QUARTERLY TRADING UPDATE

Q3 2017

- **EPRA EPS of €2.01 per share (up 13.1% on Q3 2016)**
- **EPRA NAV €35.67 per share at September 2017 (up 3.1% vs YE 2016)**
- **Vacancy rate improved to 21.1% (down 1.1% vs H1 2017)**
- **Guidance for EPRA EPS 2017 raised to €2.64-2.68 per share**
- **Disposal of five assets in Q3 2017, on average 6% above book value**
- **Acquisition of a 6,600sqm office building next to Eindhoven Central Station for €13.6m**

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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 preliminary results 2017	30 January 2018
Publication annual report 2017	9 March 2018
Publication trading update Q1 2018	19 April 2018
Annual General Meeting	20 April 2018
Publication half year results 2018	19 July 2018
Publication trading update Q3 2018	18 October 2018
Ex-dividend date	24 April 2018
Record date	25 April 2018
Payment of final dividend	15 May 2018

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 financial metrics[1]

(€ '000)	Supplemental[2]		IFRS[3]		
	YTD Q3 2017	YTD Q3 2016	YTD Q3 2017	YTD Q3 2016	Change %
Revenues and Earnings					
Gross rental income	67,045	69,746	49,747	46,163	7.8%
Net rental income	53,978	53,353	39,137	34,665	12.9%
Direct investment result			36,291	31,820	14.1%
Indirect investment result			19,165	-8,655	
Total investment result			55,455	23,165	139.4%
EPRA earnings per share			2.01	1.78	13.1%
EPRA cost ratio (incl. direct vacancy costs)			27.5%	31.7%	-4.2pp
EPRA cost ratio (excl. direct vacancy costs)			24.6%	27.2%	-2.9pp

(€ '000)	30 Sep 2017	31 Dec 2016	Change %
Balance Sheet			
Real estate investments	894,566	770,434	16.1%
Assets held for sale	194,144	389,923	-50.2%
Net debt	-415,146	-512,267	-19.0%
Equity	636,541	604,255	5.3%
IFRS equity per share	34.66	33.76	2.7%
EPRA NAV per share	35.67	34.61	3.1%
EPRA NNNAV per share	35.11	33.56	4.6%
Net LTV	38.1%	44.1%	-6.0pp
Number of ordinary shares outstanding[4]	18,364,998	17,900,230	2.6%
Weighted average number of ordinary shares outstanding	18,055,055	17,900,230	0.9%

Key portfolio metrics[5]

	Sep 17					Dec 16
	Offices	HNK	Retail[6]	Other[7]	Total	Total
Number of properties	103	13	19	3	138	165
Market value (€m)	733	158	186	12	1,089	1,160
Annual contracted rent (€m)[8]	58	14	15	1	87	98
ERV (€m)	69	20	16	1	107	116
Lettable area (k sqm)	467	121	104	15	707	870
EPRA Vacancy Rate	19.4%	31.6%	15.8%	13.8%	21.1%	21.4%
WAULT (years)	5.1	3.2	4.9	3.9	4.7	4.7
Average rent/sqm (€/p.a.)	166	175	183	99	168	149
EPRA net initial yield	5.9%	4.4%	6.1%	9.2%	5.8%	6.0%

[1] Based on unaudited figures. 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
[5] Including land, assets held for sale included in respective sectors
[6] 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
[7] Includes two industrial assets and one office asset in Belgium
[8] Before rent free and other rent incentives

CEO COMMENTS

Following an active H1, in which the team transacted €336m of deals[9], both acquisitions and disposals, in Q3 the volume of deals was lower at circa €27m.

We acquired one office asset in Leiden for €17.5m and sold five smaller offices in Q3 for €9.1m to a mixture of owner-occupiers, developers and local specialists. Selling smaller assets is almost as much work as selling larger assets, so whilst the volume in value terms may be low we are pleased with the progress made.

In Q4 we expect to dispose a further number of smaller assets as we continue to improve the efficiency of the portfolio by focusing on larger, more efficient assets. The acquisition of a €13.6m office building in central Eindhoven, as announced in a separate release today, fits with this strategy.

At this stage of the turnaround of NSI it is not about managing the timing of acquisitions and disposals to steer for a specific level of EPS, but about establishing an investment portfolio that is ready for the future forthwith.

Improving the vacancy rate

During the quarter the vacancy rate fell by 1.1%, to 21.1% at the end of Q3. The fall includes the positive net effect of acquisitions and disposals (+1.1%) and a marginal negative effect for the like-for-like portfolio (-0.1%).

We are actively addressing the high vacancy and are confident our efforts will bear fruit, even though at times it feels we are running fast to stand still. In Q3 several larger leases expired and we already know that some larger leases due to expire in Q4 will also not be renewed. Positively, the vacancy rate in G4 and Other Randstad offices has continued to fall in Q3, as it has in HNK, even though more regional markets continue to be a challenge.

For some assets we are intentionally increasing the vacancy rate, either to get assets vacant to enable transformation plans or to be able to invest and improve the quality of the portfolio. We are, as such, accepting a higher vacancy in the near term, aiming to drive shareholder returns in the long term.

The increased level of investments in the portfolio, plans for the re-development of existing assets and continued asset rotation will result in a much stronger competitive positioning of the investment portfolio. This in turn should result in higher retention rates and improved net leasing, and as such a structurally lower vacancy rate.

Capacity to invest and expand

As per the end of Q3 2017 the LTV is unchanged at 38.1%. The latest acquisition in Eindhoven, post close, increases this to circa 39%. Whilst this is below the 40-45% target range, we are comfortable with a strong balance sheet at this stage.

We have a clear capacity to invest, which is proving increasingly important as we are identifying more and more opportunities for redevelopments, transformations and other value-add initiatives in our existing portfolio. We have amassed plans to invest in total €150m - €200m in the years ahead. We plan to provide more details on these plans with the full year results release.

Legal case - swisspartners

In July 2017 the Amsterdam Court of Appeal ruled favourably on our long standing dispute with swisspartners. In early September an agreement was reached, resulting in a cash payment of €5.7m to NSI, which has settled this dispute once and for all.

The result is a one-off increase of €0.31 in the EPRA NAV, recognised in full in Q3 2017.

Potential change to the Dutch fiscal regime

In October 2017 the new Dutch government coalition agreement indicated that from 2020 FBI's 'fiscale beleggingsinstellingen' will no longer be allowed to invest in direct real estate due to the abolishment of dividend taxation. NSI is a FBI and as such this could have profound implications.

We are currently in active discussions with the industry bodies and our tax advisors to understand the possible implications. We are actively monitoring the situation and will provide an update if and when appropriate.

2017: similar returns, but with a lower risk

The EPRA EPS for Q3 2017 is €0.66, making a total of €2.01 for the full nine month period. As flagged with the interim results, the effect of net disposals in H1 will impact EPS in H2 2017.

We have incurred further one-off costs in Q3, including IT and redundancy costs. We expect further one-off costs in Q4, but are on track to reach a more steady – lower – run rate for overhead costs from 2018 onwards.

We are comfortable to raise our guidance and are now pencilling in an EPRA EPS of €2.64-2.68. This is in line with the EPRA EPS for 2016 (€2.64) and we are pleased that this is being achieved with a stronger balance sheet and a much better portfolio.

Bernd Stahli

[9] Including 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.

Introduction

EPRA EPS for first nine months of 2017 is €2.01, up 13.1% compared to the same period last year. As guided in the interim results the year-on-year percentage increase is softening as the year progresses and so will be lower again in Q4. This is primarily a result of lower income due to net disposals.

The EPRA EPS of €2.01 includes €0.02 per share in positive net one-offs. Last year the comparable figure was a €0.01 positive impact from net one-offs.

The indirect result for Q3 2017 is €0.32 per share, making €1.06 for the nine month period. The majority in Q3 is derived from the cash settlement received from swisspartners (€0.31 per share).

Rental income

Gross rental income in the first 9 months is down 3.9% (-€2.7m), mainly due to net disposals. One-offs in GRI are €0.4m lower than for the comparable period last year. Due to the high level of asset rotation in H1 the GRI for Offices is 10% higher and Retail 21% lower compared to the same period last year.

Whilst gross rental income is down, net rental income is up by €0.6m (1.2%) due to better margins on acquisitions, a reduction in costs and some one-offs in service charges.

Gross rents are down €0.8m (-1.5%) on a like-for-like basis, due to a lower occupancy rate and negative reversion. Net rental income in Q3 2017 is down 0.8% (-€0.4m) on a like for like basis, versus up 1.8% in H1 2017. This is in part due to the timing effect of specific one-offs related to Q2 and Q3 2016, in part due to accounting changes implemented as of 2017, and in part due to a higher level of maintenance costs in the portfolio in Q3 2017.

Service costs

Non-recoverable service charges of €2.0m are €1.4m lower than last year. Roughly €0.5m of the reduction is due to one-off releases of provisions relating to retail assets that have been sold.

Operating costs

Operating costs for the nine month period in 2017 are 14.7% (€1.9m) lower compared to last year. Adjusting for a mix of one-offs, operating costs are circa €1.4m lower than last year.

The operating margin increased to 80.5%, up 4.0% year-on-year (76.5%). Lower costs, office acquisitions with better margins and one-offs have all contributed to the higher margin.

Administrative expenses

Administrative expenses for the nine months are €6.3m, down €0.6m versus 2016. One-offs in admin expenses amount to €1.0m versus €0.9m in the first nine months of 2016. These costs mainly relate to personnel changes and consultancy and audit fees.

Net financing expenses

In line with previous quarters, financing expenses are down compared to last year. Total net financing expenses for the nine month period are €11.4m, which is a reduction of 25% versus the same period last year.

The cost of debt is 2.7% at the end of September 2017, a small reduction since last quarter.

Result on asset sales

The net result on asset disposals in Q3 is €0.3m. On average disposals in the third quarter were sold 6% over the latest book value.

Revaluation of derivatives

The derivatives portfolio shows a positive revaluation of €3.1m Year-to-date.

Post-closing events and contingencies

In October 2017 one office building and one retail asset are sold for a total amount of €3.2m, in line with the book value. In addition, agreements to sell three office buildings in line with book value for a total of €3.2m are signed, including our one remaining asset in Belgium. Transfer of these assets is foreseen in Q4 2017.

On 23 October NSI has acquired a €13.6m office in central Eindhoven.

EPRA Earnings, segment split and bridge to IFRS discontinued operations YTD Q3 2017

(€ '000)	Continuing operations			Discontinued operations		TOTAL	Adj.	TOTAL
	Offices	HNK	Other	Belgium	Retail			
Gross rental income	39,303	9,802	642	62	17,236	67,045	-17,298	49,747
Service costs not recharged	-1,023	-910	105	-13	-147	-1,988	160	-1,828
Operating costs	-5,215	-3,567	-1	-17	-2,279	-11,080	2,297	-8,783
Net rental income	**33,065**	**5,325**	**747**	**31**	**14,810**	**53,978**	**-14,841**	**39,137**
Administrative costs	-696	-185	-5,142	-5	-283	-6,310	288	-6,022
Earnings before interest and taxes	**32,369**	**5,141**	**-4,395**	**26**	**14,527**	**47,668**	**-14,553**	**33,115**
Net financing result	-2	0	-11,373	-1	4	-11,371	-4	-11,375
Direct investment result before tax	**32,367**	**5,141**	**-15,768**	**25**	**14,531**	**36,297**	**-14,557**	**21,740**
Corporate income tax		-3	-8	4		-6	-4	-10
Direct investment result after tax	**32,367**	**5,138**	**-15,775**	**29**	**14,531**	**36,291**	**-14,560**	**21,730**
Direct investment result - discontinued							14,560	14,560
Direct investment result / EPRA earnings	**32,367**	**5,138**	**-15,775**	**29**	**14,531**	**36,291**		**36,291**
Attibutable to shareholders	32,367	5,138	-15,775	29	14,531	36,291		36,291
Revaluation of investments	4,097	4,637	631	-970	-1,463	6,931	2,433	9,365
Net result on sale of investments	568	0			3,022	3,591	-3,022	568
Other indirect income and costs	5,656	14			-3	5,667	3	5,670
Net financing result			3,071			3,071		3,071
Indirect investment result before tax	**10,321**	**4,650**	**3,703**	**-970**	**1,556**	**19,260**	**-586**	**18,674**
Corporate income tax			-95			-95		-95
Indirect investment result after tax	**10,321**	**4,650**	**3,607**	**-970**	**1,556**	**19,165**	**-586**	**18,579**
Indirect investment result - discontinued							586	586
Indirect investment result	**10,321**	**4,650**	**3,607**	**-970**	**1,556**	**19,165**		**19,165**
Attibutable to shareholders	10,321	4,650	3,607	-970	1,556	19,165		19,165
Total investment result after tax	**42,689**	**9,788**	**-12,168**	**-941**	**16,087**	**55,455**	**-15,146**	**40,309**
Investment result - discontinued							15,146	15,146
Total investment result	**42,689**	**9,788**	**-12,168**	**-941**	**16,087**	**55,455**		**55,455**
Attibutable to shareholders	42,689	9,788	-12,168	-941	16,087	55,455		55,455

REAL ESTATE PORTFOLIO

During the first 9 months of 2017 NSI has sold 32 assets[10], both retail and offices, and acquired 4 office assets. Disposal proceeds of €247m were only partially offset by acquisitions of €118m. The number of assets is down to 138, compared to 165 at the end of 2016 and the number of assets is set to decrease further.

Portfolio split - Sep 2017

	# assets	Value €m	Value %
Offices	103	733	67%
HNK	13	158	14%
Other	2	10	1%
Total investment properties	**118**	**901**	**83%**
Held for sale	20	188	17%
Total portfolio	**138**	**1,089**	**100%**

The share of Offices and HNK is 83% of the portfolio by value in Q3 2017, up from 81% in June and 66% at the end of 2016. The quality and efficiency of the portfolio continues to improve, with the average asset value now up to €7.9m (€7.0m Q4 2016).

Vacancy

The September 2017 EPRA vacancy rate is 21.1%, a 1.1% improvement from the end of June. The decrease is mostly due to the sale of office assets with high vacancy levels and the acquisition of a 100% let office building in Leiden. HNK continues to lease up well, with vacancy declining 1.6% on a like-for-like basis.

The improvement in the Offices vacancy rate (-1.1%) is driven by asset rotation, with the like-for-like vacancy rate for the standing portfolio increasing due to some large leases expiring.

EPRA Vacancy

	Jun 17	L-f-l	Other	Sep 17
Offices	20.5%	0.7%	-1.8%	19.4%
HNK	33.2%	-1.6%	0.0%	31.6%
Retail	16.1%	-0.3%	0.0%	15.8%
Other	13.8%	0.0%	0.0%	13.8%
Total portfolio	**22.2%**	**0.1%**	**-1.1%**	**21.1%**

Rents

Gross rents in offices are down 5.0% on a like-for-like basis. This can all be attributed to assets outside of the Randstad in the “Other Netherlands” segment. For these assets gross rent is down €2.0m (-18.7%) due to some large lease expires in the first 6 months. The impact on the like-for-like net rental growth (-0.8%) has been limited due to a NRI margin improvement of 2.5%.

Net rent growth like-for-like

	YTD Q3 17 €m	YTD Q3 16 €m	Change €m	L-f-l %
Offices	25.5	26.1	-0.6	-2.1%
HNK	5.2	5.2	0.0	-0.9%
Retail	8.5	8.3	0.2	3.0%
Other	0.8	0.8	0.0	4.0%
Total portfolio	**40.0**	**40.4**	**-0.4**	**-0.8%**

[10] Including Keizerslanden in Deventer

For HNK gross rental income in the first nine months is up 13.7%. Due to a reallocation of costs, growth is negative on a net basis. The impact will be temporarily and we expect growth going forward.

The average lease maturity is 4.7 years. This is a comfortable level, particularly when taking into account the nature of the HNK activities and the value-add office acquisitions in the first half of the year, with shorter lease terms.

Offices

With the acquisition in Q3 of the Archimedesweg in Leiden the exposure to our target cities continues to increase. Five small offices have been disposed during the quarter and there are more in the pipeline. As a result, the average size per office asset has increased from €5.6m in December 2016 to €7.1m at the end of September, a 25% increase.

Key Offices metrics

	Sep 16	Dec 16	Sep 17
Number of properties	108	108	103
Market value (€m)	610	617	733
Annual contracted rent (€m)	55	53	58
ERV (€m)	63	61	69
Lettable area (k sqm)	457	457	467
EPRA Vacancy	21.5%	21.3%	19.4%
WAULT (years)	4.7	5.3	5.1
Average rent/sqm (€/p.a.)	161	156	166
EPRA net initial yield	6.5%	6.0%	5.9%

Leasing activity continues to be polarised. The vacancy rate in the G4 and in the Other Randstad portfolios in the third quarter is down circa 0.5% on a like-for-like basis.

Outside of the Randstad the vacancy is up by 3.3% like-for-like, underlining the still more challenging market conditions. Vacancy in the Transformation portfolio is up by 3.6%. As indicated earlier this is intentional as we prepare the assets for conversion.

Key Offices metrics geographical split

	G4	Other Randstad	Other NL	Trans-formation
Number of properties	31	24	40	8
Market value (€m)	462	104	130	37
Annual contracted rent (€m)	33	10	12	3
ERV (€m)	36	12	17	4
Lettable area (k sqm)	187	93	156	32
EPRA Vacancy	9.0%	19.2%	39.6%	29.0%
WAULT (years)	6.0	4.4	3.8	2.3
Average rent/sqm (€/p.a.)	199	142	129	154
EPRA net initial yield	5.5%	6.7%	6.7%	6.7%

HNK

The HNK business continues to improve with vacancy declining 1.6% during the quarter. Strong letting activity in HNK Den Haag, Apeldoorn and Amsterdam Zuid-Oost contributes to the decline, with the vacancy rates down by 10.5%, 6.1% and 4.1% respectively.

We are currently investing to expand/upgrade HNK Ede. We are also investing in Den Haag and both our Rotterdam locations to create an even better offering for existing and prospective tenants.

The opening of HNK Amsterdam Schinkel is still set for Q2/Q3 2018. The opportunities to open further HNK's in Amsterdam and Rotterdam are still being explored, including potential acquisitions specifically to open new HNK locations.

Key HNK metrics

	Sep 16	Dec 16	Sep 17
Number of properties	13	13	13
Market value (€m)	154	149	158
Annual contracted rent (€m)	13	12	14
ERV (€m)	17	20	20
Lettable area (k sqm)	127	125	121
EPRA Vacancy	40.2%	37.1%	31.6%
WAULT (years)	3.1	3.1	3.2
Average rent/sqm (€/p.a.)	171	167	175
EPRA net initial yield	4.8%	4.3%	4.4%

Retail

NSI has €186m of retail assets per Q3 2017. This includes the Keizerslanden shopping centre, which is in the process of being extended and upgraded. Delivery of this asset is still on track for Q2 2018, with the transfer foreseen shortly thereafter.

Following €230m of disposals year to date we are still looking to reduce our remaining retail exposure. The value of four large assets, Zuidplein Rotterdam, Rijswijk, Heerlen and Ridderkerk, combined make up over 66% of the remaining retail exposure[11] by value.

Key Retail metrics

	Sep 16	Dec 16	Sep 17
Number of properties	41	41	19
Market value (€m)	425	382	186
Annual contracted rent (€m)	32	31	15
ERV (€m)	37	34	16
Lettable area (k sqm)	273	273	104
EPRA Vacancy	14.3%	12.5%	15.8%
WAULT (years)	4.2	4.3	4.9
Average rent/sqm (€/p.a.)	140	137	183
EPRA net initial yield	5.8%	6.4%	6.1%

[11] Excluding Keizerslanden in Deventer

BALANCE SHEET, NAV & FINANCING

Funding

In Q3 2017 NSI has been a net buyer of assets. An amount of €14m is drawn from the RCFs for the acquisition of the Archimedesweg in Leiden in July. The LTV remains at 38.1% and the ICR is 4.7x.

Net debt at September 2017 stands at €415.2m, an increase of €5.0m compared to June 2017. This is driven by positive cash flow from operations, the net effect of asset disposals and acquisitions, the receipt of cash from the legal settlement with swisspartners and the payment of the interim dividend.

The cost of debt is marginally down from drawing from low margin RCFs. At the end of September 2017 the cost of debt is 2.7% and the average loan maturity is 3.4 years (December 2016: 4.2 years).

NSI is using swaps to hedge its interest rate risk. The maturity hedge[12] is 101% and the volume hedge[13] is 84%.

Net debt - Sep 2017

(€m)	Sep 17	Jun 17	Change (€)
Debt outstanding	429.4	415.5	13.9
Amortisation costs	(2.3)	(2.5)	0.2
Book value debt	427.1	413.0	14.1
Debt to credit institutions	-	7.3	(7.3)
Cash	(11.9)	(10.1)	(1.8)
Net debt	**415.2**	**410.2**	**5.0**

Covenants

	Covenant	Sep 16	Dec 16	Jun 17	Sep 17
LTV	≤60%	43.0%	44.1%	38.1%	38.1%
ICR	≥ 2.0x	3.5x	3.8x	4.7x	4.7x

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