PRELIMINARY RESULTS

FULL YEAR 2016

"NSI will be the leading specialist in the Dutch office market, with a strong and efficient platform that will drive returns through pro-active asset management, value-add initiatives and active capital recycling. NSI will be the partner of choice for investors looking to team up with a best-in-class operator"

- **NSI sets a new, ambitious, strategy focussing on Dutch offices and HNK**
- **Direct result 2016 of €0.34 per share, above €0.31-0.33 guidance range**
- **EPRA NAV €4.33 at year-end (-9.6% vs YE 2015)**
- **EPRA vacancy rate reduced to 21.4% at year-end (-2.9% vs YE 2015)**
- **Net rents flat (-0.2%) on a like-for-like basis in 2016**
- **Outlook for Dutch economy improving; Office market in recovery**
- **Daniel van Dongen, CFO, to step down following AGM on 21 April 2017**

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 be reasonably 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 annual report	10 March 2017
Publication trading update Q1 2017	20 April 2017
Annual General Meeting	21 April 2017
Publication half year results	25 July 2017
Publication trading update Q3 2017	26 October 2017

AGM decision on final dividend 2016	21 April 2017
Ex-dividend date	25 April 2017
Record date	26 April 2017
Payment of final dividend	15 May 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

NSI HIGHLIGHTS

KEY FINANCIALS METRICS[1]

€k	1 Jan - 31 Dec 16	1 Jan - 31 Dec 15	1 Jan - 31 Dec 16	1 Jan - 31 Dec 15	Change (%)
Revenues and Earnings	Supplemental reporting[2]			IFRS[3]	
Gross rental income	94,589	90,813	63,126	57,046	4.2%
Net rental income	74,262	68,456	48,214	38,372	8.5%
Direct result			48,829	50,575	-3.5%
Indirect result			-66,662	13,215	
Profit attributed to NSI shareholders			-17,833	63,790	
Earnings per share (€)			-0.12	0.44	
Direct result per share (€)			0.34	0.35	-3.7%
Dividend (€)[4]			0.27	0.27	0.0%
EPRA earnings per share (€)			0.33	0.34	-2.6%
EPRA cost ratio A (%)[5]			32%	33%	-1.6pp
EPRA cost ratio B (%)[6]			28%	28%	+0.0pp

	31 Dec 16	31 Dec 15	Change (%)
Balance Sheet			
Investment property	770,434	1,134,617	
Assets held for sale	389,923	68,848	
Net Debt	-512,266	-542,332	-5.5%
Equity	604,254	660,720	-8.5%
IFRS Equity per share (€)	4.22	4.61	-8.5%
EPRA NAV per share (€)	4.33	4.79	-9.6%
EPRA NNNAV per share (€)	4.20	4.59	-8.5%
Net LTV (%)[7]	44.1%	43.2%	+0.9pp
Number of ordinary shares outstanding[8]	143,201,841	143,201,841	
Weighted average number of ordinary shares outstanding	143,201,841	143,201,841	

KEY PORTFOLIO METRICS[9]

	31 Dec 16					31 Dec-15
	Offices	HNK	Retail	Other[10]	Total	Total
Number of properties	108	13	41	3	165	194
Market value (€m)	617	149	382	12	1,160	1,203
Annual contracted rent (€m)[11]	53	12	31	1	98	101
ERV (€m)	61	20	34	1	116	123
Lettable area (k sqm)	457	125	273	15	870	974
EPRA Vacancy	21.3%	37.1%	12.5%	16.5%	21.4%	24.3%
WAULT (years)	5.3	3.1	4.3	2.4	4.7	4.7
Average rent/sqm (€/p.a.)	156	167	137	98	149	144
EPRA net initial yield	6.0%	4.3%	6.4%	10.9%	6.0%	5.7%

[1] Based on unaudited 2016 results
[2] Figures with only IOW as discontinued (sold), retail and Belgium direct asset(s) as per historic reporting included in operational figures
[3] Retail, Belgium direct and Intervest (IOW) operations accounted for as discontinued under IFRS regulations
[4] Dividend proposal for 2016, of which €0.13 already paid as interim dividend in August 2016
[5] EPRA Cost ratio (A) including vacancy costs, 2015 excluding IOW
[6] EPRA Cost ratio (B) excluding vacancy costs, 2015 excluding IOW
[7] In 2015 LTV calculated including participation in IOW (€51.4m)
[8] Excluding 140,837 treasury shares (not entitled to dividend and voting)
[9] Excluding land. Assets held for sale in Heerlen are included in Offices and Retail respectively
[10] Incudes two industrial assets and one Belgium office asset
[11] Before rent free and other rent incentives

CEO COMMENTS

Over the past six months we have reviewed the NSI business and its prospects and have set a new, clear, more focused, strategy. We are raising the bar significantly. Our ambition is to become the leading Dutch office investor and operator, maximising returns for shareholders through pro-active asset management, value-add initiatives, disciplined asset rotation and prudent balance sheet management.

We are taking all the necessary steps to achieve this. Key is that NSI has the size, focus, portfolio, organisational set up and culture to be able to thrive. In recent months we have been working hard to lay the foundations. There is a relentless focus on costs and accountability at all levels. At the same time, we are hiring new talent and investing in strengthening our internal reporting and processes.

For 2017 the economic outlook and property cycle are working in our favour. The potential liquidity provided by our stock exchange listing also puts us in a strong position to achieve our ambitions. Still, it will take time to execute all our plans and we expect 2017 and 2018 to be transition years in this respect.

We have stepped up our disclosure significantly to facilitate proper scrutiny of our efforts, as we start to implement the new strategy. We have also introduced a new corporate logo, a new house style and a new website, all with the aim of highlighting that NSI has embarked on a new exciting journey.

A new strategy – Offices and HNK

The latest down cycle has accelerated the professionalisation of the Dutch property industry. Capital has become global and industry standards have been raised accordingly. In what has become an increasingly competitive environment, passive investing in property is no longer an option - agility and focus are key to performance.

We have concluded that NSI needs to specialise to be able to thrive. In view of the competitive landscape, the current size of the investment portfolio, the track record of the team, and our aim to lower the cost base, the focus going forward will be solely on offices and HNK.

Let’s be very clear about what this means. Yes, we will look to sell our retail assets, but only on an opportunistic basis and at a time and a price that is best for shareholders.

Following the decision to dispose of our retail business, with all the necessary internal preparations completed and agents appointed, in line with IFRS we now report our retail portfolio as discontinued operations. This change in reporting does not, however, put any additional pressure on us to accelerate the disposal process.

Capital recycling

An improving level of liquidity in the Dutch property market makes for more robust valuations. As we accelerate our capital recycling in 2017 it should be clear for everyone to see if our Q4 external appraisals stand up to market scrutiny.

At 44.1% the year-end LTV is comfortable and within our new target range of 40-45%. Still, any new acquisitions going forward will have to be funded by disposals, or by an equity offering if the share price permits.

Our capital recycling plans at this point in time include the retail portfolio, one asset in Belgium and potentially some of the smaller office assets in non-G4 locations where local specialists are the more natural owners of these assets.

Review 2016; Outlook for 2017

NSI improved its key operational performance metrics in 2016. Net rents for 2016 were flat on a like-for-like basis (-0.2%), the EPRA vacancy rate fell to 21.4%, down 2.9% for the year and the operating margin improved by 3.1% to 78.5%. We expect these metrics to further improve in 2017, adjusting for the potential impact of the disposal of the retail business.

NSI ended the year with 70 employees (65 FTE), down from 77 at year-end 2015. At the end of January 2017 we were at 65 employees (60.1 FTE). Exiting the retail business will result in a further fall in the employee count in 2017. We are working hard to move the EPRA cost ratio to a level that is more in line with peers.

It is too early to provide any guidance on EPS or the dividend for 2017. Lower interest costs, cost savings and operational improvements should positively impact EPS in 2017, but disposals are likely to precede acquisitions, which could negatively impact EPS. Establishing more headroom within our new LTV target range could also come at a cost to EPS.

The AGM will be held on 21 April and we will propose a final dividend for 2016 of €0.13 per share. Two items will be placed on the agenda for shareholders to vote on, including 1) a decision to publish our report and financial statements only in English going forward, and 2) the possibility for shareholders to opt for payment of the dividend in shares or cash.

Daniel van Dongen, CFO, has indicated that after eight years as management board member of NSI he is looking to pursue his career outside of NSI and will not be available for re-election at the upcoming AGM. He will, however, stay with NSI until June 30th 2017 to ensure a smooth transition. We would like to thank him for his commitment and contribution to NSI and wish him well in his future endeavours.

Finally, August 2017 will mark NSI’s 25th anniversary. It has been an interesting journey so far. Rest assured we are doing our utmost to ensure that both NSI and you, our shareholders, can look forward to the next 25 years with confidence.

Bernd Stahli

STRATEGIC REVIEW

Following the strategic review we have set a clear destination for NSI. The transition started back in 2013. The final exit from Switzerland in October 2013 was followed by a €300m capital increase in November of that year. Since then NSI has refinanced its debt, divested its stake in IOW[12] and reduced its LTV to below 45%. It has also become less dependent on secured financing and has started to upgrade its portfolio through capital recycling.

All of these steps were necessary to allow us to now set our new destination with confidence. NSI aspires to become the leading Dutch office investor and operator, aiming to drive excess returns through active asset management and disciplined asset rotation, with a prudent balance sheet.

Historically NSI was all about diversification, with investments in a variety of sectors and countries in order to generate a stable dividend. NSI has already divested most of its assets abroad, but in our strategic review we concluded that even more focus is warranted.

Track record, size and costs have been major considerations in our decision to focus exclusively on offices and HNK. The NSI retail portfolio is diverse and whilst it is possible to bring more focus to it, it would still remain a relatively small platform in the Dutch retail market.

The proceeds from our retail disposals will support the expansion of our offices portfolio. A larger, more focused, platform will be more efficient, allow us to pursue more sizeable deals, move selectively further up the risk curve and enable us to do deals that others may not be able to do.

Offices – focus on G4 and value-add

NSI has made great strides in its office business over the past 18 months. Asset rotation to date has already resulted in a better office portfolio in terms of asset quality and location, with better prospects.

We aim to further strengthen our office business in 2017. In addition to finding new opportunities to invest, we will look for ways to monetise our mostly smaller, provincial, assets. While these smaller assets may be rather interesting individually, collectively they are proving rather cost inefficient for NSI to manage. We have also identified a number of opportunities to pursue conversions of offices to alternative use.

Driving excess returns in the Dutch office market requires an active approach to asset management. The necessary size, tenant activity and depth to the investment market to make this possible is mostly concentrated in the G4 markets. In time NSI will further increase its focus on these markets.

HNK – gradual, profitable, expansion

We continue to see strong growth potential for our HNK brand. The body of experience amassed over the years in our now 13 operational HNKs is working to our strength and provides us with a wealth of information on market trends that allows us to continue to adjust and enhance our product offering for our customers – both in HNK and in our offices business.

HNK may originally have started as a defensive strategy, i.e. as an innovative way to address long term vacancy concerns in parts of the office portfolio during the down cycle, but it has become the house view of how we can best cater to the needs of the office client of the future.

The modern day user of workspace requires a vibrant location with an excellent transport infrastructure, flexibility, efficiency, ease of use and good access to ancillary services. We believe there is capacity in the market to absorb at least 10 new HNKs and as we continue to roll out our HNK activities we will make sure to incorporate these features.

LTV target range of 40-45%

Whilst our formal covenants are at 60-65%, in recent years NSI has committed to maintain its LTV ratio below 45%. We reviewed this limit as part of the strategic review and prefer to move to a target range, to have more flexibility.

Turning NSI from a diversified business into a more focused office business would normally suggest a higher risk profile. We also appreciate that an active asset management and disciplined asset rotation strategy (i.e. taking more of a value-add/total return approach to real estate rather than focussing solely on cash flow and dividend) would effectively also imply a higher risk profile for the business.

At the same time, as NSI continues to upgrade its portfolio, in terms of both asset quality and location, the risks in the business are arguably being reduced. Also, considering where we are in the Dutch property cycle, it is probably too early to move to an even more conservative balance sheet.

Taking all of the above arguments into account we believe it is appropriate to work with a LTV range of 40-45% for now. We will review these considerations regularly. Any decision on the appropriate level of LTV for NSI will have to include HNK, as we have to manage our financial leverage in conjunction with our operational leverage through HNK.

The consequence is that, given an LTV of 44.1% in Q4 2016, the focus is on financing any new investments mostly by disposals.

Cost strategy – moving to a lower run-rate

We have already taken several steps to move to a structurally lower cost base in H2 2016. As part of the strategic review we have made the decision to move to a cost base that is much more appropriate for the current asset base – to be nimble, scaleable, and a good steward of shareholder capital.

Historically NSI has operated a rather management intensive, diversified, investment portfolio. In recent years the portfolio has become smaller, in terms of value, number of assets and number of locations – a trend that is set to continue - yet the size of the organisation has not followed suit.

To arrive at a better, more efficient, organisation NSI will continue to cut costs where appropriate, but will also invest in retaining and attracting talent, crafting the right culture, in ICT systems and in digitisation.

[12] Intervest Offices & Warehouses

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 full IFRS accounts later in this report treat both retail and Belgium as discontinued operation, in accordance with IFRS.

Introduction

The direct result for FY 2016 is €0.34, above of the €0.31-0.33 guidance range. The results are impacted by various one-offs, both positive and negative. EPRA EPS for FY 2016 is €0.33, which is 0.9 cent below the 2015 result.

In FY 2016 NSI incurred one-off restructuring costs of €2.1m. This was entirely offset by a one-off gain of €2.3m related to the release of a provision for Belgian withholding taxes for prior years, in connection with IOW.

The indirect result for FY 2016 is -€0.47 per share, which is negatively impacted by -€54.8m of asset revaluations, a small -€4.4m result on disposals and a -€8.2m goodwill impairment charge. During the year NSI booked a small positive non-cash market-to-market gain on its derivatives.

Rental income

Rents for FY 2016 are up by 4.2% (€3.8m), mainly due to the acquisitions of Cobra in October 2015 and Glass House in July 2016. These acquisitions were for a large part funded by the proceeds from the disposals of NSI's stake in IOW and of the industrial portfolio.

On a like-for-like basis gross rents are down €0.9m (-1.5%), reflecting the mark to market on lease expiries (-€1.5m) and improvements in occupancy (€0.6m). Due to an improvement in the operating margin the fall in the net like-for-like rent is limited to only €0.1m (-0.2%).

Service costs

Non-recoverable service charges in 2016 fell by €1.7m to €4.1m (vs €5.8m in 2015). Cost savings and continued asset rotation into better, more efficient, assets explain most of the reduction. The effect from lower vacancies on the standing portfolio has been relatively modest in 2016.

Operating costs

Operating costs in 2016 are 5.2% (€0.9m) lower compared to 2015. Adjusting for costs incurred for the international entities, which are in the process of being liquidated, costs for the Dutch activities are circa €2.5m lower compared to 2015.

The deconsolidation of IOW has had a negative impact on the operating margin, but this effect is being mitigated as the proceeds of the IOW disposals have been reinvested into new efficient investment assets. The operating margin increased to 78.5%, up 3.1% on 2015 (75.4%).

At Q4 2016 costs related to provisioning for doubtful debtors are at a record low of 0.2% of annual revenue.

Administrative expenses

Administrative expenses are €9.9m, a €1.8m increase versus 2015. The increases are all one-off costs, related to the CEO change, restructuring costs, temporary staff, consultancy fees and the write-off of our investments in Easy Shopping.

Several initiatives are in place to reduce the run rate of costs going forward. Some of these will already have an impact in 2017 but, as further restructuring costs are expected, most of the fall in the run rate will become visible from 2018 onwards.

Net financing expenses

In 2016 NSI continued to lower funding costs, benefitting from lower margins and lower swap rates. Net financing expenses are down €2m (-10%) compared to 2015, even with a higher level of net debt outstanding during the year. Refinancing the RCFs, the FGH-bank loan and agreeing the new Berlin Hyp facility in combination with the breakage of swaps all result in lower margins and hedging costs.

The average cost of debt is 2.8% at the end of 2016, versus 3.7% at the end of 2015. This fall is despite an increase of 15bps in the margin of the €200m term loan following the security release associated with these facilities.

Revaluation of investment

At year end 2016 all assets have been externally appraised. The total revaluation for the year is -€54.8m. Most of the fall in values relates to the retail portfolio, which is marked down by €50m (-11.6%). This fall is mainly due to lower ERVs (-8.7%) and higher yields. In particular Rijswijk, Heerlen and Zuidplein Rotterdam have been marked down significantly.

Result on asset sales

The result on asset disposals for 2016 is -€4.4m. A negative result in The Netherlands (-€6.5m), mostly on the sale of the industrial portfolio, is compensated for by a positive result on the sale of a land plot in Belgium (€1.5m) and a one-off in Switzerland (€0.5m).

Revaluation of derivatives

The derivatives portfolio shows a positive revaluation of €1.8m for 2016, driven by a €4.8m uplift in Q4, as a consequence of the shorter duration of the legacy swaps and a small change in the yield curve.

Discontinued operations

IOW was first reported as discontinued operations in H1 2016. The retail portfolio and the last wholly-owned asset in Belgium are first reported as discontinued operations in Q4 2016.

The 2016 re-segmentation of the NSI property portfolio, from a focus on country segments to sector segments, and the subsequent intended sale of the retail activities, has triggered impairment of the full €8.2m in goodwill in the accounts.

The remaining shares in IOW were sold in Q1 at a profit of €1.6m.

Post-closing events

On February 13th an office asset and a related retail asset in Heerlen were sold and transferred to the local municipality.

2016 Accounts and deconsolidation

The 2016 accounts reflect a sizeable proportion of activities as discontinued operations, in accordance with IFRS, including our retail segment, our last remaining wholly-owned asset in Belgium and our stake in IOW. The comparative 2015 numbers have been restated accordingly and are found elsewhere in this report.

The change in reporting adds a level of complication to the accounts that we aim to address by providing a simplified reporting bridge, shown in the table below.

In Q1 2016 NSI disposed of its remaining 15.2% stake in IOW. IOW was subsequently reported as a discontinued operation in the H1 2016 accounts, with a result of €1.6m. This result is shown as two separate discontinued lines within the segment concerning discontinued operations in Belgium.

In the reporting bridge below the category 'Other' comprises all group costs, including interest and administrative expenses.

The sum total of continued and discontinued operations shown in the table below is supplementary information to provide a link to the accounts as reported with the H1 interim results and Q3 trading update in 2016.

We show the necessary 'discontinued adjustments' to move from the 'sum total' of the supplementary information to the IFRS reporting for 2016.

EPRA EPS

The 2016 EPRA EPS is 33.0cts. Starting in 2017 NSI will no longer allocate management costs to the indirect result, so that, barring any necessary adjustments, EPRA EPS and the direct result per share will be similar going forward.

EPRA Earnings, segment split and bridge to IFRS discontinued 2016 (€k)

	Continued operations			Discont. operations				
	Offices	HNK	Other	Belgium	Retail	Supplemental[13] Total	Discont Adj.	IFRS Total
Rental income	48,906	11,827	2,393	66	31,397	94,589	-31,462	63,126
Service costs not recharged	-1,682	-1,852	-84	39	-569	-4,147	529	-3,618
Operating costs	-7,572	-3,441	-281	-48	-4,837	-16,179	4,886	-11,294
Net revenue from operations	**39,652**	**6,534**	**2,028**	**57**	**25,991**	**74,262**	**-26,048**	**48,214**
Administrative expenses	-420	-787	-6,963	-25	-179	-8,375	204	-8,170
Net financial expenses	0	4	-20,006	63	8	-19,931	-71	-20,001
Direct result before tax	**39,233**	**5,751**	**-24,941**	**95**	**25,819**	**45,957**	**-25,914**	**20,043**
Income tax expenses	0	0	54	2,253	0	2,308	-2,253	54
Direct result after tax	**39,233**	**5,751**	**-24,887**	**2,348**	**25,819**	**48,264**	**-28,167**	**20,097**
Discontinued operations	0	0	0	565	0	565	28,167	28,732
Direct result	**39,233**	**5,751**	**-24,887**	**2,913**	**25,819**	**48,829**	**0**	**48,829**
Revaluation of real estate	2,771	-5,844	-1,742	0	-49,987	-54,802	49,987	-4,815
Elimination of rental incentives	-430	-19	0	16	-94	-527	77	-449
Other Income	-12	0	9	0	0	-3	0	-3
Net result on sales of real estate	-482	-67	-5,394	1,513	0	-4,430	-1,513	-5,943
Movements in financial derivatives	0	0	1,751	0	0	1,751	0	1,751
Exchange-rate differences	0	0	7	0	0	7	0	7
Allocated management costs	0	0	-1,504	0	0	-1,504	0	-1,504
Goodwill impairment	-4,022	-855	-419	0	-2,909	-8,205	2,909	-5,296
Indirect result before tax	**-2,175**	**-6,785**	**-7,292**	**1,529**	**-52,990**	**-67,712**	**51,461**	**-16,252**
Corporate tax	0	0	0	0	0	0		
Indirect result after tax	**-2,175**	**-6,785**	**-7,292**	**1,529**	**-52,990**	**-67,712**	**51,461**	**-16,252**
Discontinued operations				1,050	0	1,050	-51,461	-50,411
Indirect result	**-2,175**	**-6,785**	**-7,292**	**2,579**	**-52,990**	**-66,662**	**0**	**-66,662**
Result	**37,057**	**-1,033**	**-32,179**	**5,493**	**-27,171**	**-17,833**	**0**	**-17,833**
Direct result	**39,233**	**5,751**	**-24,887**	**2,913**	**25,819**	**48,829**		**48,829**
Adjustments	**0**	**0**	**-1,504**	**0**	**0**	**-1,504**		**-1,504**
EPRA Earnings	**39,233**	**5,751**	**-26,391**	**2,913**	**25,819**	**47,325**		**47,325**
EPRA Earnings per share						**0.33**		**0.33**

[13] In line with H1 2016 reporting

NETHERLANDS PROPERTY MARKET OVERVIEW[14]

Offices

The vacancy level in Dutch offices peaked in H2 2014. At the end of 2016 circa 6.9mln sqm out of a total 49.5mln sqm of office stock in the market is vacant (13.9%). The vacancy of well-located, modern, grade-A space is much lower.

The 1.9% vacancy reduction in 2016 (vs Q4 2015 vacancy: 15.8%) comprised of circa 1.6% (800,000 sqm) in withdrawals and conversions and circa 0.3% in positive net absorption.

DNB is expecting 2.3% GDP growth for 2017. Tenant demand is noticeably picking up, in line with the improving outlook for the economy. As such, the vacancy rate will continue to fall in 2017. This positive outlook for offices is underpinned by the Dutch housing market, as more office stock is set to be converted or withdrawn from the market in 2017. In total 3mln sqm of office stock has already been withdrawn since 2009.

The Amsterdam office market has seen good rental growth in 2016. The vacancy rate has fallen to 9.8% and to below 3% for modern grade-A space. The scarcity of good quality stock is expected to lead to further rental growth and demand in nearby, more affordable, markets is picking up as a result. We expect to see a similar trend in Utrecht, Rotterdam, The Hague and Eindhoven.

In the wider Randstad area (which accounts for over 50% of the GDP of the Dutch economy) modern offices in good locations are seeing a pick up in demand, resulting in lower incentives and some selective rental growth.

Outside the wider Randstad market, pricing power often still lies with the tenant. Tenants can afford to be discerning. Rents are typically €95-135psm, with incentives of 10-20%. The outlook for dated office assets in fringe locations remains uncertain – and capital values are low to reflect this.

The pace of new office development is slow. Utrecht is seeing a pick up in new development, but elsewhere it is limited. In Amsterdam, where the local municipality is firmly holding back on planning, development activity is also limited.

HNK

The market for flexible office space is evolving rapidly. Around 5-7% of the Dutch office stock is currently being used as flex space. New operators are still entering the market, some with new innovative concepts, others offering mere variations of existing concepts. There are 30+ operators at present, of which only eight or so operate from more than three locations.

The growth in flex offices will eventually result in saturation but, for now, the economics for new openings remain favourable. Rents for flex offices can be double those for traditional offices, provided the space is offered in a good location, with good services and a good vibe.

A large part of the flex space on offer is merely a way for landlords to solve a vacancy issue. This market segment is unlikely to prove viable in the long term. Operators short on concept and with limited innovation will eventually disappear.

Following on from the large body of experience in the hotel industry, at some point the larger, professional, capital rich operators with a strong (international) platform will win the endurance race and consolidate the industry, running various concepts alongside each other. There is, however, a place for local operators with a boutique positioning.

Retail

Following a difficult 2015 the year 2016 ended with retailer bankruptcies at an eight year low. Going into 2017 the Dutch economy is improving, the housing market is strong, purchasing power is up and consumer confidence is rising.

Still the recovery in the Dutch retail property market will likely be muted. Online retail is gaining market share (accounting for circa 6.5% of sales and growing at circa 20% annually) and many smaller retailers that have managed to survive the down cycle only have limited capacity left to invest in their business and pursue growth in the recovery.

Large (international) retailers are very much at the forefront of the changing dynamics in the Dutch retail market. They are focussing on a small number of large flagship stores in the best shopping areas, with the more peripheral retail locations increasingly being catered for via a strong, flexible website.

Supermarket-anchored local retail centres have proven quite resilient in recent years. In particular centres that are backed by both a high-end supermarket and a discounter have been successful to cater for the day-to-day needs of the consumer.

Dutch retail ERVs were down circa 7% in 2016 and continue to rebase to market levels. Rental growth is limited to prime retail locations in the G4. Rents for supermarket-anchored convenience shopping centres have held up remarkably well.

Investment market

The Dutch market recorded an investment volume of circa €13bn in 2016. Foreign investors remained the most active, driven by a positive economic outlook, high ingoing yields and relatively modest risks in the prime segment. Dutch institutions are starting to return to the market, whilst some foreigners are now looking to crystallise returns made in recent years.

Amsterdam and the wider G4 are the most liquid investment markets. Amsterdam in particular saw yields firm on the back of improving rental growth expectations. Ingoing yields for prime offices are now at or near record lows, at circa 4%.

Given the positive economic outlook we are seeing that some investors are starting to move up the risk curve, assuming that away from prime risks are receding and that it is now possible to generate better risk-adjusted returns. We expect to see more evidence of this in 2017, with a hardening of investment yields for better-quality secondary assets.

The investment market for retail property has been lagging, but seems to be picking up now that valuations are at more realistic levels.

[14] The data in this section is based on a variety of industry sources and reports, including JLL, CBRE and Cushman & Wakefield

REAL ESTATE PORTFOLIO

In 2016 most of the industrial portfolio (21 out of 23 assets) was sold, as were a total of 8 smaller office assets and one former potential HNK conversion. The total proceeds were €63.4m. The only significant acquisition was Glass House, for a total consideration of €60.7m[15].

Portfolio split

	# assets	Value x €m	% Value
Offices[16]	107	612	53%
HNK[17]	13	149	13%
Other	2	9	1%
Total investment properties	**122**	**772**	**66%**
Held for sale	43	390	34%
Total portfolio	**165**	**1,160**	**100%**

The share of offices and HNK is 66% of the portfolio by value in Q4 2016, up from 60% in 2015. The rotation out of smaller assets into larger, more efficient, assets continues apace. The average asset value is €7.0m in Q4 2016 (€6.2m at Q4 2015).

Vacancy

The Q4 2016 EPRA vacancy rate for the portfolio is 21.4%, a 2.9% improvement for the year. The improvement is mostly noticeable in HNK (-10.3%). The fall in retail vacancy (-2.3%) is largely due to lower ERVs for the vacant space.

The improvement in the vacancy rate for the office portfolio (1.6%) is driven by asset rotation, with the vacancy rate for the standing portfolio increasing as several legacy leases have not been renewed on expiry.

EPRA Vacancy

	31/12/2016	*LFL*	*Disposals/ Acquisitions*	31/12/2015
Offices	21.3%	*1.3%*	*-2.9%*	22.9%
HNK	37.1%	*-7.6%*	*-2.7%*	47.4%
Retail	12.5%	*-2.3%*	*0.0%*	14.8%
Other	16.5%	*-3.1%*	*-3.3%*	22.9%
Total	**21.4%**	***-0.8%***	***-2.1%***	**24.3%**

Rents

Net rents are down -0.2% in 2016 on a like-for-like basis, with strong growth in the HNK business. If we exclude the office assets that are held for transformation purposes the net like-for-like rents are actually up 0.3%.

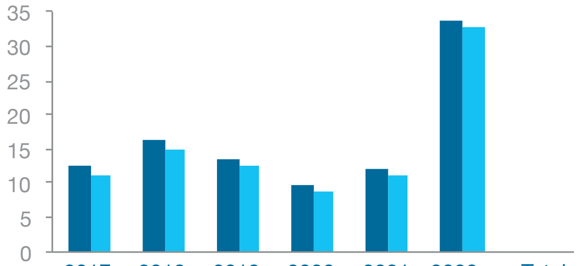
Net rent like-for-like growth

	2016 (€m)	2015 (€m)	Change (€m)	L-f-l (%)
Offices	25.5	26.9	-1.5	-5.5%
HNK	7.3	4.3	3.0	70.8%
Retail	25.9	27.6	-1.7	-6.1%
Other	1.1	1.1	0.0	2.3%
Total LFL	**59.8**	**59.9**	**-0.1**	**-0.2%**

The lease re-gear at Glass House will not impact the 2017 like-for-like, as the portfolio was only acquired in 2016.

The average lease maturity for the portfolio is stable year-on-year at 4.7 years. This is a comfortable level, particularly when taking into account the typically shorter leases at HNK.

Annual expirations and reversion (€m)



	2017	2018	2019	2020	2021	2022+	Total
Contracted rent (€m)	12.6	16.	13.5	9.7	12.1	33.8	97.8
ERV (€m)	11.1	14.9	12.6	8.7	11.1	32.9	91.3
# Contracts	488	297	184	134	146	161	1,410
Reversion	-11.9%	-7.4%	-7.3%	-9.7%	-8.2%	-2.7%	-6.7%

Reversionary Potential, ERV bridge

The portfolio is circa 7% over-rented at Q4 2016. This already includes the impact of the lease re-gear at Glass House.

Reversion[18,19]

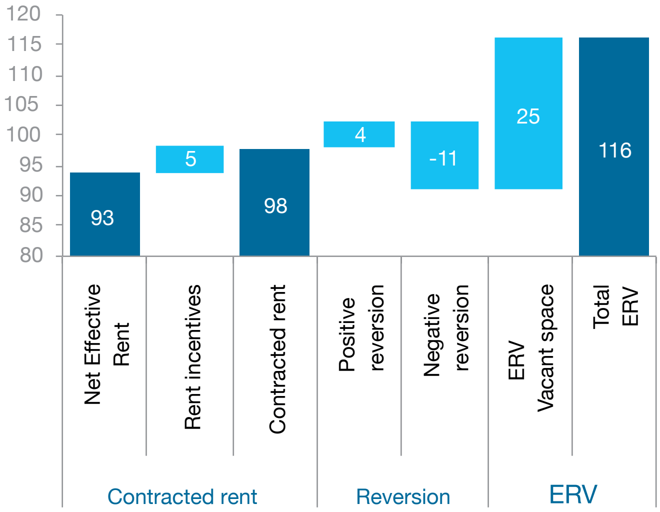
	31/12/2016	31/12/2015
Offices	-8.3%	-9.9%
HNK	0.3%	-7.2%
Retail	-6.3%	-2.4%
Other	-17.3%	-13.4%
Total	-6.7%	-7.4%

The ERV bridge highlights that most of the upside sits in proactively reducing the vacancy. ERVs are a guide only and we have signed and will sign leases at below ERV if that is in the best interest of shareholders.

[15] Including transfer costs
[16] Excludes 1 office held for sale in Heerlen
[17] Includes HNK Hoofddorp 100%; in balance sheet 50% reported in PPE

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

Bridge contracted rent to ERV (€m)



EPRA Yields

The EPRA net initial yield for the portfolio is 6.0% at the end of 2016. This is up 30bps on Q4 2015 and reflects mostly the negative like-for-like, margin improvements, portfolio rotation and the write downs on the retail portfolio.

Yields

	EPRA Net Initial Yield		Reversionary yield	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Offices	6.0%	6.1%	9.9%	10.7%
HNK	4.3%	3.4%	13.1%	12.3%
Retail	6.4%	5.8%	8.8%	8.7%
Other	10.9%	7.7%	10.9%	11.7%
Total	**6.0%**	**5.7%**	**10.0%**	**10.2%**

Valuations

The valuation result[20] for 2016 is -€54.8m (-4.5%). Office values are stable, driven by positive revaluations in the G4 markets (€25m; +8.1%). Glass House is the largest contributor, following the conclusion of a new 10-year lease with the tenant at the end of December. The value of Glass House is up 14% versus the purchase price[21].

The HNK portfolio revalued - €5.8 mln. This negative result was mainly caused by pressure on 2 properties outside of the Randstad area, HNK Ede and HNK Apeldoorn, of which the valuations declined similar to the overall trend in office properties outside of the major cities.

Retail valuations are down 11.6%, mostly due to lower ERVs (-8.7%) and on average slightly higher yields. The fall in ERVs compares to an estimated 7.7% fall in ERVs for smaller and mid-sized towns[22]. In particular Rijswijk, Heerlen and Zuidplein Rotterdam explain about half of the fall in values.

Revaluations 31 December 2016

	Valuation	Revaluation			
	31/12/2016	Positive	Negative	Total	% YoY
Offices	617	38	-36	3	0.5%
HNK	149	4	-10	-6	-3.7%
Retail	382	1	-51	-50	-11.6%
Industrial	12	0	-2	-2	-13.0%
Total	**1,160**	**44**	**-98**	**-55**	**-4.5%**

Starting in 2017 NSI will have its portfolio fully externally appraised twice a year, i.e. in Q2 for the H1 interim results and in Q4 for the full year results.

[20] Portfolio full externally appraised per 31 December 2016
[21] Including transaction costs
[22] JLL

Offices

The acquisition of the Cobra portfolio in Q3 2015 and of Glass House in Q3 2016 has significantly increased the exposure to Amsterdam and the wider G4 in the office portfolio.

As per Q4 2016 the G4 makes up 54% of the office portfolio, up from 49% at Q4 2015 and 33% at Q4 2014. The exposure to Amsterdam has increased to 43% (vs 10.3% at Q4 2014).

Key offices metrics history

	2016	2015
Number of properties	108	120
Market value (€m)	617	593
Annual contracted rent (€m)	53	55
ERV (€m)	61	65
Lettable area (k sqm)	457	485
EPRA Vacancy	21.3%	22.9%
WAULT (years)	5.3	4.9
Average rent/sqm (€/p.a.)	156	152
EPRA net initial yield	6.0%	6.1%

The shift in the office portfolio to the G4 and wider Randstad is set to continue in 2017. The move away from a well-diversified portfolio of smaller assets to a more concentrated portfolio of larger, more efficient, office assets should result in significant efficiency gains, lower costs and lower depreciation risks.

Transformation assets are now a separately identified group of assets. These assets are mostly located in the G4 and wider Randstad and have good potential for conversion to alternative use. The vacancy rate for these assets is high and so the yield is low, but these assets are now run for IRR and no longer for yield.

Key offices metrics geographical split

		G4	Other Randstad	Other NL	Trans-formation
Assets	(#)	27	25	43	13
Area	(k sqm)	148	94	166	49
Market value	(€m)	332	91	148	46
Value	(€/sqm)	2,252	978	886	927
WAULT	(yrs)	7.1	4.7	3.3	3.3
Contracted rent	(€m)	24	9	16	3
Market rent	(€m)	27	11	18	6
Reversion	(%)	-2.1%	-8.7%	-17.7%	-8.6%
Avg rent let space	(€/sqm)	191	137	131	147
EPRA Vacancy	(%)	10.3%	23.3%	27.1%	49.9%
EPRA NIY	(%)	5.4%	7.1%	7.6%	4.3%

The lease re-gear at Glass House has added about 0.4 years to the 7.1 years WAULT for the G4 portfolio at Q4 2016. The short WAULT for the transformation assets is intentional.

The focus for offices in 2017 is on leasing up the vacancy and asset rotation. The G4 portfolio selectively offers scope to push rents, particularly in Amsterdam and Utrecht.

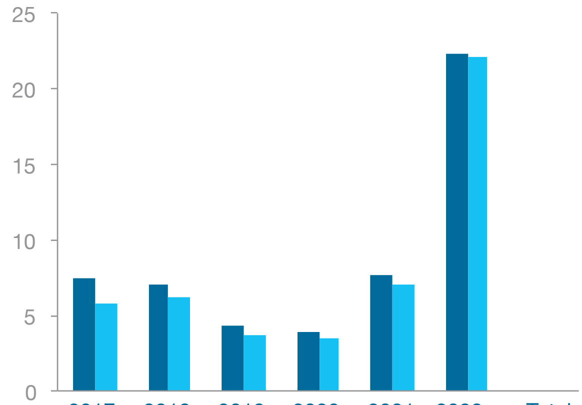
Revaluations and rental growth in the portfolio appear to go hand in hand. In the G4 rents and values are both up strongly, at 11.3% and 8.1% respectively. Outside the G4 the market has been much weaker, but the economic recovery is spreading and market dynamics are now improving as well.

Like-for-like[23]

	L-f-l NRI growth (%)	Revaluation (%)
G4	11.3%	8.1%
Other Randstad	-13.7%	-6.7%
Other Netherlands	-1.2%	-7.1%
Transformation	-13.9%	-8.4%
Total	**-5.5%**	**0.5%**

The over-renting in the office portfolio is 8.3% at Q4 2016. This includes the effects of the lease re-gear of Glass House and is down from 9.9% in 2015. The over-renting in the G4 portfolio is relatively modest at 2.1%, based in some cases on what we believe are conservative ERVs.

Annual expirations and reversion (€m)



	2017	2018	2019	2020	2021	2022+	Total
Contracted rent (€m)	7.4	7.1	4.3	4.0	7.6	22.3	52.7
ERV (€m)	5.7	6.2	3.7	3.5	7.0	22.1	48.3
# Contracts	97	90	46	34	49	60	376
Reversion	-22.9%	-12.2%	-14.7%	-10.6%	-7.%	-0.7%	-8.3%

[23] NRI like-for-like only assets in portfolio for whole 2015 and 2016. Revaluation and yield shift assets in portfolio on 31 December 2015 and 31 December 2016

HNK

The HNK business has strong positive momentum. At year end 2016 there are 13 HNKs operational, with plans for two further openings in 2017. In 2016 we have strengthened the team and have significantly raised the bar on the requirements that new HNK locations need to meet. The potential to convert existing offices into HNKs is largely depleted, so the focus is shifting to optimisation of the existing HNK portfolio and to the search for new acquisitions for expansion.

One of the key strengths of the HNK brand is that NSI owns and manages the assets. This provides the necessary flexibility to act fast in catering to the specific needs of our customers.

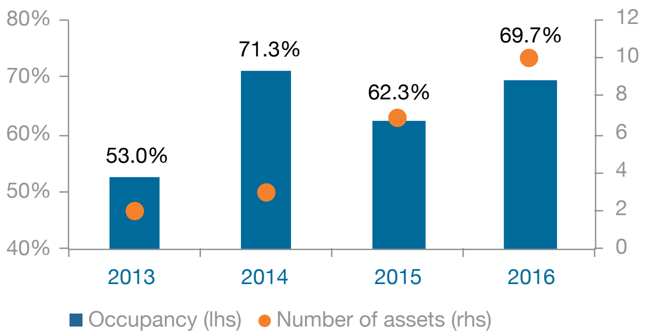
	2016	2015
Number of properties	13	10
Market value (€m)	149	123
Annual contracted rent (€m)	12	9
ERV (€m)	20	16
Lettable area (k sqm)	125	110
EPRA Vacancy	37.1%	47.4%
WAULT (years)	3.1	3.5
Average rent/sqm (€/p.a.)[24]	167	188
EPRA net initial yield	4.3%	3.4%

The HNK vacancy rate has improved to 37.1% at Q4 2016. This is a positive result when considering that newly opened locations take time to mature and hold back overall occupancy levels in the mean time.

At Q4 2016 a total of 6 HNKs have reached the necessary level of occupancy (circa 90%) to start exploit pricing power. HNK Utrecht CS, which opened in Q4 2015, has proven to be our most successful opening, moving to 97% occupancy within twelve months of opening.

For HNK the development of occupancy levels over the years is distorted by new openings. To show a meaningful history the graph below highlights the average occupancy levels for HNK assets that are open for at least one year in combination with the number of assets included in the calculation.

Weighted average occupancy[25]



HNK offers managed offices, tailored offices, club space and meeting rooms. The tailored offices are typically contracts for larger floor plates, with longer leases. As all our HNKs to date are converted offices, some of the tailored offices are in fact on leases that have been in place since before conversion.

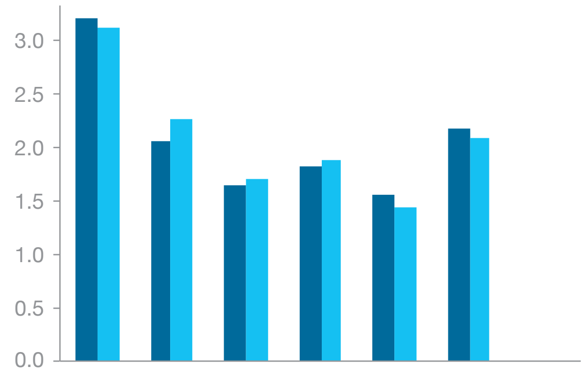
The legacy leases run off over the coming years. This will help improve the operating margin for HNK as new leases include fully loaded costs for the entire HNK offering (including costs for the club room and common areas).

The EPRA net initial yield for the HNK portfolio is 4.3% at Q4 2016. This is up 0.9% on 2015, mostly because of higher occupancy and better margins. We anticipate the yield on HNK to further pick up in 2017, with operating leverage driving margin improvement.

The HNK portfolio revalued - €5.8 mln. This negative result was mainly caused by pressure on 2 properties outside of the Randstad area, HNK Ede and HNK Apeldoorn, of which the valuations declined similar to the overall trend in office properties outside of the major cities.

Lease expiries for HNK are always front loaded due to the short contract nature of flexible leases. We assume that managed offices are always rented at ERV, to reflect the short term nature of these leases.

Annual expirations and reversion (€m)



	2017	2018	2019	2020	2021	2022+	Total
Contracted rent (€m)	3.2	2.1	1.6	1.8	1.6	2.2	12.5
ERV (€m)	3.1	2.3	1.7	1.9	1,.4	2.1	12.5
# Contracts	274	61	43	31	29	24	462
Reversion	-2.8%	9.5%	3.4%	3.3%	-7.4%	-3.1%	0.3%

The focus in 2017 is on improving the profitability of the HNKs in operation. Higher occupancy levels, better usage of the meeting rooms and attracting new memberships are key to exploiting the operating leverage embedded in HNK.

[24] Average rent 2015 including service charge
[25] Includes HNK assets that are open for more than 12 months

Retail

The NSI retail portfolio is diverse in type of asset and location, combining supermarket-anchored convenience shopping, out-of-town big box retail, two stakes in larger shopping centres, smaller in-town shopping centres and some in-town shop units.

The retail portfolio has been marked down in Q4 2016, mainly as a result of lower ERVs and higher yields – reflecting market conditions. Retail has been soft in 2016, with net rents down 6.1% on a like-for-like and ERVs down 8.7%. At Q4 2016 the portfolio is 6.3% over-rented.

Retail

	2016	2015
Number of properties	41	41
Market value (€m)	382	425
Annual contracted rent (€m)	31	32
ERV (€m)	34	37
Lettable area (k sqm)	273	271
EPRA Vacancy	12.5%	14.8%
WAULT (years)	4.3	4.8
Average rent/sqm (€/p.a.)	137	142
EPRA net initial yield	6.4%	5.8%

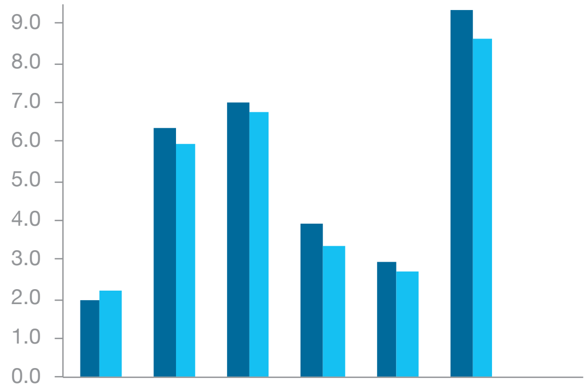
The large scale retail portfolio is performing well, helped by a improving outlook for the housing market. Supermarket-anchored convenience shopping is providing a defensive cash flow and as such is in high demand.

The upgrade of a shopping centre in Spijkenisse is completed in Q3 2016. The upgrade and extension of the Keizerslanden shopping centre in Deventer is progressing according to plan, with delivery foreseen for Q2 2018.

		Retail	LSR
Assets	(#)	35	6
Area	(k sqm)	183	90
Value	(€m)	315	67
Value	(€/sqm)	1,717	748
WAULT	(yrs)	4.5	3.7
Contracted rent	(€m)	26	6
Market rent	(€m)	27	6
Avg rent let space	(€/sqm)	176	69
EPRA Vacancy	(%)	14.1%	6.2%
EPRA NIY	(%)	6.3%	6.8%

Lease expiration schedule and reversion

Lease expiration schedule Retail incl LSR (€m)



	2017	2018	2019	2020	2021	2022+	Total
Contracted rent (€m)	1.9	6.3	7.0	3.9	3.0	9.3	31.5
ERV (€m)	2.2	5.9	6.7	3.3	2.7	8.6	29.5
# Contracts	117	144	93	67	67	80	568
Reversion	51.3%	-15.6%	6.0%	-24.9%	-18.8%	-14.5%	-6.3%

BALANCE SHEET, NAV & FINANCING

Balance Sheet

The retail portfolio, one asset in Belgium and two assets in the Geleenstraat in Heerlen are classified as assets held for sale per Q4 2016. The sale of the two Heerlen assets has been completed in Q1 2017.

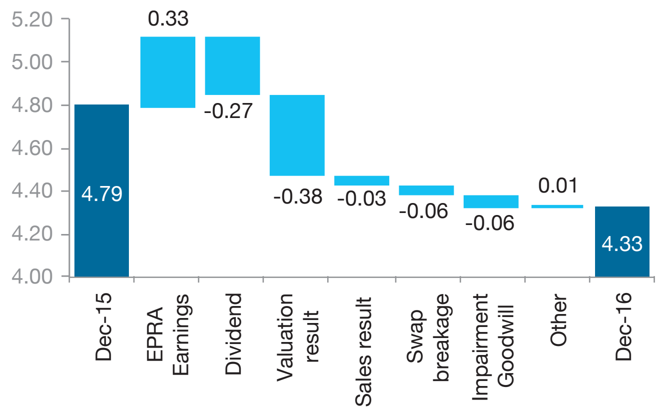
The 2016 re-segmentation of our assets in combination with the decision to sell retail has triggered an impairment[26] of the full €8.2m in goodwill in the accounts.

The non-controlling interest in shareholders' equity has been eliminated in Q4 2016. The remaining foreign legal entities will most likely be liquidated by year-end 2017.

Net asset value

The net asset value at year-end 2016 is €604.3m (€660.7m in 2015). The EPRA NAV is €4.33 per share (€4.79 in 2015). The change in NAV is explained in the below bridge.

EPRA NAV per share bridge (€)



The gap between the €4.33 EPRA NAV and the €4.20 EPRA NNNAV at year-end 2016 solely reflects the legacy swaps, due to expire in 2020 and 2022, and the amortised cost of loans.

Funding

NSI strengthened its balance sheet in 2016, by extending the maturity of the loan portfolio at lower margins and by releasing the security on 73% of its property portfolio by value.

Net debt in December 2016 is €512.3m, a reduction of €29.9m compared to December 2015. This is driven by positive cash flow from operations, the divestment of the remaining interest in IOW and the disposal of most of the Industrial portfolio and 8 small office assets. The acquisition of Glass House, capital expenditure, dividend payments and breakage costs of swaps have had a negative impact on net debt.

The average cost of debt fell to 2.8% at the end of 2016, down from 3.7% in December 2015. This reflects the impact of the €265m refinancing of the RCF, the refinancing of the €27.5m FGH-bank loan and the expiry and the breakage of €210m of swaps throughout the year.

Net debt December 2016

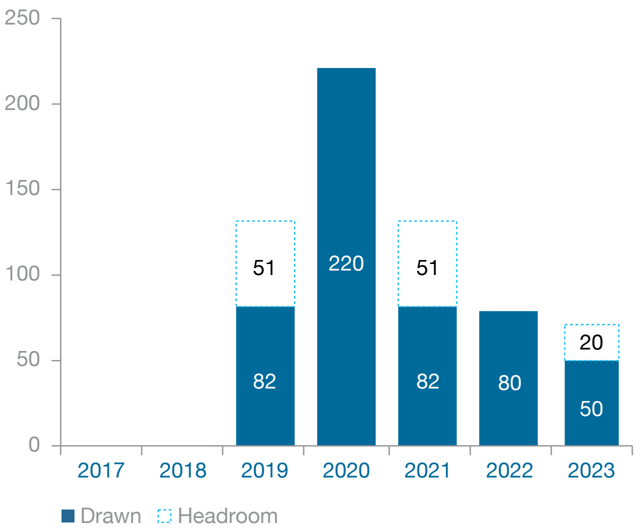
€m	Q4-16	Q3-16	Q4-15
Debt outstanding	513.8	532.3	567.4
Amortisation costs	-2.8	-2.6	-2.8
Book value debt	510.9	529.7	564.6
Debt to credit institutions	3.4	0.0	0.0
Cash	-2.1	-8.4	-22.3
Net debt	**512.3**	**521.3**	**542.3**

In September the security on €450m committed bank facilities was released. The refinancing of the FGH loan unencumbered a further €114m pool of assets. As a result circa 73% of NSI's assets have no negative pledge from secured loan facilities. This will enable NSI to further diversify its funding.

The €513.8m of gross debt[27] in December 2016 consists of a €220m unsecured syndicated term loan, a €164m unsecured RCF, a €80m secured EUPP and a €50m secured facility with Berlin Hyp.

Undrawn credit facilities stand at €121m, of which €101m in the RCF and €20m with Berlin Hyp. NSI has a further €50m of uncommitted bank facilities.

Maturity profile loans (€m)



Leverage and hedging

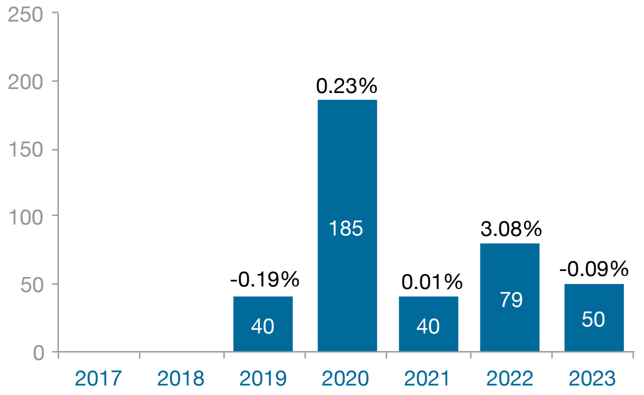
The LTV increased to 44.1% at year-end 2016 (versus 43.2% in Q4 2015), reflecting predominantly the write downs of the retail assets in Q4. This is well within NSI's new target range of 40-45%.

The average loan maturity is 4.2 years (31 December 2015: 3.9 years) following the extension of the RCFs in December. No loans will expire prior to November 2019. The maturity of derivatives is 4.3 years (31 December 2015: 4.0 years), the maturity hedge[28] is 100% (target range: 70-120%).

The notional amount of swaps outstanding at the end of the year was €394.3m. The volume hedge[29] was 77% (target range 70-100%), slightly lower than in previous quarters. Not all swaps were renewed in December to provide flexibility to execute the new strategy. The market to market of the swaps is -€15.3m (2015: -€24.8m).

[26] More detailed explanation to follow in 2016 annual report
[27] Excludes debit positions on current accounts
[28] Maturity hedge is average maturity of swaps as % of average maturity of loans
[29] Volume hedge is amount hedged as % of total drawn debt facilities

Maturity profile swaps and fixing margins (€m)



Development of covenants

NSI complies to all its covenants. The LTV is 44.1% and the ICR increased to 3.75x (31 December 2015: 3.2x) net rental income.

In addition to the net LTV covenant of 60% and the ICR covenant of 2.0x NSI has certain negative pledges related to the term loan financing limiting the amount of secured assets and secured debt.

Covenants

	Min/max	Q4-16	Q3-16	Q2-16	Q4-15
LtV	≤ **60%**	44.1%	43.0%	39.1%	43.2%
ICR	≥ **2.0x**	3.8x	3.5x	3.4x	3.2x

FINANCIALS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (€K)

		2016		2015
Gross rental income		63,126		57,045
Service costs recharged to tenants	9,810		9,605	
Service costs	-13,428		-13,939	
Service costs not recharged		-3,618		-4,334
Operating costs		-11,294		-14,339
Net rental income		**48,214**		**38,372**
Revaluation of investments		-5,264		7,456
Other income		-3		0
Gross result on sales of investments	63,642		43,839	
Book value at time of sale	-69,585		-39,125	
Net result on sales of investments		-5,943		4,714
Total net proceeds from investments		**37,004**		**50,542**
Administrative expenses		-9,674		-6,851
Impairment goodwill		-5,296		
Financing income	16		2,937	
Financing expenses	-20,011		-26,682	
Movements in market value of financial derivatives	1,751		6,332	
Net financing result		-18,243		-17,413
Result before tax		**3,791**		**26,278**
Corporate income tax		54		-95
Result continuing operations after tax		**3,845**		**26,183**
Discontinued operations		-21,678		44,660
Total result after tax		**-17,833**		**70,843**
Exchange-rate differences on foreign participations				-4
Total non-realised result		**0**		**-4**
Total realised and non-realised result		**-17,833**		**70,839**
Result after tax attributable to:				
NSI shareholders		-17,833		63,794
Non-controlling interest		0		7,049
Result after tax		**-17,833**		**70,843**
Total realised and non-realised results attributable to:				
NSI shareholders		**-17,833**		**63,790**
Non-controlling interest		0		7,049
Total realised and non-realised result		**-17,833**		**70,839**
Data per average outstanding share (€)				
Diluted as well as non-diluted result after tax continued operations		0.03		0.18
Diluted as well as non-diluted result after tax discontinued operations		-0.15		0.26
Diluted as well as non-diluted result after tax		-0.12		0.44

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Before proposed profit appropriation 2016 (€k)

	31/12/2016	31/12/2015
Assets		
Real estate investments	770,434	1,134,617
Investments accounted for using the equity method	-	51,405
Tangible assets	1,516	1,692
Intangible fixed assets	193	8,407
Total fixed assets	**772,143**	**1,196,121**
Debtors and other accounts receivable	2,329	1,269
Cash	2,067	22,306
Assets held for sale	389,923	68,848
Total current assets	**394,319**	**92,423**
Total assets	**1,166,462**	**1,288,544**
Shareholders' equity		
Issued share capital	65,872	65,872
Share premium reserve	923,435	923,435
Other reserves	-367,220	-392,353
Retained earnings	-17,833	63,794
Total shareholders' equity attributable to shareholders	**604,254**	**660,748**
Non-controlling interest	-	-28
Total shareholders' equity	**604,254**	**660,720**
Liabilities		
Interest-bearing loans	510,404	517,571
Financial derivatives	15,297	24,767
Total long-term liabilities	**525,701**	**542,338**
Redemption requirement long-term liabilities	500	47,047
Debts to credit institutions	3,429	20
Other accounts payable and deferred income	29,933	38,419
Liabilities directly associated with assets classified as held for sale	2,645	-
Total current liabilities	**36,507**	**85,486**
Total liabilities	**562,208**	**627,824**
Total shareholders' equity and liabilities	**1,166,462**	**1,288,544**

CONSOLIDATED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

Development shareholders' equity 2016 (€k)

	Issued share capital	Share premium reserve	Other reserves	Retained earnings	Total sharehol-ders' equity attributable to shareholders	Non-controlling interest	Shareholder's equity
Balance as of 1 January 2016	65,872	923,435	-392,353	63,794	660,748	-28	660,720
Result after tax book year 2016				-17,833	-17,833		-17,833
Total comprehensive income 2016				**-17,833**	**-17,833**		**-17,833**
Distribution final cash dividend for 2015			-20,048		-20,048		-20,048
2015 profit appropriation			63,794	-63,794			-
Distribution interim cash dividend for 2016			-18,616		-18,616		-18,616
Disposal of a group company			4		4	28	32
Total contributions by and to shareholders			**25,133**	**-63,794**	**-38,661**	**28**	**-38,633**
Balance as of 31 December 2016	**65,872**	**923,435**	**-367,220**	**-17,833**	**604,254**	**0**	**604,254**

Development shareholders' equity 2015 (€k)

	Issued share capital	Share premium reserve	Other reserves	Retained earnings	Total share-holders' equity attributable to shareholders	Non-controlling interest	Shareholder's equity
Balance as of 1 January 2015	65,872	923,435	-219,652	-136,897	632,758	156,190	788,948
Result after tax book year 2015				63,794	63,794	7,049	70,843
Exchange-rate differences on foreign participations			-4		-4		-4
Total comprehensive income 2015			**-4**	**-63,794**	**63,790**	**7,049**	**70,839**
Distribution final cash dividend for 2014			-17,184		-17,184	-8,470	-25,654
2014 profit appropriation			-136,897	136,897			
Distribution interim cash dividend for 2015			-18,616		-18,616		-18,616
Deconsolidation IOW						-154,797	-154,797
Total contributions by and to shareholders			**-172,697**	**136,897**	**-35,800**	**-163,267**	**-199,067**
Balance as of 31 December 2015	**65,872**	**923,435**	**-392,353**	**63,794**	**660,748**	**-28**	**660,720**

IMPACT DISCONTINUED OPERATIONS IN COMPARATIVE FIGURES

For the purpose of comparison, the 2015 “consolidated statement of comprehensive income” has been adjusted in accordance with IFRS for the presentation of the discontinued operations.

Discontinued operations consist of the following two disposal groups:

Belgium

- On 18 June 2015, a 35% of the initial interest in Intervest Offices & Warehouses was sold. The remainder (15.2%) was sold in a number of transactions in the 1st quarter of 2016.

- The operations in VastNed Offices Holdings, which includes a Belgian directly held real estate asset in Vilvoorde, are "held for sale" and are expected to be sold in 2017.

Since NSI aims to sell the last directly held real estate assets, those are classified as held for sale, and due to the size of the segment Belgium, the activities are presented as discontinued operations.

Retail

In 2016 NSI decided to sell its retail activities. This transaction, which is announced on February 14, 2017, is likely to take place in one or multiple asset deals. Since NSI aims to sell this segment completely, it is classified as held for sale, and the corresponding activities are presented as discontinued operations, due to the size of the segment Retail

The bridge between the published results and the adjusted results is as follows:

Bridge income statement 2015 (€k)

	2015	Belgium	Retail	2015 adjusted
Gross rental income	113,835	23,039	33,750	57,046
Service costs not recharged	-5,796	-580	-882	-4,334
Operating costs	-16,715	1,456	-3,832	-14,339
Net rental income	**91,324**	**23,916**	**29,036**	**38,372**
Revaluation of investments	-856	-992	-7,319	7,456
Other income	2,858	2,858	0	0
Net result on sales of investments	5,225	120	391	4,714
Total net results from investments	**98,550**	**25,901**	**22,108**	**50,542**
Administrative expenses	-8,999	-2,095	-52	-6,852
Net financing result	-20,267	-2,884	31	-17,414
Share in the result of participations	1,799	1,799	0	0
Result before tax	**71,083**	**22,719**	**22,086**	**26,279**
Corporate income tax	-241	-146	0	-95
Result continuing operations after tax	**70,843**	**22,573**	**22,086**	**26,184**
Discontinued operations		-22,573	-22,086	44,659
Total result after tax	**70,843**			**70,843**
Exchange-rate differences on foreign participations	-4			-4
Total realised and non-realised result	**70,839**	**0**	**0**	**70,839**
Result after tax attributable to:				
NSI shareholders	63,794			63,794
Non-controlling interest	7,049			7,049
Result after tax	**70,843**			**70,843**

Segment information

In connection with the sale of the remaining holding in Intervest Offices & Warehouses N.V. in the first half of 2016, the decision was taken to present the holding as discontinued operations in the 2016 consolidated financial statements, in line with IFRS 5. The comparative figures have been adjusted accordingly.

In addition, following the sale of the holding in Intervest Offices & Warehouses N.V. the reporting segments were reassessed in line with IFRS 8. As a result, the breakdown of segments was adjusted in the first half of 2016 compared to the 2015 financial statements. Previously based on geography, the segments are now based on real estate segments in line with management's shift to steering the operations at this level from the beginning of 2016. The results of the real estate segments are monitored and reported on separately. In the interim report the following six segments were presented: Offices, HNK, Retail, Large Scale Retail, Industrial and Other activities.

In the second half of 2016, NSI decided to initiate the sale of the Retail and Large Scale Retail segments. These two segments are monitored and reported as one segment and are therefore presented together.

In addition, the former segments Industrial and Other activities are monitored as one segment and are therefore presented together in the segment Other.

As from year-end 2016 NSI has two segments which are reported separately and together form the company's strategic business units. The strategic business units operate in several real estate segments and are managed separately because they require different market strategies. Management reports are prepared for all strategic business units on at least a quarterly basis and are evaluated by the Management Board. The remaining activities are presented together in the Other segment.

An overview of the results and the balance sheet items of each reporting segment is included below.

Segment split income statement 2016 (€k)

	Offices	HNK	Other	Total continuing activities	Retail	Belgium	Total discontinued operations	Total 2016
Gross rental income	48,906	11,827	2,393	63,126	31,397	66	31,462	94,589
Service costs recharged to tenants	6,967	2,752	90	9,810	2,610	25	2,635	12,445
Service costs	-8,649	-4,604	-175	-13,428	-3,179	15	-3,164	-16,592
Operating costs	-7,572	-3,441	-281	-11,294	-4,837	-48	-4,886	-16,179
Net rental income	**39,652**	**6,534**	**2,028**	**48,214**	**25,991**	**57**	**26,048**	**74,262**
Revaluation of investments	2,341	-5,863	-1,742	-5,264	-50,081	16	-50,064	-55,328
Other income	-12	-	9	-3	-	1,050	1,050	1,047
Net result on sales of investments	-482	-67	-5,394	-5,943	-	1,513	1,513	-4,430
Segment result	**41,499**	**605**	**-5,099**	**37,004**	**-24,090**	**2,636**	**-21,454**	**15,551**
Administrative expenses	-420	-787	-8,467	-9,674	-179	-25	-204	-9,879
Impairment goodwill	-4,022	-855	-419	-5,296	-2,909	-	-2,909	-8,205
Net financing costs	0	4	-18,248	-18,243	8	63	71	-18,173
Share in the result of participations	-	-	-	-	-	565	565	565
Result before tax	**37,057**	**-1,033**	**-32,233**	**3,791**	**-27,171**	**3,239**	**-23,932**	**-20,141**
Corporate income tax	-	-	54	54	-	2,253	2,253	2,308
Result after tax	**37,057**	**-1,033**	**-32,179**	**3,845**	**-27,171**	**5,493**	**-21,678**	**-17,833**
Minority interest				-			-	-
Investment result attributable to shareholders NSI	**37,057**	**-1,033**	**-32,179**	**3,845**	**-27,171**	**5,493**	**-21,678**	**-17,833**

Segment split balance sheet 2016 (€k)

	Offices	HNK	Other	Total continuing activities	Retail	Belgium	Total discontinued operations	Total 2016
Real estate investments	612,626	148,870	8,938	770,434	-	-	-	770,434
Other assets	954	1,706	2,270	4,931	1,030	144	1,174	6,105
Real estate investments held for sale	5,075	-	-	5,075	382,158	2,690	384,848	389,923
Non-allocated assets	-	-	-	-	-	-	-	-
Total assets	**618,655**	**150,576**	**11,208**	**780,440**	**383,188**	**2,834**	**386,022**	**1,166,462**
Long-term liabilities	-	-	525,701	525,701	-	-	-	525,701
Short-term liabilities	14,280	5,482	9,368	29,130	4,692	41	4,733	33,862
Liabilities directly associated with assets classified as held for sale	-	-	-	-	2,645	-	2,645	2,645
Non-allocated liabilities	-	-	-	-	-	-	-	-
Total liabilities	**14,280**	**5,482**	**535,068**	**554,830**	**7,336**	**41**	**7,377**	**562,208**
Purchases of real estate and investments in existing properties	65,223	8,959	270	74,451	6,971	-	6,971	81,422

Segment split income statement 2015 (€k)

	Offices	HNK	Other	Total continuing activities	Retail	Belgium	Total discontinued operations	Total 2015
Gross rental income	43,077	8,013	5,956	57,045	33,750	23,039	56,790	113,835
Service costs recharged to tenants	6,814	2,516	275	9,605	2,740	7,100	9,840	19,445
Service costs	-9,429	-4,049	-460	-13,939	-3,622	-7,680	-11,302	-25,241
Operating costs	-6,349	-2,842	-5,149	-14,339	-3,832	1,456	-2,376	-16,715
Net rental income	**34,113**	**3,638**	**621**	**38,372**	**29,036**	**23,916**	**52,952**	**91,324**
Revaluation of investments	8,302	1,648	-2,494	7,456	-7,319	-992	-8,312	-856
Other income	-	-	-	-	-	2,858	2,858	2,858
Net result on sales of investments	3,826	-	888	4,714	391	120	511	5,225
Segment result	**46,241**	**5,285**	**-985**	**50,542**	**22,108**	**25,901**	**48,009**	**98,550**
Administrative expenses	-360	-682	-5,810	-6,851	-52	-2,095	-2,148	-9,000
Impairment goodwill	-	-	-	-	-	-	-	-
Net financing costs	9	25	-17,447	-17,413	31	-2,884	-2,854	-20,266
Share in the result of participations	-	-	1	1	-	1,798	1,798	1,798
Result before tax	**45,890**	**4,629**	**-24,242**	**26,279**	**22,086**	**22,719**	**44,806**	**71,083**
Corporate income tax	-4	-	-91	-95	-	-146	-146	-241
Result after tax	**45,887**	**4,629**	**-24,332**	**26,183**	**22,086**	**22,573**	**44,659**	**70,843**
Minority interest				-		-7,049	-7,049	-7,049
Investment result attributable to shareholders NSI	**45,887**	**4,629**	**-24,332**	**26,183**	**22,086**	**15,524**	**37,610**	**63,794**

Segment split balance sheet 2015 (€k)

	Offices	HNK	Other	Total continuing activities	Retail	Belgium	Total discontinued operations	Total 2015
Real estate investments	586,242	123,200	-	709,442	425,174	-	425,174	1,134,617
Other assets	9,990	2,671	14,708	27,369	5,404	52,306	57,710	85,079
Real estate investments held for sale	4,310	-	61,228	65,538	-	3,310	3,310	68,848
Non-allocated assets	-	-	-	-	-	-	-	-
Total assets	**600,542**	**125,871**	**75,936**	**802,349**	**430,578**	**55,616**	**486,194**	**1,288,544**
Long-term liabilities	-	-	542,338	542,338	-	-	-	542,338
Short-term liabilities	14,758	3,464	58,141	76,363	4,001	2,497	6,497	82,861
Liabilities directly associated with assets classified as held for sale	-	-	-	-	2,625	-	2,625	2,625
Long-term liabilities	-	-	-	-	-	-	-	-
Total liabilities	**14,758**	**3,464**	**600,479**	**618,701**	**6,625**	**2,497**	**9,122**	**627,824**
Purchases of real estate and investments in existing properties	172,305	9,490	172	181,967	3,431	32,261	35,692	217,660

Discontinued operations

The results of the discontinued operations are included separately as a total amount in the consolidated statement of comprehensive income.

These consist of:

Discontinued operations (€k)

	2016	2015
Retail	-27,171	22,086
Belgium	5,493	22,573
Total	**-21,678**	**44,660**

Discontinued operations retail (€k)

Income Statement	2016	2015
Gross rental income	31,397	33,750
Service costs not recharged	-569	-882
Operating costs	-4,837	-3,832
Net rental income	**25,991**	**29,036**
Revaluation of investments	-50,081	-7,319
Net result on sales of investments	-	391
Total net proceeds from investments	**-24,090**	**22,108**
Administrative expenses	-179	-52
Impairment Goodwill	-2,909	-
Net financing expenses	8	31
Share in the result of participations	-	-
Result before tax	**-27,171**	**22,086**
Corporate income tax	-	-
Result after tax discontinued operations	**-27,171**	**22,086**
Result after tax attributable to:		
NSI shareholders	-27,171	22,086
Non-controlling interest	-	-
Result after tax discontinued operations	**-27,171**	**22,086**

Discontinued operations Belgium (€k)

Income Statement	2016	2015
Gross rental income	66	23,039
Service costs not recharged	39	-580
Operating costs	-48	1,456
Net rental income	**57**	**23,916**
Revaluation of investments	16	-992
Other income	1,050	2,858
Net result on sales of investments	1,513	120
Total net proceeds from investments	**2,636**	**25,901**
Administrative expenses	-25	-2,095
Net financing expenses	63	-2,884
Share in the result of participations	565	1,798
Result before tax	**3,239**	**22,719**
Corporate income tax	2,253	-146
Result after tax discontinued operations	**5,493**	**22,573**
Result after tax attributable to:		
NSI shareholders	5,493	15,524
Non-controlling interest	-	7,049
Result after tax discontinued operations	**5,493**	**22,573**

Basis of preparation results 2016

The accounting principles applied for this press release have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code. The accounting principles are also in accordance with the annual accounts 2015 of NSI N.V. The figures of this press release are unaudited.

APPENDIX

EPRA KEY PERFORMANCE MEASURES[30]

EPRA key performance indicators

		2016		2015	
	Table	(€k)	Per Share (€)	(€k)	Per Share (€)
EPRA Earnings	1	47,325	0.33	48,567	0.34
EPRA NAV	2	619,551	4.33	685,515	4.79
EPRA NNAV	2	600,799	4.20	657,934	4.59
EPRA Net Initial Yield (NIY)	3	6.0%		5.7%	
EPRA Topped-up NIY	3	6.4%		6.3%	
EPRA Vacancy Rate	4	21.4%		24.3%	
EPRA Cost Ratio (A)	5	32%		33%	
EPRA Cost Ratio (B)	5	28%		28%	

1. EPRA Earnings (€k)

	2016	2015
Rental income	94,589	90,813
Service costs not recharged	-4,147	-5,277
Operating costs	-16,179	-17,080
Net revenue from operations	74,262	68,456
Administrative expenses	-8,375	-6,029
Net financial expenses	-19,931	-22,020
Direct result before tax	**45,957**	**40,407**
Income tax expenses	54	2
Direct result after tax	**46,011**	**40,409**
Discontinued operations	2,818	10,215
Direct result	**48,829**	**50,575**
Adjustments	-1,504	-2,008
EPRA Earnings	**47,325**	**48,567**
EPRA Earnings per share (€)	**0.33**	**0.34**

2. EPRA NAV

	2016		2015	
	(€k)	Per Share (€)	(€k)	Per Share (€)
Shareholders' equity attributable to NSI shareholders	604,254	4.22	660,748	4.61
Fair value of financial derivatives	15,297	0.11	24,768	0.17
EPRA NAV	**619,551**	**4.33**	**685,515**	**4.79**
Fair value of financial derivatives	-15,906	-0.11	-24,768	-0.17
Fair value of debt	-2,846	-0.02	-2,813	-0.02
EPRA NNNAV	**600,799**	**4.20**	**657,934**	**4.59**

[30] The EPRA performance indicators are calculated on the basis of the definitions published by the EPRA

EPRA Yield (€k)

	31/12/2016	31/12/2015
Investment property including asset held for sale[31]	1,162,937	1,201,915
Less developments	-800	-1,000
Total property investments	**1,162,137**	**1,200,915**
Allowance for estimated purchasers' costs	81,350	84,064
Gross up completed property portfolio valuation (B)	**1,243,487**	**1,284,979**
Annualised cash passing rental income	92,964	94,979
Property outgoings	-18,450	-20,130
Annualised net rents (A)	**74,514**	**74,849**
Add: notional rent expiration of rent free periods or other lease incentives	4,947	6,678
Topped-up net annualised rent (C)	**79,461**	**80,527**
EPRA Net Initial Yield (A/B)	**6.0%**	**5.7%**
EPRA Topped-up Net Initial Yield (C/B)	**6.4%**	**6.3%**

EPRA Vacancy Rate (€k)

	2016	2015
Estimated rental value of vacant space (A)	24,853	29,842
Estimated rental value of the whole portfolio (B)	116,230	123,031
EPRA vacancy rate (A/B)	**21.4%**	**24.3%**

EPRA Cost ratio[32] (€k)

	2016	2015
Administrative costs	9,879	8,037
Operating costs	16,179	17,080
Service costs not recharged	4,147	5,277
Ground rent costs	-244	-183
EPRA costs (including direct vacancy costs) (A)	**29,961**	**30,211**
Direct vacancy costs	-3,800	-5,097
EPRA costs (excluding direct vacancy costs) (B)	**26,161**	**25,114**
Gross rental income less ground rent costs	94,589	90,813
EPRA gross rental income (C)	**94,589**	**90,813**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**31.7%**	**33.3%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**27.7%**	**27.7%**

[31] For the yield calculation HNK Hoofddorp (NSI's HQ) is included for 100%
[32] EPRA cost ratio 2015 excluding consolidation IOW

Segment report and IFRS bridge 2015 (€k)

	Continued operations			Discont. operations				
	Office	HNK	Other	Belgium	Retail	Total	Discont Adj.	IFRS Total
Rental income	43,077	8,013	5,956	23,039	33,750	113,835	-56,790	57,046
Service costs not recharged	-2,616	-1,533	-185	-580	-882	-5,796	1,462	-4,334
Operating costs	-6,349	-2,842	-5,149	1,456	-3,832	-16,715	2,376	-14,339
Net revenue from operations	**34,113**	**3,638**	**622**	**23,916**	**29,036**	**91,324**	**-52,952**	**38,372**
Other income	0	0	0	2,337	0	2,337	-2,337	0
Administrative expenses	-378	-664	-3,725	-2,095	-52	-6,914	2,148	-4,767
Net financial expenses	9	25	-24,689	-3,612	31	-28,236	3,582	-24,654
Direct result before tax	**33,744**	**2,999**	**-27,792**	**20,545**	**29,015**	**58,510**	**-49,559**	**8,951**
Income tax expenses	0	-4	25	-146	0	-125	146	22
Direct result after tax	**33,744**	**2,995**	**-27,767**	**20,398**	**29,015**	**58,385**	**-49,413**	**8,973**
Discontinued operations	0	0	0	0	0	0	49,413	49,413
Direct result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**58,385**
Attributable to shareholders								50,575
Minority interests								7,811
Direct result								**58,385**
Revaluation of real estate	6,863	2,115	-2,494	-1,006	-5,102	376	6,108	6,483
Elimination of rental incentives	1,440	-467	0	13	-64	921	51	972
Other Income	0	0	0	2,319	-2,153	166	-166	0
Net result on sales of real estate	3,826	0	888	120	391	5,225	-511	4,714
Movements in financial derivatives	0	0	6,739	728	0	7,467	-728	6,739
Exchange-rate differences	0	0	503	0	0	503	0	503
Allocated management costs	0	0	-2,085	0	0	-2,085	0	-2,085
Goodwill impairment	0	0	0	0	0	0	0	0
Indirect result before tax	**12,129**	**1,648**	**3,550**	**2,175**	**-6,928**	**12,573**	**4,754**	**17,326**
Corporate tax	0	0	-116	0	0	-116	0	-116
Indirect result after tax	**12,129**	**1,648**	**3,434**	**2,175**	**-6,928**	**12,457**	**4,754**	**17,211**
Discontinued operations						0	-4,754	-4,754
Indirect result	**12,129**	**1,648**	**3,434**	**2,175**	**-6,928**	**12,457**	**-4,754**	**12,457**
Attributable to shareholders								13,219
Minority interests								-762
Indirect result								**12,457**
Result	**12,129**	**1,648**	**3,434**	**2,175**	**-6,928**	**12,457**	**-4,754**	**70,843**
Attributable to shareholders								63,794
Minority interests								7,048
Result								**70,843**
Direct result								**50,575**
Adjustments								**-2,085**
EPRA Earnings								**48,490**
EPRA Earnings per share								**0.34**