Amsterdam and Rotterdam in existing NSI-owned offices are still being explored, whilst new acquisitions are also being considered.

The focus in H1 2017 has been on improving the profitability of HNK, with a special focus on occupancy levels, meeting room revenues and cost controls. A new cost efficient booking tool for meeting rooms should be operational in H2 2017.

Key HNK metrics

	Jun 16	Dec 16	Jun 17
Number of properties	14	13	13
Market value (€m)	161	149	157
Annual contracted rent (€m)	13	12	13
ERV (€m)	10	20	20
Lettable area (k sqm)	134	125	122
EPRA Vacancy	43.7%	37.1%	33.2%
WAULT (years)	3.1	3.1	3.1
Average rent/sqm (€/p.a.)	174	167	171
EPRA net initial yield	4.6%	4.3%	4.4%

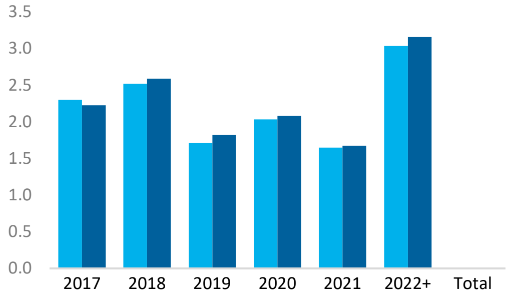
The net initial yield for HNK is 4.3% at H1 2017. A reallocation of costs from the NSI holding level to HNK is negatively impacting the operating margin. The margin is up to circa 55% (from 45%) nonetheless, because of the improvement in the occupancy rate and of better cost controls.

The margin should continue to improve in the period ahead as we work hard to progressively lease up the remaining vacancy and as our legacy traditional leases are replaced by HNK contracts with a service charge level appropriate for the HNK offering.

The HNK assets have been revalued in H1 2017 by circa €5m. HNKs in Utrecht and Amsterdam explain the uplift, whereas HNKs in Rotterdam and Den Bosch have been marked down in H1.

We are planning for one new opening, at Amsterdam Schinkel. This is a 5,000m2+ building, a size level that we now regard as a minimum to be able to run profitably longer term. We are also expanding at Ede and are investing in several other locations. Meanwhile, we continue to look for opportunities to acquire assets to expand our footprint. In our expansion plans we focus on profitability over growth.

Annual expirations and reversion HNK (€m)



	2017	2018	2019	2020	2021	2022+	Total
Ann. rent (€m)	2.3	2.5	1.7	2.0	1.6	3.0	13.2
ERV (€m)	2.2	2.6	1.8	2.1	1.7	3.2	13.5
# Contracts	259	101	50	37	30	31	508
reversion	-3.3%	2.9%	6.5%	2.4%	1.8%	4.1%	2.4%

Retail

Following significant disposals in H1 2017 NSI has €164m of retail assets left, excluding Keizerslanden in Deventer. The interests in Zuidplein, Rijswijk, Heerlen and Ridderkerk combined now make up over 66% of the remaining retail exposure[15] by value.

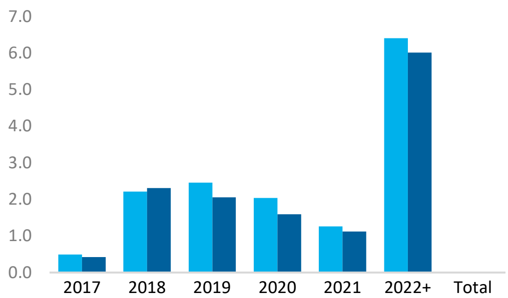
For the remaining retail portfolio ERVs, yields and capital values have been largely stable in H1 2017. The vacancy rate is up to 16.1%, mostly because the Large Scale Retail assets that have been sold had a lower vacancy rate.

Key Retail metrics

	Jun 16	Dec 16	Jun 17
Number of properties	41	41	19
Market value (€m)	425	382	186
Annual contracted rent (€m)	32	31	15
ERV (€m)	32	34	16
Lettable area (k sqm)	272	273	106
EPRA Vacancy	13.7%	12.5%	16.1%
WAULT (years)	4.4	4.3	5.0
Average rent/sqm (€/p.a.)	140	137	185
EPRA net initial yield	5.8%	6.4%	6.1%

The upgrade and extension of the Keizerslanden shopping centre in Deventer is progressing according to plan, with delivery and transfer foreseen for Q2 2018.

Annual expirations and reversion Retail (€m)



	2017	2018	2019	2020	2021	2022+	Total
Ann. rent (€m)	0.5	2.2	2.5	2.0	1.3	6.4	14.8
ERV (€m)	0.4	2.3	2.0	1.6	1.1	6.0	13.5
# Contracts	61	42	31	33	30	58	255
reversion	-14.3%	4.4%	-16.6%	-22.0%	-11.1%	-6.2%	-9.2%

[15] Excluding Keizerslanden in Deventer

BALANCE SHEET, NAV & FINANCING

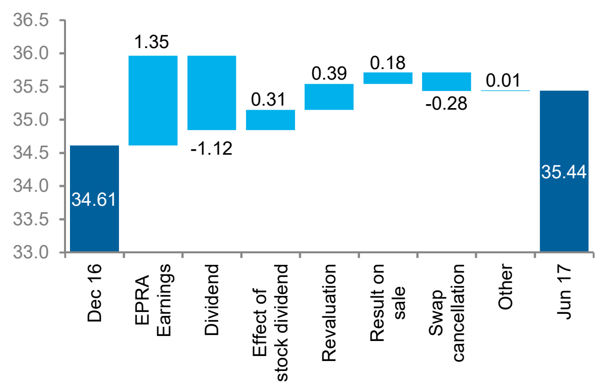
Balance Sheet

Retail and Belgium are being reported as discontinued operations in the H1 2017 balance sheet. Several of our office assets are classified as held for sale.

Net asset value

The EPRA NAV at H1 2017 is €636.6m (€619.6m at YE 2016). On a per share basis the EPRA NAV is now €35.44 per share (€34.61 at YE 2016). The change in NAV is explained in the below bridge.

EPRA NAV per share bridge (€)



The gap between the €35.44 EPRA NAV and the €34.89 EPRA NNNAV reflects the two remaining legacy swaps, which are due to expire in 2020 and 2022, and the amortised cost of loans.

Funding

In H1 2017 NSI has been a net seller of assets. Surplus cash has been used to reduce debt outstanding. In the beginning of June NSI paid off €20m of the secured EUPP facility, expiring in 2022, and late June a total of €80m was paid down on the RCFs.

Net debt at June 2017 stands at €410.2m, a reduction of €102.1m compared to December 2016. This is driven by positive cash flow from operations, the net effect of asset disposals and acquisitions, payment of the final dividend and swap breakage costs.

The cost of debt is stable at 2.8% at the end of June 2017. A 2022 swap with 2.77% coupon has been cancelled at a cost of €5m to rebalance our hedging position following the repayment of €98m of debt during the period. The positive effect of the swap cancellation on the cost of debt has been entirely offset by the repayment on the RCFs on much lower average margins.

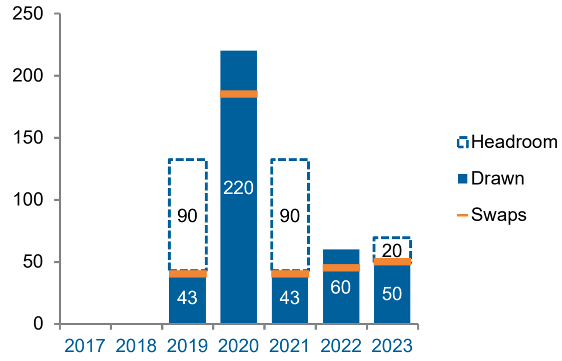
Net debt - Jun 2017

(€m)	Jun 17	Dec 16	Change (€)
Debt outstanding	415.5	513.8	(98.3)
Amortisation costs	(2.5)	(2.8)	0.4
Book value debt	413.0	510.9	(97.9)
Debt to credit institutions	7.3	3.4	3.8
Cash	(10.1)	(2.1)	(8.0)
Net debt	**410.2**	**512.3**	**(102.1)**

In H1 2017 no changes were made to the composition of the loan portfolio, except for repayments. With the first debt due to expire in November 2019, with the business still in transition and with the property portfolio and risk profile still improving, there is plenty of time to start reviewing the loan portfolio. At June 2017 73.6% of the debt is unsecured and 71.2% of the assets are unencumbered.

NSI has undrawn credit facilities of €199m and uncommitted bank facilities of €50m at the end of June 2017.

Maturity profile loans and swaps (€m)



Leverage and hedging

The LTV has decreased to 38.1% at June 2017 (versus 44.1% at December 2016), reflecting predominantly the asset disposals in Q2 as well as a positive revaluation of the investment portfolio. This is marginally below NSI's new target range of 40-45%.

The average loan maturity is 3.6 years (December 2016: 4.2 years). The maturity of derivatives is 3.7 years (December 2016: 4.3 years), the maturity hedge[16] is 101% (target range: 70-120%).

The notional amount of swaps outstanding at the end of June was €360.0m. The volume hedge[17] was 87% (target range 70-100%), slightly higher than in previous quarters.

Covenants

	Covenant	Dec 15	Jun 16	Dec 16	Jun 17
LTV	≤60%	43.3%	39.1%	44.1%	38.1%
ICR	≥ 2.0x	3.2x	3.4x	3.8x	4.7x

[16] Maturity hedge is average maturity of swaps as % of average maturity of loans
[17] Volume hedge is amount hedged as % of total drawn debt facilities

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Condensed consolidated statement of comprehensive income

(€ '000)	Notes		H1 2017		H1 2016
Gross rental income			32,400		30,122
Service costs recharged to tenants		5,084		4,886	
Service costs		-6,102		-6,825	
Service costs not recharged			-1,018		-1,938
Operating costs	5		-6,110		-6,344
Net rental income			**25,273**		**21,839**
Revaluation of investments	6		9,372		639
Net result on sale of investments	7		216		-6,571
Net result from investments			**34,860**		**15,907**
Administrative costs	8		-4,190		-4,532
Other costs and income			-16		
Financing income		3		6	
Financing costs		-7,841		-10,102	
Movement in market value of financial derivatives		3,374		-4,625	
Net financing result			-4,464		-14,721
Result before tax			**26,191**		**-3,346**
Corporate income tax			-105		-3
Result after tax from continuing operations			**26,086**		**-3,349**
Result from discontinued operations after tax	9		11,460		14,140
Total realised result			**37,547**		**10,792**
Exchange rate differences on foreign participations			0		-
Total non-realised result			**0**		**-**
Total realised and non-realised result			**37,546**		**10,792**
Total realised and non-realised result attributable to:					
Shareholders			37,546		10,792
Non-controlling interest					
Total realised and non-realised result			**37,546**		**10,792**
Data per average outstanding share:					
Diluted as well as non-diluted result after tax - continuing operations			1.45		-0.19
Diluted as well as non-diluted result after tax - discontinued operations			0.64		0.79
Diluted as well as non-diluted result after tax			2.09		0.60

The notes form an integral part of the condensed consolidated interim financial information

Condensed consolidated statement of financial position

Before proposed profit appropriation H1 2017

(€ '000)	Notes	30 June 2017	31 December 2016
Assets			
Real estate investments	10	879,323	770,434
Derivative financial instruments	15	1,321	-
Tangible fixed assets		820	1,516
Intangible fixed assets		416	193
Non-current assets		**881,879**	**772,143**
Debtors and other accounts receivable	12	3,047	2,330
Cash and cash equivalents		10,093	2,066
Assets held for sale	9, 11	195,899	389,923
Current assets		**209,038**	**394,319**
Total assets		**1,090,918**	**1,166,462**
Shareholders' equity			
Issued share capital	13	66,744	65,873
Share premium reserve	13	922,559	923,435
Other reserves	13	-397,409	-367,221
Result for the year		37,547	-17,833
Shareholders' equity attributable to shareholders		**629,441**	**604,254**
Non-controlling interest			
Shareholders' equity		**629,441**	**604,254**
Liabilities			
Interest bearing loans	14	412,512	510,404
Derivative financial instruments	15	8,450	15,297
Non-current liabilities		**420,961**	**525,701**
Redemption requirement interest bearing loans	14	500	500
Creditors and other accounts payable		31,035	29,933
Debts to credit institutions		7,257	3,429
Liabilities directly associated with assets held for sale	9	1,724	2,645
Current liabilities		**40,516**	**36,507**
Total liabilities		**461,477**	**562,208**
Total shareholders' equity and liabilities		**1,090,918**	**1,166,462**

The notes form an integral part of the condensed consolidated interim financial information

Condensed consolidated cash flow statement

(€ '000)	Notes		H1 2017		H1 2016
Result from operations after tax			26,086		-3,349
Adjusted for:					
Revaluation of investments	6	-9,399		-1,253	
Net result on sale of investments	7	-216		6,571	
Net financing result		4,464		14,721	
Corporate income tax		105		3	
Depreciation		66		103	
			-4,980		20,145
Movements in working capital:					
Debtors and other accounts receivable		-896		-314	
Creditors and other accounts payable		-862		11,057	
			-1,757		10,744
Cash flow from operating activities			**19,348**		**27,540**
Financing income received			4		6
Financing costs paid			-7,791		-11,017
Tax paid			-76		-113
Cash flow from continuing operations			**11,486**		**16,416**
Cash flow from discontinued operations			12,441		-2,380
Cash flow from operations			**23,927**		**14,036**
Purchases of real estate and investments in existing properties	10		-110,902		-6,394
Proceeds on sale of real estate investments			8,683		53,507
Investments in tangible fixed assets			-76		-
Divestments in tangible fixed assets			15		-
Investments in intangible fixed assets			-258		-25
Divestments in intangible fixed assets			12		-
Cash flow from continuing investment activities			**-102,526**		**47,088**
Cash flow from discontinued investment activities			198,203		54,022
Cash flow from investment activities			**95,676**		**101,110**
Dividend paid			-12,360		-20,048
Proceeds from interest bearing loans	14		22,500		76,500
Transaction costs interest bearing loans paid					-382
Repayment of interest bearing loans	14		-120,750		-181,230
Settlement of derivatives			-4,795		-1,908
Cash flow from continuing financing activities			**-115,404**		**-127,068**
Cash flow from financing activities			**-115,404**		**-127,068**
Net cash flow from continuing operations			**-206,445**		**-63,564**
Net cash flow from discontinued operations			210,644		51,642
Net cash flow			**4,199**		**-11,922**
Cash and cash equivalents and debts to credit institutions - balance as per 1 January			**-1,363**		**22,285**
Exchange rate differences			0		3
Cash and cash equivalents and debts to credit institutions - balance as per 30 June 2017 / 31 December 2016			**2,835**		**10,367**

The notes form an integral part of the condensed consolidated interim financial information

Condensed consolidated statement of movements in shareholders' equity

H1 2017

(€ '000)	Issued share capital	Share premium reserve	Other reserves	Result for the year	Shareholders' equity attributable to shareholders	Non-controlling interest	Shareholders' equity
Balance as per 1 January 2017	**65,873**	**923,435**	**-367,221**	**-17,833**	**604,254**		**604,254**
Result after tax - 2017				37,547	37,547		37,547
Exchange rate differences			0		0		0
Total realised and non-realised result - H1 2017			**0**	**37,547**	**37,546**		**37,546**
Profit appropriation - 2016			-17,833	17,833			
Distribution final dividend - 2016	872	-877	-12,355		-12,360		-12,360
Contributions from and to shareholders	**872**	**-877**	**-30,188**	**17,833**	**-12,360**		**-12,360**
Balance as per 30 June 2017	**66,744**	**922,559**	**-397,409**	**37,547**	**629,441**		**629,441**

H1 2016

(€ '000)	Issued share capital	Share premium reserve	Other reserves	Result for the year	Shareholders' equity attributable to shareholders	Non-controlling interest	Shareholders' equity
Balance as per 1 January 2016	**65,873**	**923,435**	**-392,354**	**63,794**	**660,748**	**-28**	**660,720**
Result after tax - 2016				10,792	10,792		10,792
Exchange rate differences			3		3		3
Total realised and non-realised result - H1 2016			**3**	**10,792**	**10,795**		**10,792**
Profit appropriation - 2015			63,794	-63,794			
Distribution final dividend - 2015			-20,045		-20,045		-20,045
Contributions from and to shareholders			**43,749**	**-63,794**	**-20,045**		**-20,045**
Balance as per 30 June 2016	**65,873**	**923,435**	**-348,605**	**1,063**	**651,498**	**-28**	**651,467**

The notes form an integral part of the condensed consolidated interim financial information

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Reporting entity

NSI N.V. is a company domiciled in The Netherlands (headquartered Antareslaan 69 in Hoofddorp, statutory seat in Amsterdam, Chamber of Commerce number 36040044). These condensed consolidated interim financial information ('interim financial information) as at and for the six months ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the 'Group').

2. Basis of preparation

(a) Statement of compliance

The interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*. This does 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 understand 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 2016.

The interim financial information was authorised for issue by the Company's Management and Supervisory Board on 24 July 2017. The interim financial information has been reviewed by the auditor and is unaudited.

(b) Judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

(c) Measurement

The consolidated financial statements have been prepared on the basis of historical cost except for investment property, investment property under development, financial assets at fair value through profit or loss and derivatives, which are recognised at fair value. Unless otherwise stated, the figures are presented in thousands of euros. Figures may not add up exactly, due to rounding. The interim financial information has been prepared on a going concern basis.

3. Significant accounting policies

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements 2016.

In connection with the intended sale of the retail segment of NSI, in 2016 it was decided to present this segment in the annual accounts of 2016 as discontinued operations in line with IFRS 5. In the first half year of 2016 the remaining shares in Intervest Offices & Warehouses N.V. were also reported under discontinued operations.

4. Segment information

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

Segment split H1 2017

(€ '000)	Continuing operations				Discontinued operations			TOTAL
	Offices	HNK	Other	TOTAL	Belgium	Retail	TOTAL	
Gross rental income	25,588	6,422	389	32,400	42	13,198	13,240	45,640
Service costs not recharged	-622	-496	101	-1,018	-9	-210	-219	-1,237
Operating costs	-3,752	-2,367	10	-6,110	-5	-1,843	-1,848	-7,958
Net rental income	**21,214**	**3,559**	**500**	**25,273**	**28**	**11,145**	**11,173**	**36,446**
Revaluation of investments	4,035	4,705	631	9,372	-970	-1,479	-2,449	6,922
Net result on sale of investments	216	0		216		2,974	2,974	3,190
Net result from investment	**25,465**	**8,264**	**1,131**	**34,860**	**-942**	**12,640**	**11,698**	**46,558**
Administrative costs	-503	-134	-3,552	-4,190	-1	-234	-235	-4,425
Other costs and income	-30	14		-16		-3	-3	-19
Net financing result	-3	0	-4,461	-4,464	-1	4	4	-4,460
Result before tax	**24,929**	**8,143**	**-6,881**	**26,191**	**-944**	**12,408**	**11,463**	**37,654**
Corporate income tax		-2	-103	-105	-3		-3	-108
Total realised result	**24,929**	**8,142**	**-6,984**	**26,086**	**-947**	**12,408**	**11,460**	**37,547**
Attributable to shareholders	24,929	8,142	-6,984	26,086	-947	12,408	11,460	37,547

Segment split H1 2016

(€ '000)	Continuing operations				Discontinued operations			TOTAL
	Offices	HNK	Other	TOTAL	Belgium	Retail	TOTAL	
Gross rental income	22,869	5,606	1,647	30,122	21	15,644	15,666	45,787
Service costs not recharged	-846	-986	-107	-1,938	31	-370	-339	-2,277
Operating costs	-3,844	-2,000	-501	-6,344	-23	-3,233	-3,257	-9,601
Net rental income	**18,179**	**2,620**	**1,040**	**21,839**	**29**	**12,041**	**12,071**	**33,910**
Revaluation of investments	-2,960	3,747	-148	639	16	-1,068	-1,052	-412
Net result on sale of investments	-507		-6,065	-6,571	1,513		1,513	-5,058
Net result from investment	**14,712**	**6,368**	**-5,173**	**15,907**	**1,559**	**10,973**	**12,532**	**28,439**
Administrative costs	-156	-452	-3,923	-4,532	-20	-36	-56	-4,588
Investment result from participations					565		565	565
Other costs and income					1,050		1,050	1,050
Net financing result	-4	4	-14,721	-14,721	47	4	52	-14,670
Result before tax	**14,552**	**5,919**	**-23,817**	**-3,346**	**3,200**		**14,142**	**10,797**
Corporate income tax		-2	-2	-3	-2		-2	-5
Total realised result	**14,552**	**5,917**	**-23,819**	**-3,349**	**3,198**	**10,942**	**14,140**	**10,792**
Attributable to shareholders	14,552	5,917	-23,819	-3,349	3,198	10,942	14,140	10,792

5. Operating costs

(€ '000)	H1 2017	H1 2016
Leasehold	-199	-235
Municipal taxes	-1,956	-2,446
Insurance premiums	-243	-281
Maintenance costs	-835	-1,163
Property management costs	-1,833	-1,246
Letting costs	-819	-892
Contribution to owner association	-150	-100
Doubtful debt costs	-64	84
Other operating costs	-10	-65
Operating costs	**-6,110**	**-6,344**

6. Revaluation of investment property

(€ '000)	H1 2017			H1 2016		
	Positive	Negative	Total	Positive	Negative	Total
Investment property in operation	34,467	-25,068	9,399	16,531	-15,279	1,253
Investment property under development						
Revaluation	**34,467**	**-25,068**	**9,399**	**16,531**	**-15,279**	**1,253**
Movement in lease incentives			-27			-613
Revaluation			**9,372**			**639**

7. Net result on sales of investments

(€ '000)	H1 2017	H1 2016
Proceeds on sale of real estate investments	8,717	54,557
Transaction costs on sale of real estate investments	-35	-1,050
Sale of real estate investments	**8,683**	**53,507**
Book value at the time of sale	-8,467	-60,078
Net result on sale of real estate investments	**216**	**-6,571**

The transaction costs are including broker costs and legal costs.

8. Administrative expenses

The administrative costs can be specified as follows:

(€ '000)	H1 2017	H1 2016
Staff costs	-4,527	-4,888
Compensation supervisory board	-138	-131
Office costs	-596	-505
Audit, consultancy and valuation costs	-736	-497
Other administrative costs	-788	-704
Administrative costs	**-6,785**	**-6,725**
Allocated administrative costs	**2,596**	**2,193**
Administrative costs	**-4,190**	**-4,532**

9. Discontinued operations

Statement of comprehensive income

(€ '000)		H1 2017		H1 2016
Gross rental income		13,240		15,666
Service costs not recharged		-219		-339
Operating costs		-1,848		-3,257
Net rental income		**11,173**		**12,071**
Revaluation of investments		-2,449		-1,052
Net result on sale of investments		2,974		1,513
Net result from investments		**11,698**		**12,532**
Administrative costs		-235		-56
Investment result from participations				565
Other costs and income		-3		1,050
Financing costs	-1		42	
Financing income	4		10	
Net financing result		4		52
Result before tax		**11,463**		**14,142**
Corporate income tax		-3		-2
Result from discontinued operations after tax		**11,460**		**14,140**
Total result from discontinued operations after tax attributable to:				
Shareholders		11,460		14,140
Non-controlling interest				
Result from discontinued operations after tax		**11,460**		**14,140**

Statement of financial position	30 June 2017	31 December 2016
Assets held for sale	187,164	384,848
Liabilities directly associated with assets classified as held for sale	1,724	2,647

Statement of cash flows	H1 2017	H1 2016
Cash flow from operations	12,441	-2,380
Cash flow from investment activities	198,203	54,022
Cash flow from financing activities		
Net cash flow	**210,644**	**51,642**

10. Real estate investments

The breakdown of the investment properties in operation and under development was as follows:

(€ '000)	30 June 2017	31 December 2016
Investment property in operation	878,523	769,634
Investment property under development	800	800
Real estate investments	**879,323**	**770,434**

Real estate investments in operation and real estate investments under development are accounted for at fair value.

As per 30 June 2017 and per 31 December 2016 all investment properties in operation have been externally appraised by external independent certified appraisers. The fair value is based on market value (purchasing costs payable by purchaser, thus adjusted for acquisition costs like real estate transfer tax), which is the estimated amount for which a real estate investment can be traded on the valuation date between a buyer willing to enter into a transaction and a seller in an at arms' length transaction preceded by sound negotiations in which the parties were properly informed and were willing to enter into the transaction.

Investment property in operation

The development of the investment property in operation was as follows:

(€ '000)	Offices	HNK	Retail	Other	TOTAL
Balance as per 1 January 2017	**611,826**	**148,870**		**8,938**	**769,634**
Lease incentives included in balance as per 1 January 2017	5,020	801			5,821
Acquisitions	105,984				105,984
Investments	2,104	2,829		-14	4,918
Revaluation	4,031	4,736		631	9,399
Transfer from / to assets held for sale	-8,735				-8,735
Transfer from / to real estate in own use		715			715
Disposals	-3,392				-3,392
Balance as per 30 June 2017	**711,818**	**157,150**		**9,555**	**878,523**
Lease incentives included in balance as per 30 June 2017	5,016	832			5,848

(€ '000)	Offices	HNK	Retail	Other	TOTAL
Balance as per 1 January 2016	**585,242**	**123,200**	**425,174**		**1,133,617**
Lease incentives included in balance as per 1 January 2016	4,590	781	462		5,834
Acquisitions	60,725				60,725
Investments	4,498	8,959	6,971		20,428
Revaluation	2,971	-5,844	-49,987		-52,860
Transfer between segments	-29,155	29,155			
Transfer from / to assets held for sale	-5,935		-382,158	8,938	-379,155
Disposals	-6,520	-6,600			-13,120
Balance as per 31 December 2016	**611,826**	**148,870**		**8,938**	**769,634**
Lease incentives included in balance as per 31 December 2016	5,020	801			5,821

Securities

On 30 June 2017, properties with a book value of €311.0m (31 December 2016: €314.3m) were mortgaged as security for loans taken out and credit facilities at banks amounting to €109.5m (31 December 2016: €129.8m). 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.

Estimates

The value of the investment properties implies an average net theoretical yield of 8.15%. If the yields applied in the calculation to determine the valuation of real estate investments as per 30 June 2017 would be 100 basis points lower than those currently used, the value of the real estate investments would increase by 14.0% (31 December 2016: 13.6%). NSI's equity would in this case increase by €123m (31 December 2016: €157m). The loan-to-value would in that case decrease from 38.1% to 34.1%.

If on 30 June 2017 the yields that were used in the creation of the valuations of investment properties would have been 100 bps higher then used now, the value of the investment would decrease by 10.9% (31 December 2016: 10.4%). NSI's equity would in that situation be €96m (31 December 2016: €125m) lower. The loan-to-value would increase in that case from 38.1% to 41.7%.

Investment property under development

Investment property under development contains one land position, valued internally as per 30 June 2017. The value of this land position was externally appraised per 31 December 2016 at € 0.8m.

11. Assets held for sale

(€ '000)	Offices	HNK	Retail	Other	TOTAL
Balance as per 1 January 2017	**5,075**		**382,158**	**2,690**	**389,923**
Lease incentives included in balance as per 1 January 2017			556		556
Investments			2,755		2,755
Revaluation			-1,486	-970	-2,456
Transfer from / to investment property under development	8,735				8,735
Disposals	-5,075		-197,983		-203,058
Balance as per 30 June 2017	**8,735**		**185,444**	**1,720**	**195,899**
Lease incentives included in balance as per 30 June 2017			291		291

(€ '000)	Offices	HNK	Retail	Other	TOTAL
Balance as per 1 January 2016	**4,310**			**64,538**	**68,848**
Lease incentives included in balance as per 1 January 2016					
Investments				270	270
Revaluation				-1,742	-1,742
Transfer from / to investment property in operation	5,935		382,158	-8,938	379,155
Disposals	-5,170			-51,438	-56,608
Balance as per 31 December 2016	**5,075**		**382,158**	**2,690**	**389,923**
Lease incentives included in balance as per 31 December 2016			556		556

12. Debtors and other accounts receivable

The largest items recognized under the debtors and other accounts receivable concern debtors (€1.0m) and a receivable from the escrow account of the notary relating to the sale of an office building in Elst (€1.0m).

13. Shareholders' equity

At 31 December 2016 143,342,678 ordinary shares with a nominal value of €0.46 were placed and fully paid up, of which 140,837 shares were held as treasury shares. In May 2017 1,753,994 shares and all treasury shares were placed as stock dividend after the final distribution of dividend over 2016. After the extraordinary general meeting of 16 June 2017, in which the articles of association of NSI were changed, a stock consolidation was executed, in which for each 8 ordinary shares, 1 ordinary share with a nominal value of €3.68 was issued. As per 20 June 2017 the number of placed and fully paid up ordinary shares is 18,137,084.

14. Loans

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

(€ '000)	30 June 2017	31 December 2016
Balance as per 1 January	**510,904**	**564,618**
Drawn interest bearing loans	22,500	232,000
Amortisation transaction costs	358	-33
Adjustments to market value	0	-174
Repayment of interest bearing loans	-120,750	-285,507
Balance as per 30 June 2017 / 31 December 2016	**413,012**	**510,904**
Redemption requirement interest bearing loans	500	500
Balance as per 30 June 2017 / 31 December 2016	**412,512**	**510,404**

Remaining maturities of the loans at 30 June 2017 were as follows:

(€ '000)	30 June 2017	31 December 2016
Up to 1 year	500	500
From 1 to 2 years	500	500
From 2 to 5 years	305,730	383,458
From 5 to 10 years	106,281	126,446
More than 10 years	0	0
Total	**413,012**	**510,904**

The interest-bearing debts comprise loans from banks and other financial institutions. The agreed maturities amount to an average of 3.6 years. The average interest for the outstanding loans and interest swaps as per 30 June 2016 is 2.8% per annum, including margin. This is the result of the decreased interest margins per end of the quarter, following the cancelation of a swap contract and a higher average margin on the loans following the repayment of the RCFs with on average lower margins. The interest coverage ratio amounted to 4.7 x as at 30 June 2017 (3.8 x at 31 December 2016).

15. Financial instruments

Applicable categories and fair value

The table below summarizes the book values and fair values of financial assets and liabilities, including the applicable level within the fair value hierarchy. The table does include the fair value of financial assets and other liabilities if the book value is a reasonable reflection of the fair value.

(€ '000)	30 June 2017			31 December 2016		
	Fair value level	Amortised cost price	Fair value	Fair value level	Amortised cost price	Fair value
Financial assets valued at fair value through profit or loss						
Derivative financial instruments	2		1,321			
Financial assets valued at amortised cost price						
Debtors and other accounts receivable	2	3,047		2	2,330	
Cash and cash equivalents	1	10,093		1	2,066	
Financial liabilities valued at fair value through profit or loss						
Derivative financial instruments	2		8,450	2		15,297
Financial liabilities valued at amortised cost price						
Interest bearing loans	2	413,012		2	510,904	
Creditors and other accounts payable	2	25,421		2	27,344	
Debts to credit institutions	2	7,257		2	3,429	

Fair value hierarchy

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

Level 1: valuation on the basis of quoted prices in active markets;

Level 2: values based on (external) observable information;

Level 3: values based wholly or partially on not (external) observable information.

Level 2 applies to all derivative financial instruments; the model in which fair value is determined on the basis of direct or indirect observable market data.

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

The derivative financial instruments have the following maturities:

(€ '000)	Jun-17				Dec-16			
	Number of contracts	nominal	Fair value assets	Fair value liabilities	Number of contracts	nominal	Fair value assets	Fair value liabilities
Up to 1 year	-	-	-	-	-	-	-	-
From 1 to 5 years	17	310,000	(181)	8,450	15	265,000	-	2.831
From 5 to 10 years	5	50,000	(1,140)	-	8	129,300	-	12.466
Total swaps	**22**	**360,000**	**(1,321)**	**8,450**	**23**	**394,300**	**-**	15.297

NSI limits its interest-rate risk by swapping the majority of the variable interest it pays on its loans into a fixed interest rate, by means of contracts with fixed interest rates varying from -0.188% to 3.385% and with maturity dates between 2019 and 2023. The market value of the financial derivatives amounted to -€7.8m as at 30 June 2017.

The weighted average remaining maturity of the financial derivatives is 3.7 years. NSI is hedged at a weighted interest rate of 0.7%, excluding margin. 13.4% of the current loans and credit facilities are subject to variable interest and are therefore not hedged.

16. Other payables and accrued liabilities

The largest items recognized under the other payables and accrued liabilities concern deferred income and accruals (€21.9m), payable interest (€3.0m) and creditors (€3.3m).

17. Contingent assets and liabilities

The company has entered into investment commitments for an amount of €5.0m (31 December 2016: €4.2m) relating to investment properties. The obligations relating to lease cars amount to €0.6m (31 December 2016: €0.6m). Moreover, the company has unused credit facilities amounting to €199m (31 December 2016: €121m).

In June 2017, a purchase agreement was concluded for the purchase of an office building in Leiden. Delivery will take place at the end of July 2017. The purchase price amounts to €17.5m (excluding acquisition costs).

Progress on legal procedures

Swisspartners
Vastned Offices Benelux Holding B.V. revised claim in appeal amounts to €4.9m excluding legal interest. The legal interest has accrued to €2.1m therefore the total claim amounts to €7.0m. The case was on the cause list of the Court of Appeal of Amsterdam, which has rendered its judgement on the 18th of July 2017 (see below).

Shopping centre ‘t Loon Heerlen
The claim of the Owner’s Association (“VvE”) against the insurance companies amounts to repair costs of €9.3m, loss of rental income of €1.7m and costs of expertise of €0.1m, all excluding legal interest. The insurance companies may submit a statement of defence on 27 July 2017 after which the District Court will render an interlocutory judgement whether the insurance companies have to cover the damages lost by the Owner’s Association.

NSI Winkels B.V. also claims an amount of repair costs of €11.3m against its own insurance company (this part of the claim is conditional and becomes effective only if and in so far the claim of the Owner’s Association against its insurers is denied), loss of rental income of €0.9m and some smaller (partly non-budgeted) receivables, all excluding legal interest. The insurance company may submit a statement of defence on 27 July 2017 after which the District Court will render an interlocutory judgement whether the insurance companies have to cover the damages lost by NSI Winkels B.V.

Reference is made to note 26 in the annual accounts of 2016 for further information about these procedures.

18. Events after balance sheet date

In July 2017 2 office buildings (in Maarssen and Gouda) were sold for a total amount of €2.5m.

Swiss Partners

The Court of Appeal has rendered its judgement on 18 July 2017. Swiss Partners Investment Network AG must pay NSI’s subsidiary Vastned Offices Benelux B.V. an amount of € 4.9m excluding legal interest. Swiss Partners may appeal the judgement at the Dutch Supreme Court (“Hoge Raad”). Pending a possible appeal, Vastned Offices Benelux B.V. will meanwhile take measures to enforce the judgement in Switzerland.

Shopping centre ‘t Loon Heerlen
On 19 July 2017 the District Court of Amsterdam has dismissed the claim of € 1.6m of the insurance company of one of the tenants in ‘t Loon Heerlen. The decision of the District Court of Amsterdam is subject to appeal until 19 October 2017.

Management Board Statement

The Management Board states that, to the best of their knowledge:

- the 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 N.V. 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).

Risks

NSI considers the credit risk, liquidity risk, interest risk and currency risks as financial risks. In addition, market risks include changes in the economic environment and availability of funding in the credit markets, which may affect both the letting prospects as well as the market value of the properties. Reference is made to the annual report 2016 with regards to existing risks.

Hoofddorp, 24 July 2017

Management Board
B.A. Stahli, CEO
A. de Jong, CIO

Review report

To: the management board of NSI N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2017 of NSI N.V., Hoofddorp, which comprises the condensed consolidated statement of financial position as at 30 June 2017, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of movements in shareholders' equity, the condensed consolidated statement of cash flows for the period then ended and the selected explanatory notes. The management board is responsible for the preparation and presentation of this condensed 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 condensed consolidated 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 company. 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 for the six-month period ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Rotterdam, 24 July 2017
PricewaterhouseCoopers Accountants N.V.

Original has been signed by F.J. van Groenestein RA

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, The Netherlands
T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

Ref.: e0406511

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, The Netherlands
T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

EPRA KEY PERFORMANCE MEASURES[18]

1. *EPRA Earnings*

(€ '000)	H1 2017	H1 2016
Gross rental income	45,640	45,787
Service costs not recharged	-1,237	-2,277
Operating costs	-7,958	-9,601
Net rental income	**36,446**	**33,910**
Administrative costs	-4,425	-4,588
Direct investment result from participations		565
Net financing result	-7,834	-10,040
Direct investment result before tax	**24,187**	**19,847**
Corporate income tax	-12	-5
EPRA earnings	**24,175**	**19,842**
EPRA earnings per share	**1.35**	**1.11**

2. *EPRA NAV*

(€ '000)	30 June 2017		31 December 2016	
	(€ k)	(€ per share)	(€ k)	(€ per share)
Equity attributable to shareholders	629,441	35.04	604,254	33.76
Fair value of derivative financial instruments	7,128	0.40	15,297	0.85
EPRA NAV	**636,569**	**35.44**	**619,551**	**34.61**
Fair value of derivative financial instruments	-7,399	-0.41	-15,906	-0.89
Fair value of debt	-2,488	-0.14	-2,846	-0.16
EPRA NNNAV	**626,682**	**34.89**	**600,799**	**33.56**

3. *EPRA Yield*[19]

(€ '000)	Jun 2017	Dec 2016
Investment property including assets held for sale	1,076,522	1,162,937
Developments	-800	-800
Property investments	**1,075,722**	**1,162,137**
Allowance for estimated purchasers' costs	75,266	81,350
Gross up completed property portfolio valuation	**1,150,487**	**1,243,487**
Annualised cash passing rental income	80,408	92,964
Annualised property outgoings	-15,639	-18,450
Annualised net rent	**64,769**	**74,514**
Notional rent expiration of rent free periods or other lease incentives	6,138	4,947
Topped-up annualised net rent	**70,907**	**79,461**
EPRA net initial yield	5.6%	6.0%
EPRA topped-up net initial yield	6.2%	6.4%

[18] The EPRA performance indicators are calculated on the basis of the definitions published by the EPRA
[19] For the yield calculation HNK Hoofddorp (NSI's HQ) is included for 100%

4. *EPRA Vacancy Rate*

(€ '000)	30 June 2017	31 December 2016
Estimated rental value of vacant space	23,778	24,853
Estimated rental value of the whole portfolio	107,254	116,230
EPRA vacancy	**22.2%**	**21.4%**

5. *EPRA Cost ratio*

(€ '000)	H1 2017	H1 2016
Administrative costs	4,425	4,588
Service costs not recharged	1,237	2,277
Operating costs (adjusted for municipality taxes)	6,614	7,717
Leasehold	-219	-255
EPRA costs (including direct vacancy costs)	**12,056**	**14,326**
Direct vacancy costs	-1,169	-2,109
EPRA costs (excluding direct vacancy costs)	**10,887**	**12,218**
EPRA gross rental income	**45,640**	**45,787**
EPRA cost ratio A (incl. direct vacancy costs)	**26.4%**	**31.3%**
EPRA cost ratio B (excl. direct vacancy costs)	**23.9%**	**26.7%**