

# Interim report per 30 September 2013

NSI N.V.

Report of the Management Board

## NSI: Recapitalizing for the future

### Transaction highlights

- NSI announces a placement of new ordinary shares at an offer price of €4.00 per Share in order to raise €300 million.
- The proceeds of the placement will be used to strengthen the company's balance sheet and take advantage of potential market opportunities in the Dutch market.
- A group of investors has pre-committed to participate for a total amount of approx. €220 million, the remainder is underwritten by ABN AMRO, ING and Rabobank, who will procure qualified investors to subscribe for these shares.
- Details of the transaction are announced in a separate press release.

## Results

- Direct investment result in the first three quarters of 2013 amounted to €36.1 million (€0.53 per share); for the 3rd quarter, €10.6 million (€0.16 per share)
- Total investment result in the first three quarters of 2013 amounted to €88.5 million negative, comprising of a positive direct investment result of €36.1 million and a negative indirect investment result of €124.6 million.
- Revaluations in the real estate portfolio amounted to €139.3 million negative in the first three quarters of 2013; €59.3 in the 3rd quarter
- Improvement in the occupancy rate of the Dutch office portfolio continued, from 72.8% as at 30 June 2013 to 73.1% as at 30 September 2013
- Stable like-for-like rental development (0.2%) in Dutch office portfolio in Q3 2013 vs Q2 2013
- NSI realized for a total of €115.7 million of asset sales in the first three quarters of 2013, representing annualized gross rental income of €9.3 million.
- Loan to value (LtV) amounted to 59.6% as at 30 September 2013 (58.9% at 30 June 2013)
- According to the dividend policy, the dividend pay-out ratio and distribution is defined by the LtV post dividend. Since the LtV post dividend exceeds 60%, the company was due to pay dividends in shares over the third quarter according to the dividend policy. However, in light of the equity placement, the stock dividend over the third quarter will be foregone.
- The equity placement will bring the LtV to approx. 45% (on a pro forma basis as at 30 September 2013) which is below the 55% threshold in the dividend policy, which corresponds with a pay-out ratio of 85 to 100% in cash going forward.

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NSI will host conference calls to discuss the announcement of its equity placement.

A presentation is available on the website ([www.nsi.nl](http://www.nsi.nl))

Media are invited to join a call starting at 8:15 am CET .

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Analysts and investors are invited to join a call starting at 9:30 am CET.

*Johan Buijs, CEO of NSI:*

"The Netherlands is going through a very long and deep financial and economic crisis. As a result the Dutch real estate investment landscape has changed completely. Availability of real estate financing decreased and international investors averted from the Dutch market. In the office market oversupply increased and put pressure on rental levels. Low consumer confidence and spending started impacting the retail environment. As a result we have seen property values decline and since the start of the crisis 2008, the value of the Dutch office portfolio almost halved in value.

At the same time these circumstances create opportunities, especially in the Dutch office market. Crucial to benefit from these market circumstances is having the best leasing platform. NSI has a proven operational platform and has been constantly outperforming the market in terms of take up.

Furthermore, the Dutch office investment market starts moving again, indicating that the market is gaining momentum.

NSI has invested over the past years in creating a strong leasing platform and scalable organization, which is perfectly positioned to play a consolidator role in the Dutch market and benefit from these improving circumstances.

Both mechanisms have urged NSI for a significant recapitalization. The transaction that we have announced today brings our balance sheet in line with today's market requirements, safeguards our strategy in the best interest of all stakeholders and enables NSI to leverage our strong leasing platform."

## Operational highlights

### Retail NL (26% of portfolio)

- The occupancy rate decreased from 92.0% to 89.7%, mainly as result of the disposal of fully let retail centres
- 3 assets sold in Q3: De Esch in Rotterdam, Kersenboogerd in Hoorn and Overwhere in Purmerend
- Revaluation result in Q3 2013 (-€15.9 million) negatively impacted by some specific situations, including the temporarily lower rental income in shopping centre 't Loon until completion of the reconstruction and anticipated expiries in the large scale retail portfolio.

### Offices NL (38% of portfolio)

- Further improvement occupancy for 4<sup>th</sup> successive quarter to 73.1% as at 30 September 2013 (72.8% as at 30 June 2013).
- Stable like-for-like rent development (0.2%) Q3 2013 vs Q2 2013.
- Steadily outperforming the market in take up; take-up of 20,613 sqm in the first nine months of 2013 and 7,019 sqm in the 3<sup>rd</sup> quarter of 2013, representing over 3% of the take-up in the Dutch office market in the respective periods, while the NSI portfolio represents 1.2% of the total Dutch office market.
- 2<sup>nd</sup> HNK Hoofddorp opened in September, HNK Utrecht to be opened in November.
- First contract for HNK Utrecht signed (625 sqm).
- HNK Rotterdam celebrated 1<sup>st</sup> anniversary. One year after the launch, the 'managed offices' are fully let. HNK Rotterdam will expand its space for managed offices to meet the demand for this proposition.

### Belgium (31% of portfolio)

- Slightly decreased occupancy rate at 84.8% (30 June 2013: 85.3%)
- Redevelopment logistic sites Neerland 1 and Wilrijk progressing according to plan and to be completed by Mid December 2013.

### Other (5% of portfolio)

- Last remaining Swiss asset (Pérolles 2000 in Fribourg) sold at bookvalue in October 2013
- Liquidation of Swiss entities in progress

## Key figures

	30-09- 2013	30-09-2012	31-12-2012
<b>Results (x €1,000)</b>			
Gross rental income	109,404	120,228	160,545
Net rental income	92,890	103,042	137,334
Direct investment result	36,076	48,447	63,405
Indirect investment result	- 124,556	- 124,296	- 166,522
Result after tax	- 88,480	- 75,849	- 103,117
Occupancy rate (in %)	80.7	80.5	81.1
Loan-to-value (debts to credit institutions/real estate investments in %)	59.6*	57.6	58.2
<b>Issued share capital</b>			
Ordinary shares with a nominal value of €0.46 during period under review	68,201,841	66,897,112	68,201,841
Average number of outstanding ordinary shares during period under review	68,201,841	63,346,375	64,288,818
<b>Data per average outstanding ordinary share (x €1)</b>			
Direct investment result	0.53	0.76	0.99
Indirect investment result	- 1.83	- 1.96	- 2.59
Total investment result	- 1.30	- 1.20	- 1.60
<b>Data per share (x €1)</b>			
(Interim) dividend	0.19	0.75	0.86
Net asset value	8.18	10.50	9.78
Net asset value according to EPRA	9.03	11.73	10.95
*) loan-to-value calculated before dividend; LtV after (theoretical) dividend distribution exceeds 60%			

### Outlook 2013

The economic environment remains challenging. A number of economic indicators shows a cautious positive development, although there is not yet a broad and robust recovery. In this environment, the distinctive and operationally strong approach of NSI remains, even more, crucial.

### Financing

- NSI announced a placement of new ordinary shares at an offer price of €4.00 per share today, in order to raise €300 million. The proceeds of the Placement will be used to strengthen the company's balance sheet and take advantage of potential market opportunities in the Dutch market.

The equity placement will lower the LtV to around 45% post transaction (on a pro forma basis as at 30 September 2013) as a result of reducing certain term loans and committed revolving credit facilities, providing flexibility to re-use these funds for future investments. NSI intends to maintain the LtV sustainably to below 50%.

- In connection with the improvement of the balance sheet through this transaction, NSI has agreed with its lending banks involved in this transaction on more favorable financing terms to lower its average costs of funds, and will initiate negotiations with other lending banks.

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In the remaining part of 2013, NSI will specifically focus on:

### Organisation

- Further professionalisation of the operational organisation.

### Offices

- Further roll out of the HNK concept. HNK Hoofddorp opened in September and HNK Utrecht opens its doors in November. Over the next year NSI aims to open at least another two HNK's and with continuing success will accelerate the roll out process.
- Through various business concepts and propositions, NSI aims to stabilise the effective rent level by providing an attractive leasing product and additional services and flexibility, like in the HNK concept.
- NSI aims to improve the occupancy levels through intensified renegotiations with existing tenants and through focussed leasing efforts.

### Retail

- NSI will continue to actively pursue the right branch mix within its retail centers, including a further increase in the presence of convenience, food and discount chains.
- NSI expects pressure on occupancy levels in the retail portfolio in the 4th quarter.

NSI expects a direct result for the full year 2013 in the range of €46 to €48 million.



# Financial report

## Total investment result

The total investment result, consisting of the balance of the direct and the indirect investment result, amounted to -€88.5 million in the first three quarters of 2013 (first three quarters of 2012: -€75.8 million).

## Direct investment result

NSI uses the direct investment result (rental income less operating costs, service costs not recharged, administrative costs and financing costs) as a measure for the performance of its core business and for determining its dividend.

The direct investment result amounted to €36.1 million (first three quarters of 2012: €48.4 million) in the first three quarters of 2013. The direct investment result in the 3<sup>rd</sup> quarter of 2013 decreased to €10.6 million, compared with €12.1 million in the 2<sup>nd</sup> quarter of 2013, mainly as a result of increased financing costs (€1.3 million) and disposals.

Gross rental income amounted to €109.4 million (first three quarters of 2012: €120.2 million). In the 3<sup>rd</sup> quarter, gross rental income was €35.8 million, compared with €36.5 million in the second quarter of 2013, mainly as a result of disposals (€0.7 million). The like-for-like development of the 3<sup>rd</sup> quarter versus the 2<sup>nd</sup> quarter of 2013 was more or less stable.

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The occupancy rate of the total portfolio decreased to 80.7% as at 30 September 2013, compared to 81.5% on 30 June 2013 (ultimo 2012: 81.1%). The occupancy in the Dutch office portfolio continued to improve for the fourth quarter in succession, from 72.8% as at 30 June 2013 to 73.1% as at 30 September 2013. The occupancy level of the retail portfolio decreased from 92.0% to 89.7%, mainly as result of the disposal of fully let retail centres in Rotterdam, Hoorn and Purmerend (impact 0.7%).

## Leasing activities

### Offices NL

The table below shows movements in occupancy in square meters. In addition the occupancy in square meters, NSI reports the financial occupancy rate, which improved from 72.8% as at 30 June 2013 to 73.1% as at 30 September 2013.

Leased 1 January 2013	Leased in period	Vacated in period	Portfolio per 30 September 2013	Leased per 30 September 2013	
%	sqm	sqm	sqm	Sqm	%
68.2	26,939	34,393	622,189	421,521	67.7

'Leased in period' (see table) are leases that commenced in the first three quarters of 2013.

Take-up (new leases) concerns contracts signed during the period under review. Q3 was characterized by the usual seasonal pattern. NSI signed 7,019 sqm of new leases (take-up) in the Dutch office portfolio in the 3<sup>rd</sup> quarter and 20,613 sqm in the first three quarters of 2013, which represents over 3%



of the total take-up in the Dutch office market <sup>1</sup> in the respective periods. The NSI portfolio represents 1.2% of the total Dutch office market, showing that NSI continues to outperform the market average for take-up.

#### Retention:

Expiry sqm up to Q3 2013	Renewed sqm up to Q3 2013	Retention up to Q3 2013
84,763	51,806	61%

The like-for-like rental growth in the 3<sup>rd</sup> quarter versus the 2<sup>nd</sup> quarter was 0.2%.

The effective rent level of new leases in the office portfolio, taking incentives into account, amounted to €131 per sqm in the past 12 months (€112 per sqm in the 3<sup>rd</sup> quarter). The effective rent level for the overall portfolio amounted to €146 per sqm as at 30 September 2013 (30 June 2013: €145 per sqm). The average lease duration of the portfolio was 3.6 years as per 30 September 2013.

#### Retail NL

The financial occupancy of the retail portfolio decreased to 89.7% compared with 92.0% as per 30 June 2013, as result of the disposal of fully let retail centres in Hoorn and Purmerend (impact 0.7%). Furthermore, some units have been temporarily rented out to outlets to bridge the period until the strategic long term tenant moves in.

As previously indicated, the retail sector remained under pressure in the 3<sup>rd</sup> quarter of 2013 due to generally low consumer spending. NSI benefits from a balanced mix of tenants and sectors, with a strong presence of supermarkets. As a result of NSI's active leasing strategy, NSI managed to attract new tenants which improved the sector and retail mix in some retail centers.

Pressure through low consumer spending has also impacted the large-scale retail segment (16% of the retail portfolio), particularly in the home segment, where the impact of low spending is intensified by the lack of movement in the housing market. NSI expects that vacancy in this segment will increase.

The table below shows the development of occupancy in square meters.

Leased 1 January 2013	Leased in period	Vacated in period	Portfolio per 30 September 2013	Leased per 30 September 2013
%	Sqm	sqm	sqm	Sqm %
93.0	9.332	19.981	270.552	239,842 88.6

  

Expiry sqm up to Q3 2013	Renewed sqm up to Q3 2013	Retention up to Q3 2013
43,830	27,516	63%

The effective rent level for the entire portfolio amounted to €154 per sqm (30 June 2013: €155 per sqm). The average lease duration of the retail portfolio was 3.7 years as at 30 September 2013.

<sup>1</sup> According to market research of Dynamis, take up in the Dutch office market amounted to 185,700 in the 3<sup>rd</sup> quarter and 614,768 in the first three quarters of 2013

*Belgium*

The occupancy of the Belgian portfolio slightly decreased to 84.8% (30 June 2013: 85.3%) as a result of a rather stable performance in the office portfolio and a decrease in the logistics portfolio.

Rental income in the Netherlands, Switzerland and Belgium  
x €1,000

	Up to Q3 2013	Up to Q3 2012
<b>the Netherlands</b>		
Gross rental income	78,364	84,959
Net rental income	62,692	70,123
<b>Switzerland</b>		
Gross rental income	1,122	4,384
Net rental income	950	3,179
<b>Belgium</b>		
Gross rental income	29,918	30,885
Net rental income	29,248	29,740

Gross rental income up to Q3 2012 - up to Q3 2013

Gross rental income by segment in the Netherlands, Switzerland and Belgium:

x €1,000	Up to Q3 2012	Purchases	Disposals	Organic growth	Up to Q3 2013
<b>the Netherlands</b>					
Offices	47,630	-	- 1,123	- 4,030	42,477
Retail	30,498	-	- 1,194	501	29,805
Industrial	6,327	-	- 285	- 193	5,849
Residential	504	-	- 251	- 20	233
<b>Total</b>	<b>84,959</b>	<b>-</b>	<b>- 2,853</b>	<b>- 3,742</b>	<b>78,364</b>
<b>Switzerland</b>					
Offices	1,633	-	- 1,269	- 61	303
Retail	2,751	--	- 1,898	- 34	819
<b>Total</b>	<b>4,384</b>		<b>- 3,167</b>	<b>- 95</b>	<b>1,122</b>
<b>Belgium</b>					
Offices	19,733	-	-	- 1,144	18,589
Industrial	11,152	-	- 569	746	11,329
<b>Total</b>	<b>30,885</b>	<b>-</b>	<b>- 569</b>	<b>- 398</b>	<b>29,918</b>
<b>Total NSI</b>	<b>120,228</b>		<b>- 6,589</b>	<b>- 4,180</b>	<b>109,404</b>

### Gross rental income Q2 2013 up to Q3 2013

Gross rental income by segment in the Netherlands, Switzerland and Belgium:

x €1,000	Q2 2013	Purchases	Disposals	Organic growth	Q3 2013
<b>the Netherlands</b>					
Offices	14,508	-	- 104	33	14,437
Retail	9,895	-	- 83	83	9,895
Industrial	1,662	-	- 165	- 96	1,401
Residential	73	-	-	- 2	71
<b>Total</b>	<b>26,138</b>	<b>-</b>	<b>- 352</b>	<b>18</b>	<b>25,804</b>
<b>Switzerland</b>					
Offices	100	-	-	1	101
Retail	318	-	- 317	2	3
<b>Total</b>	<b>418</b>	<b>-</b>	<b>- 317</b>	<b>3</b>	<b>104</b>
<b>Belgium</b>					
Offices	6,238	-	-	- 153	6,085
Industrial	3,743	-	- 1	57	3,799
<b>Total</b>	<b>9,981</b>	<b>-</b>	<b>- 1</b>	<b>- 96</b>	<b>9,884</b>
<b>Total NSI</b>	<b>36,537</b>	<b>-</b>	<b>- 670</b>	<b>- 75</b>	<b>35,792</b>

NSI continues its focus on cost discipline. Operating costs amounted to €13.2 million in the first three quarters of 2013 (first three quarters of 2012: €13.6 million). Operating expenses slightly decreased in the 3<sup>rd</sup> quarter (€4.4 million) in comparison with the second quarter (€4.5 million).

Administrative costs remained stable at €4.5 million (first three quarters of 2012: €4.5 million).

Financing costs increased in the first three quarters to €44.0 million in comparison with €41.5 million in the 1<sup>st</sup> three quarters of 2012, due to higher margins and financing costs, partially offset by lower interest rates, hedging costs and a reduction in outstanding loans. On a quarterly basis, financing costs increased from €14.4 million in the 2<sup>nd</sup> quarter to €15.6 million in the 3<sup>rd</sup> quarter, due to new financing agreements coming into effect.

### Indirect investment result

The indirect investment result for the first three quarters of 2013 amounted to €124.6 million negative. The indirect investment result consists of both realized revaluations (sales results on investments sold) and unrealized revaluations. These unrealized revaluations concern the changes in the market value of the property portfolio (-€139.3 million) and the interest hedging instruments (€22.3 million).

The realised revaluations include the result on sales (-€2.0 million) of 15 sold properties. In the 3<sup>rd</sup> quarter, 3 Dutch retail centres (De Esch in Rotterdam, Kersenboogerd in Hoorn and Overwhere in Purmerend) and one Dutch office property in Heerhugowaard were sold.

NSI utilizes interest-rate hedging instruments exclusively to limit operational interest rate risks. There is no 'over-hedging situation' and NSI is not exposed to margin calls. The value of the financial derivatives automatically reverts to zero at the end of the duration of these instruments.

The revaluation in the 3<sup>rd</sup> quarter amounted to -€55.4 million (2<sup>nd</sup> quarter of 2013:- €43.0 million).

The value of the Dutch office portfolio decreased by €100.2 million in the first three quarters of 2013 (first three quarters 2012: -€78.8 million), of which €37.5 million in the 3<sup>rd</sup> quarter (2<sup>nd</sup> quarter: €29.4 million). Although occupancy rates improved slightly, pressure on market rents increased and yields also remained under pressure. Moreover, valuers are taking a more strict view on properties that have been largely vacant over a longer period, which has impacted some specific properties in the 3<sup>rd</sup> quarter. These additional write downs amounted to approx. € 7 million.

The revaluation of the retail portfolio was -€15.9 million in the 3<sup>rd</sup> quarter (2<sup>nd</sup> quarter 2013: - €11.7 million). In the retail portfolio, too, yields and market rents are under pressure. Furthermore, the revaluation result in this quarter was impacted by some specific situations, including the temporarily lower rental income in shopping centre 't Loon until completion of the reconstruction and anticipated expiries in the, in particular the large scale, retail portfolio. The total impact of these circumstances was approx. €7 million.

In the Belgian portfolio, a revaluation of -€0.1 in the office portfolio over the first three quarters of 2013 (€21.4 million) were offset by a positive revaluation in the logistics portfolio (€21.3 million).

	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	2011*	2010*	2009*	2008*
Offices	-37,46	-29,39	-33,31	-23,264	-	-	-	-	-	-	-44,87
					32,583	25,434	20,809	31,400	21,435	37,875	
Retail	-15,93	-11,71	-5,296	- 6,752	-2,893	-3,951	-2,828	- 622	-	-7,920	7,770
									1,179		
Industrial	-1,983	-1,865	-1,980	- 2,467	-2,145	-1,285	- 197	-1,351	-	-5,504	-4,367
									2,416		
Residential	- 20	-	- 85	-	- 25	- 125	- 5	135	-	44	- 248
									1,747		

Total	-55,40	-42,97	-40,67	-32,483	-	-	-	-	-	-	-41,71
					37,646	30,795	23,839	33,238	26,77	51,255	
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\*) In accordance with IFRS the figures prior to the merger with VNOI (over the period 2008- first three quarters of 2011) have not been amended and represent only NSI. As of the fourth quarter of 2011 all results of NSI and VNOI are fully consolidated.

#### Revaluation results of properties in Belgium (x €1,000)

	Q3 2013	Q2 2013	Q1 2013	2012	2011
Offices	- 4,722	- 14,730	- 1,913	15,891	2,555
Industrial	872	20,240	198	2,420	- 6,126
Total	- 3,850	5,510	- 1,715	13,471	- 3,571

#### Revaluation results of properties in Switzerland (x €1,000)

	Q3 2013	Q2 2013	Q1 2013	2012	2011
Offices	- 25	- 15	- 22	- 161	208
Retail	-	- 105	-	- 1.782	- 1.152
Total	- 25	- 120	- 22	- 1.943	- 944

## Yields in % at 30 September 2013 and 31 December 2012

	gross yield*	net yield**	gross yield*	net yield**
	30-09-2013	30-09-2013	31-12-2012	31-12-2012
Offices	10.9	9.0	10.3	8.6
Retail	8.3	7.2	7.8	6.7
Industrial	8.6	7.8	9.1	8.3
Residential	8.0	7.3	7.2	6.8
Total	9.8	8.4	9.4	8.0

\* gross yield: the theoretical annual rent expressed as a percentage of the market value of the property.

\*\* net yield: . the theoretical net rental income expressed as a percentage of the market value of the property.

	gross yield*	net yield**	gross yield*	net yield**
	30-09-2013	30-09-2013	31-12-2012	31-12-2012
The Netherlands	10.3	8.8	9.6	8.3
Switzerland	5.8	4.9	7.3	5.3
Belgium	8.8	8.6	9.0	8.7
Total	9.8	8.4	9.4	8.0

## Balance sheet and financing

The equity placement announced today will lower the LtV to around 45% post transaction (on a pro forma basis as at 30 September 2013) as a result of reducing certain term loans and committed revolving credit facilities, providing flexibility to re-use these funds for future investments. NSI intends to maintain the LtV sustainably to below 50%. The LtV as per 30 September 2013 was 59.6%.

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In connection with the improvement of the balance sheet by this transaction, NSI has agreed with its lending banks involved in this transaction on more favorable financing terms to lower its average costs of funds, and will initiate negotiations with the other banks.

The value of the real estate investments amounted to €1,863.9 million on 30 September 2013 (30 June 2013: €1,948.6 million, year end 2012: €2,106.1 million). This is the result of investments, disposals and revaluations.

NSI refinanced its €65 million credit facility with FGH Bank/ Rabobank. The debt that would initially mature in 2014 and 2015 has been extended until 2018. After this transaction, the remaining debt maturing in 2014 amounts to approx. €75 million for the Dutch loan portfolio. NSI has started the refinancing process regarding the remaining debt maturing in 2014.

In the first three quarters of 2013, NSI repaid debt of €118.7 million, in line with the aim to reduce the debt exposure. Debts to credit institutions amounted to €1,110.2 million as per 30 September 2013 (30 June 2013: €1,148.6 million, year-end: €1,226.4 million).

## Equity

NSI's equity decreased to €686.6 million in the first three quarters of 2013 (year-end 2012: €789.8 million), mainly as the result of the negative total investment result of €88.5 million.

The number of outstanding shares remained unchanged in the first three quarters of 2013 (68.2 million). The net asset value (including deferred tax and the market value of the derivatives) amounted to €8.18 per share on 30 September 2013 (year end 2012: €9.78). If the deferred tax and the value of the derivatives are excluded (the net asset value according to EPRA), the net asset value amounts to €9.03 per share (year-end 2012: €10.95).

The number of shares will significantly increase as result of the €300 million equity raise announced today; 75 million of new shares will be issued, which will result in a total number of outstanding shares of 143.2 million.

## Financial ratios

The funding available to the company under the committed credit facilities as at 30 September 2013 amounted to €53.2 million (30 June 2013: €52.4 million, year-end 2012: €71.3 million).

The average remaining maturity of the loans remained stable at 2.6 years (30 June 2013: 2.6 years, 30 September 2012: 2.3 years).

Average costs of debt funding increased from 5.2% as at 30 June 2013 (30 September 2012: 4.8 %) to (including margin) 5.3% on 30 September 2013, mainly due to the refinancing of low interest loans at higher commercial margins.

The average cost of debt (%) is based on the current - increased - interest margins by quarter end, which does not reflect the average interest margin for the period. The interest coverage ratio amounted to 2.1 as per 30 September 2013 .

## Interim dividend Q3 2013

In line with the dividend policy, the dividend pay-out ratio and distribution is linked to the LtV performance to safeguard the necessary funds to invest and execute the company's strategy. The pay out ratio and distribution is based on the LtV level *post* dividend distribution:

- If LtV (post dividend) is below 55%; the pay-out ratio is 85% to 100% of the direct result in cash.
- If LtV (post dividend) is above 55% but below 60%; the pay-out ratio is 50% of the direct result in cash.
- If LtV (post dividend) is above 60%: the pay out ratio is 50% distributed as stock dividend until the LtV has been reduced to a level below 60%.

The LtV as per 30 September 2013 is 59.6% *before* dividend distribution. After (theoretical) dividend distribution, the LtV post dividend exceeds the 60% threshold. According to the dividend policy, the company was due to pay dividends in shares over the third quarter. However, in light of the equity placement, the stock dividend over the third quarter will be foregone.

The equity placement will bring the LtV to below the 55% threshold in the dividend policy, which corresponds with a pay-out ratio of 85 to 100% in cash going forward.



NSI distributed an interim dividend of €0.19 per share in cash over the 1<sup>st</sup> half year of 2013.

## Developments in the portfolio

The value of the real estate portfolio decreased in the first three quarters of 2013 by €242.2 million to €1,863.9 million as at 30 September 2013 (year-end 2012: €2,106.1 million). This decrease is the result of revaluations (-€ 139.3 million), sales (€115.2 million), investments (€12.4 million), reclassification office own use (€0.8 million) and exchange rate differences (-€0.9 million).

In the 3<sup>rd</sup> quarter, 3 Dutch retail centres (De Esch in Rotterdam, Kersenboogerd in Hoorn and Overwhere in Purmerend) and 1 Dutch office property in Heerhugowaard were sold.

In the 1<sup>st</sup> half of 2013, 4 office buildings were sold in the Netherlands (Herengracht, Leidsegracht and Oudezijds Voorburgwal in Amsterdam, and Parklaan in Eindhoven), 2 industrial properties (Cessnalaan at Schiphol and Archimedesbaan in Nieuwegein) and 2 retail properties (Mereveldplein in De Meern and Rozemarijndonk in Spijkenisse). In Belgium, an industrial property (Guldendelle in Kortenberg) and a plot of land were sold. In Switzerland, the HertiZentrum shopping mall was sold.

On average, the properties were sold slightly below (1.7%) book value.

In October 2013, the last remaining Swiss asset sold (Pérolles 2000 in Fribourg) was sold on book value.

NSI continues its efforts to divest non-strategic assets.

As at 30 September 2013, the portfolio consisted of 48 residential units and 256 commercial properties, spread across:

	in %	x €1,000
<b>Sector spread</b>		
Offices	57	1,053,416
Retail	26	489,767
Industrial	17	316,505
Residential	-	4,220
Total real estate investments	100	1,863,908
<b>Geographical spread</b>		
The Netherlands	68	1,276,499
Switzerland	1	7,935
Belgium	31	579,474
Total real estate investments	100	1,863,908

### Financial occupancy rate portfolio

The occupancy rate of the entire portfolio as at 30 September 2013 decreased to 80.7% (30 June 2013: 81.5%). Occupancy levels per sector were: 75.6% in offices, 88.9% in industrial premises and 89.7% in retail. Occupancy levels per country were: 79.1% in the Netherlands and 84.8% in Belgium.

#### Retail

The occupancy level of the retail portfolio decreased from 92.0% (30 June 2013) to 89.7%, as result of the disposal of fully let retail centres in Rotterdam, Hoorn and Purmerend (impact 0.7%). Furthermore, some units have

been temporarily rented out to outlets to bridge the period until a strategic long term tenant moves in.

#### Offices

The occupancy rate in the offices portfolio improved slightly from 75.3% (30 June 2013) to 75.6% as at 30 September 2013, as the occupancy rate of the Dutch offices portfolio improved for the 4<sup>th</sup> successive quarter, from 72.8% as at 30 June 2013 to 73.1% as at 30 September 2013.

#### Industrial/logistics

The occupancy rate in the total logistics portfolio decreased to 88.9% as at 30 September 2013 (30 June 2013: 91.0%).

The theoretical gross annual rental income per segment in the Netherlands, Switzerland and Belgium per 30 September 2013:  
(x €1,000)

	the Netherlands	Switzerland	Belgium	Total
Offices	81,805	462	32,921	115,188
Retail	40,838			40,838
Industrial	9,166		18,101	27,267
Residential	335			335
Total	132,144	462	51,022	183,628

The annualized contractual rental income from the property portfolio as at 30 September 2013 amounted to €148.2 million (30 June 2013: €151.9 million).

## Financial key figures

	30-09-2013	30-09-2012	2012
<b>Results (x €1,000)</b>			
Gross rental income	109,404	120,228	160,545
Net rental income	92,890	103,042	137,334
Direct investment result	36,076	48,447	63,405
Indirect investment result	-124,556	-124,296	-166,522
Result after tax	- 88,480	- 75,849	-103,117
Occupancy rate (in %)	80.7	80.5	81.1

<b>Balance sheet (x €1,000)</b>			
Real estate investments	1,863,908	2,154,754	2,106,091
Shareholders' equity	686,639	828,575	789,788
Shareholders' equity attributable to NSI shareholders	557,899	702,304	666,850
Net debts to credit institutions (excluding other investments)	1,110,237	1,241,966	1,226,432
Loan-to-value (debts to credit institutions/real estate investments in %)	59.6*	57.6	58.2

<b>Issued share capital (in shares)</b>			
Ordinary shares with a nominal value of €0.46 during period under review	68,201,841	66,897,112	68,201,841
Average number of outstanding ordinary shares during period under review	68,201,841	63,346,375	64,288,818

### Data per average outstanding ordinary shares (x €1)

Direct investment result	0.53	0.76	0.99
Indirect investment result	- 1.83	- 1.96	- 2.59
Total investment result	- 1.30	- 1.20	- 1.60

<b>Data per share (x €1)</b>			
(Interim-) dividend	0.19	0.75	0.86
Net asset value	8.18	10.50	9.78
Net asset value according to EPRA	9.03	11.73	10.95

<b>Average stock-exchange turnover (shares per day, without double counting)</b>			
	153,431	94,672	92,580
High price	7.00	9.70	9.70
Low price	4.86	5.95	5.95
Closing price	5.22	6.37	6.08

\* loan-to-value calculated before dividend; LtV after (theoretical) dividend

distribution exceeds 60%

## Consolidated direct and indirect investment result

(x €1,000)

	Up to Q3 2013	Up to Q3 2012	Q3 2013	Q3 2012
Gross rental income	109,404	120,228	35,792	38,879
Service costs not recharged to tenants	- 3,348	- 3,613	- 984	- 1,026
Operating costs	- 13,166	- 13,573	- 4,384	- 4,312
<b>Net rental income</b>	<b>92,890</b>	<b>103,042</b>	<b>30,424</b>	<b>33,541</b>
Financing income	227	84	71	32
Financing costs	- 43,980	- 41,466	- 15,640	- 13,679
Administrative costs	- 4,548	- 4,539	- 1,461	- 1,386
<b>Direct investment result before tax</b>	<b>44,589</b>	<b>57,121</b>	<b>13,394</b>	<b>18,508</b>
Corporate income tax	- 92	- 231	- 26	- 5
<b>Direct investment result after tax</b>	<b>44,497</b>	<b>56,890</b>	<b>13,368</b>	<b>18,503</b>
Direct investment result attributable to non-controlling interest	- 8,421	- 8,443	- 2,763	- 2,626
<b>Direct investment result</b>	<b>36,076</b>	<b>48,447</b>	<b>10,605</b>	<b>15,877</b>
Revaluation of real estate investments	- 139,277	- 98,322	- 59,281	- 37,955
Elimination of rental income	1,370	46	507	137
Net result on sales of real estate investments	- 1,998	- *7,754	- 1,185	47 <sup>2</sup>
Movements in market value of financial derivatives	22,259	- 19,176	4,670	- 8,283
Exchange-rate differences	- 137	- 139	- 64	- 17
Allocated management costs	- 1,909	- 1,741	- 636	- 580
<b>Indirect investment result before tax</b>	<b>- 119,692</b>	<b>- 127,086</b>	<b>- 55,989</b>	<b>- 46,651</b>
Corporate income tax	- 61	**1,015	-	- 46
<b>Indirect investment result after tax</b>	<b>- 119,753</b>	<b>- 126,071</b>	<b>- 55,989</b>	<b>- 46,697</b>
Indirect investment result attributable to non-controlling interest	- 4,803	1,775	154	706
<b>Indirect investment result</b>	<b>- 124,556</b>	<b>- 124,296</b>	<b>- 55,835</b>	<b>- 45,991</b>
<b>Total investment result</b>	<b>- 88,480</b>	<b>- 75,849</b>	<b>- 45,230</b>	<b>- 30,114</b>
<b>Data per average outstanding share (x €1)</b>				
Direct investment result	0.53	0.76	0.16	0.24
Indirect investment result	- 1.83	- 1.96	- 0.83	- 0.70
<b>Total investment result</b>	<b>- 1.30</b>	<b>- 1.20</b>	<b>- 0.67</b>	<b>- 0.46</b>

\*) including €1.9 million costs related to early redemption of fixed interest CHF loans and the provision of a rental guarantee (€1.2million).

\*\*) including €1.3 million due to release of a provision of deferred tax liabilities in relation to the sale of Swiss assets.

# Condensed consolidated interim financial information

30 September 2013

# Consolidated statement of comprehensive income

(x €1,000)

	Note	Up to Q3 2013	Up to Q3 2012	Q3 2013	Q3 2012
Gross rental income		109,404	120,228	35,792	38,879
Service costs recharged	14,267	17,051	4,308	6,373	
Service costs in total	-17,615	-20,664	- 5,292	- 7,399	
Service costs not recharged to tenants		- 3,348	- 3,613	- 984	- 1,026
Operating costs	6	-13,166	-13,573	- 4,384	- 4,312
<b>Net rental income</b>	<b>4</b>	<b>92,890</b>	<b>103,042</b>	<b>30,424</b>	<b>33,541</b>
Revaluation of		-137,907	-98,276	-58,774	-37,818
Net results on sales of	7	- 1,998	- 7,754	- 1,185	47
<b>Total net proceeds from investments</b>		<b>-47,015</b>	<b>- 2,988</b>	<b>-29,535</b>	<b>- 4,230</b>
Administrative costs	8	- 6,457	- 6,280	- 2,097	- 1,966
Financing income	227	84	71	32	
Financing costs	-44,117	-41,605	-15,704	-13,696	
Movements in market value of financial derivatives	22,259	-19,176	4,670	- 8,283	
Net financing result		-21,631	-60,697	-10,963	-21,947
<b>Result before tax</b>		<b>-75,103</b>	<b>-69,965</b>	<b>-42,595</b>	<b>-28,143</b>
Corporate income tax	15	- 153	784	- 26	- 51
<b>Result after tax</b>		<b>-75,256</b>	<b>-69,181</b>	<b>-42,621</b>	<b>-28,194</b>
Exchange-rate difference on foreign participations		- 2	70	- 1	39
<b>Total non-realised result</b>		<b>- 2</b>	<b>70</b>	<b>- 1</b>	<b>39</b>
<b>Total realised and non-realised result</b>		<b>-75,258</b>	<b>-69,111</b>	<b>-42,622</b>	<b>-28,155</b>
<b>Result after tax attributable to:</b>					
NSI shareholders		-88,480	-75,849	-45,230	-30,114
Non-controlling interest		13,224	6,668	2,609	1,920
<b>Result after tax</b>		<b>-75,256</b>	<b>-69,181</b>	<b>-42,621</b>	<b>-28,194</b>
<b>Total realised and non-realised result</b>					
NSI shareholders		-88,482	-75,779	-45,231	-30,075
Non-controlling interest		13,224	6,668	2,609	1,920
<b>Total incomprehensive</b>		<b>-75,258</b>	<b>-69,111</b>	<b>-42,622</b>	<b>-28,155</b>
<b>Data per average outstanding share (x €1)</b>					
Diluted as well as non-diluted result after tax		- 1.30	- 1.20	- 0.67	- 0.46



# Consolidated statement of financial position

Before proposed profit appropriation Q3 2013  
(x €1,000)

	Note	30-09-2013	31-12-2012	30-09-2012
<b>Assets</b>				
Real estate investments	9	1,855,973	2,036,114	2,117,210
Intangible assets		8,499	8,486	8,486
Tangible assets		2,949	3,750	3,836
Financial derivatives	14	429	666	-
<b>Total fixed assets</b>		<b>1,867,850</b>	<b>2,049,016</b>	<b>2,129,532</b>
Assets held for sale	10	7,935	69,977	37,544
Debtors and other accounts receivable	11	24,820	21,915	21,554
Cash		12,049	7,007	7,601
<b>Total current assets</b>		<b>44,804</b>	<b>98,899</b>	<b>66,699</b>
<b>Total assets</b>		<b>1,912,654</b>	<b>2,147,915</b>	<b>2,196,231</b>
<b>Shareholders' equity</b>				
Issued share capital		31,372	31,372	30,773
Share premium reserve		657,912	657,912	658,527
Other reserves		- 42,905	80,683	88,854
Retained earnings		- 88,480	-103,11	- 75,849
<b>Total shareholders' equity attributable to shareholders</b>		<b>557,899</b>	<b>666,850</b>	<b>702,305</b>
Non-controlling interest		128,740	122,938	126,270
<b>Total shareholders' equity</b>	<b>12</b>	<b>686,639</b>	<b>789,788</b>	<b>828,575</b>
<b>Liabilities</b>				
Interest-bearing loans	13	916,051	961,046	847,931
Financial derivatives	14	56,615	80,787	81,133
Deferred tax liabilities	15	157	164	670
<b>Total long-term liabilities</b>		<b>972,823</b>	<b>1,041,997</b>	<b>929,734</b>
Redemption requirement long-term liabilities	13	143,552	186,273	306,644
Financial derivatives	14	1,561	-	436
Debts to credit institutions		62,683	86,119	94,992
Other accounts payable and deferred income	16	45,396	43,738	35,850
<b>Total current liabilities</b>		<b>253,192</b>	<b>316,130</b>	<b>437,922</b>
<b>Total liabilities</b>		<b>1,226,015</b>	<b>1,358,127</b>	<b>1,367,656</b>
<b>Total shareholders' equity and liabilities</b>		<b>1,912,654</b>	<b>2,147,915</b>	<b>2,196,231</b>

## Consolidated cash flow statement

(x €1,000)

	Note	30-09-2013	30-09-2012
Result after tax		- 75,256	- 69,181
Adjusted for:			
Revaluation of real estate investments		139,277	98,322
Net result on sales of real estate investments	7	- 1,998	7,754
Net financing expenses		21,631	60,697
Deferred tax liabilities	15	- 7	- 1,015
Depreciation		538	389
Cash flow from operating activities		159,441	166,147
Movements in debtors and other accounts receivable	11	- 2,905	- 7,597
Movements in other liabilities, accrued expenses and deferred income		1,394	- 6,309
Financing income		227	84
Financing expenses		- 43,831	- 44,621
<b>Cash flow from operations</b>		<b>39,070</b>	<b>38,523</b>
Purchases of real estate and investments in existing properties	9	- 12,387	- 21,419
Proceeds of sales of real estate investments		117,229	83,287
Investments in tangible fixed assets		- 563	- 344
Divestments of tangible fixed assets		16	31
Investments in intangible fixed assets		- 50	-
<b>Cash flow from investment activities</b>		<b>104,245</b>	<b>61,555</b>
Dividend paid		- 27,883	- 35,712
Costs related to optional dividend		- 8	- 68
Share issue		-	24,348
Repurchase of own shares		-	- 502
Drawdown of loans	13	31,835	30,043
Redemption of loans	13	-118,723	-136,382
<b>Cash flow from financing activities</b>		<b>-114,779</b>	<b>-118,273</b>
<b>Net cash flow</b>		<b>28,536</b>	<b>- 18,195</b>
Exchange-rate differences		- 58	132
Cash and debts to credit institutions as of 1 January		- 79,112	- 69,328
Cash and debts to credit institutions as of 30 September		- 50,634	- 87,391

## Consolidated statement of movements in shareholders' equity (x €1,000)

The development of the item shareholders' equity over the first nine months ending at 30 September 2013 was as follows:

	Issued share capital	Share premium reserve	Other reserves	Retained earnings	Total shareholder s' equity attributable to shareholder s	Non- controlling interest	Total shareholder s' equity
Balance as of 1 January 2013	31,372	657,912	80,683	- 103,11	666,850	122,938	789,788
Result first three quarters of 2013	-	-	-	-88,480	-88,480	13,224	-75,256
Exchange-rate differences on foreign participations	-	-	- 2	-	- 2	-	- 2
<b>Total realised and non-realised results of first three quarters of 2013</b>	<b>-</b>	<b>-</b>	<b>- 2</b>	<b>-88,480</b>	<b>-88,482</b>	<b>13,224</b>	<b>-75,258</b>
Distributed final dividend 2012 in cash	-	-	- 7,502	-	- 7,502	- 7,422	-14,924
Profit appropriation 2012	-	-	- 103,117	103,117	-	-	-
Distributed cash interim-dividend 2013	-	-	- 12,959	-	-12,959	-	-12,959
Costs related to optional dividend	-	-	- 8	-	- 8	-	- 8
<b>Total contributions by and to shareholders</b>	<b>-</b>	<b>-</b>	<b>- 123,586</b>	<b>103,117</b>	<b>-20,469</b>	<b>- 7,422</b>	<b>-27,891</b>
<b>Situation as of 30 September 2013</b>	<b>31,372</b>	<b>657,912</b>	<b>- 42,905</b>	<b>-88,480</b>	<b>557,899</b>	<b>128,740</b>	<b>686,639</b>

The development of the item shareholders' equity per over the first nine months ending at 30 September 2012 was as follows:

	Issued share capital	Share premium reserve	Other reserves	Retained earnings	Total shareholder s' equity attributable to shareholder s	Non- controlling interest	Total shareholder s' equity
Balance as of 1 January 2012	27,732	637,054	53,727	62,705	781,218	128,402	909,620
Result first three quarters of 2012	-	-	-	-75,849	-75,849	6,668	-69,181
Exchange-rate differences on foreign participations	-	-	70	-	70	-	70
<b>Total realised and non-realised results of first three quarters of 2012</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>-75,849</b>	<b>-75,779</b>	<b>6,668</b>	<b>-69,111</b>
Distributed final dividend 2011 in	-	-	- 7,539	-	- 7,539	- 8,800	-16,339

cash								
Stock-dividend	685	-	685	-	-	-	-	-
Costs related to optional dividend	-	-	25	-	10	-	-	35
Profit appropriation 2011	-	-		62,705	-	62,705	-	-
Distributed cash interim-dividend	-	-		-19,373	-	-	-19,373	-
2012								
Stock-dividend	995	-	995	-	-	-	-	-
Costs related to optional dividend	-	-	25	-	8	-	-	33
Share issue	1,389		23,677	-	718	-	24,348	-
Repurchase of own shares	-	28	-	474	-	-	-	502
Total contributions by and to shareholders	3,041		21,473	35,057	-	62,705	-	3,134
Situation as of 30 September 2012	30,773		658,527	88,854	-	75,849	702,305	126,270
								828,575

## Notes to the condensed consolidated interim financial statements

### 1. Reporting entity

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NSI N.V. (referred to as 'The Company') is a company domiciled in the Netherlands (headquartered in Hoofddorp, statutory in Hoorn). These condensed consolidated interim financial statements ('interim financial statements') as at and for the nine months ended 30 September 2013 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and a joint venture.

### 2. Basis of preparation

#### (a) Going concern

The condensed consolidated interim financial information has been prepared on the basis of the going concern principle. On the 8th of November 2013 NSI has announced a placement of new ordinary shares in order to raise an amount of € 300 million to strengthen the company's balance sheet.

#### (b) Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2012.

These interim financial statements were authorised for issue by the Company's Management and Supervisory Board on 6 November 2013.

#### (c) Judgements and estimates

In preparing these interim financial statements, Management make judgements, estimates and assumptions that affect the application of accounting policies

and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

### 3. Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2012. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2013.

#### *IFRS 10 Consolidated financial statements (2011)*

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, IFRS 10 (2011) requires the Group consolidate investees that it controls on the basis of de facto circumstances.

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In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion for its investees at 1 January 2013.

#### *IFRS 11 Joint arrangements*

As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group is not involved in a joint arrangement.

#### *IFRS 13 Fair value measurement*

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRS, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard (see

Note 14).

*Presentation of items of other comprehensive income (changes in IAS 1)*

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its condensed consolidated statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognized assets, liabilities and comprehensive income of the Group.

*IAS 19 Defined benefit plans (2011)*

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit.

This change has no effect on the assets and liabilities, nor on realised and unrealised results, as the Group has insured its pension plan externally.

#### 4. Segment information

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

Per country	the Netherlands		Switzerland		Belgium		Total	
	Up to Q3	Up to Q3	Up to Q3	Up to Q3	Up to Q3	Up to Q3	Up to Q3	Up to Q3
	2013	2012	2013	2012	2013	2012	2013	2012
Gross rental income	78,364	84,959	1,122	4,384	29,918	30,885	109,404	120,228
Service costs not recharged to tenants	- 2,716	- 2,719	- 1	- 160	- 631	- 734	- 3,348	- 3,613
Operating costs	- 12,956	- 12,117	- 171	- 1,045	- 39	- 411	- 13,166	- 13,573
Net rental income	62,692	70,123	950	3,179	29,248	29,740	92,890	103,042
Revaluation results	- 138,123	- 91,856	- 167	- 5,559	383	- 1,131	- 137,907	- 98,276
Net result on sales	- 3,017	- 123	- 1,113	- 7,771	2,132	140	- 1,998	- 7,754
Segment result	- 78,448	- 21,586	- 330	- 10,151	31,763	28,749	- 47,015	- 2,988
Reconciliation								
Administrative costs	- 3,570	- 3,067	- 181	- 471	- 2,706	- 2,742	- 6,457	- 6,280
Net financing costs	- 15,765	- 47,855	- 185	- 1,534	- 5,681	- 11,308	- 21,631	- 60,697
Result before tax	- 97,783	- 72,508	- 696	- 12,156	23,376	14,699	- 75,103	- 69,965
Corporate income tax	- 71	-	10	862	- 72	- 78	- 153	784
Result after tax	- 97,854	- 72,508	- 706	- 11,294	23,304	14,621	- 75,256	- 69,181
Non-controlling interest	-	-	-	-	- 13,224	- 6,668	- 13,224	- 6,668
Investment income attributable to shareholders NSI	- 97,854	- 72,508	- 706	- 11,294	10,080	7,953	- 88,480	- 75,849

Per country	the Netherlands		Switzerland		Belgium		Total	
	30-9-	31-12-	30-9-	31-12-	30-9-	31-12-	30-9-	31-12-
	2013	2012	2013	2012	2013	2012	2013	2012
Real estate investments	1,276,499	1,482,789	7,935	34,567	579,474	588,735	1,863,908	2,106,091
Other assets	36,557	26,300	1,541	2,170	10,223	12,824	48,321	41,294
Non-allocated assets	-	-	-	-	-	-	425	530
Total assets							1,912,654	2,147,915
Long-term liabilities	751,228	782,016	157	164	221,438	259,817	972,823	1,041,997
Current liabilities	160,434	226,944	5,849	26,659	86,807	62,447	253,090	316,050
Non-allocated liabilities	-	-	-	-	-	-	102	80
Total liabilities							1,226,015	1,358,127

Purchases and investments in existing properties	7,823	15,187	143	274	4,421	15,013	12,387	30,474
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#### 5. Exchange-rate differences

In order to hedge currency risks, real estate investments in currencies other than the euro are generally funded by loans in the currency of the

investment (in this case Swiss Francs). As at 30 September 2013, the exchange rate for the Swiss Franc was: CHF1 = €0.81800 (30 September 2012: €0.82651).



## 6. Operating costs

The operating costs for the properties can be specified as follows:

	Up to Q3 2013	Up to Q3 2012
Municipal taxes	2,953	3,483
Insurance premiums	559	605
Maintenance costs	2,896	2,867
Contributions to owner's associations	365	370
Property management (including attributed administrative expenses)	3,829	3,607
Letting costs	1,638	1,307
Other costs	926	1,334
<b>Total</b>	<b>13,166</b>	<b>13,573</b>

## 7. Net results on sales of real estate investments

	Up to Q3 2013	Up to Q3 2012
Sales of real estate investments	115,745	88,517
Book value at time of sale	115,231	92,266
<b>Total</b>	<b>514</b>	<b>- 3,749</b>
Sales costs	- 2,512	- 4,005
<b>Total</b>	<b>- 1,998</b>	<b>- 7,754</b>

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The sales costs are including broker costs, legal costs, breakage costs for loan redemption and a rental guarantee.

## 8. Administrative expenses

The administrative costs can be specified as follows:

	Up to Q3 2013	Up to Q3 2012
Management costs	9,265	8,936
Audit costs	209	322
Consultancy costs	435	537
Appraisal costs	326	335
Compensation of Supervisory Directors, members of the Investments Advisory Board and Stichting Prioriteit NSI	188	189
Other costs	453	339
<b>Total</b>	<b>10,876</b>	<b>10,658</b>
Allocated to operating costs	- 4,074	- 4,108
Allocated to real estate portfolio	- 345	- 270
<b>Total</b>	<b>6,457</b>	<b>6,280</b>

## 9. Real estate investments

The development of the real estate investments in operation and under development was as follows:

	30-09-2013	30-09-2012
Real estate investments in operation	1,836,953	2,101,565
Real estate investments under development	19,020	15,645
<b>Total</b>	<b>1,855,973</b>	<b>2,117,210</b>



Real estate investments in operation and real estate investments under development are accounted for at fair value. The fair value is determined on the basis of one of the following levels in the hierarchy:

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

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

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

All real estate investments are defined as level 3. All real estate investments in Belgium are being appraised every quarter by an independent external appraiser. The fair value of Dutch real estate investments are being determined on the basis of internal valuation every quarter. At least once a year, or more frequent if required or desirable, in line with the valuation procedure, the Dutch real estate investments are valued by an external independent experts. Possible discrepancies between internal and external valuations are limited and are explained and substantiated on a quarterly basis.

Per 30 September 2013, 53.9% of the real estate investments have been externally appraised by independent, certified appraisers and all other properties have been externally appraised within the year. The fair value is based on market value (purchasing costs payable by purchaser, thus adjusted for acquisition costs like real estate transfer tax), which is the estimated amount for which a real estate investment can be traded on the valuation date between a buyer willing to enter into a transaction and a seller in an arms' length transaction preceded by sound negotiations in which the parties are properly informed and were willing to enter the transaction.

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When no actual market value in an active market is available, valuations are being determined on the basis of a net initial yield calculation, in which the net market rents are being capitalized. The yields applied are specific to the country, property type, location, state of maintenance and lettability of each asset. The basis for the determination of the yields is based on comparable transactions, complemented by market- and asset-specific knowledge.

The returns described in the management report represent market practice and are calculated by the (theoretical) net rent of the real estate property divided by the fair value expressed as a percentage. The total net yields as of 30 September 2013 was 8.4% (2012: 8.0%). The net yields were 8.8% for the Netherlands (2012: 8.3%), 4.9% for Switzerland (2012: 5.3%) and 8.6% for Belgium (2012: 8.7%). The yields are specific to the country, real estate type, location, state of repair and leasability of the object. The basis for determining the yields are comparable transactions supplemented with market and property-specific knowledge. These varied between 5.7% and 17.0% for the Netherlands (2012: between 5.4% and 14.0%) and between 6.0% and 9.5% for Belgium (2012: between 7.0% and 8.5%). Comparable transactions in the market were also taken into account in the valuation.

The most important valuation assumptions are:

	the	Switzerland	Belgium
Up to Q3	Netherlands	Up to Q3	Up to Q3
2013	2012	2013	2012

Average market rent per sqm  
(in €)

Offices	124	131	218	218	141	145
Retail	144	144	-	245	-	-
Industrial	60	63	-	-	44	47
Residential (per apartment) per month	549	670	-	-	-	-
Average gross yield (in %)	10.3	9.6	5.8	7.3	8.8	9.0
Average net yield (in %)	8.8	8.3	4.9	5.3	8.6	8.7
Vacancy	20.8	21.0	14.0	4.1	15.2	14.4

Assumptions are made per property, per tenant and per vacant unit based upon the possibility of (re)letting, expected duration of vacancy, incentives and letting costs.

Sensitivity analysis

The value of the real estate investments implies an average net yield of 8.3% (2012: 8.0%). If the yields applied in the calculation to determine the valuation of real estate investments as per 30 September 2013 would be 100 basis points lower than those currently used, the value of the real estate investments would increase by 13.6% (2012: 14.2%). NSIs equity would in this case increase by €253.2 million (2012: €299.7 million). The loan-to-value would then decrease from 59.6% (2012: 58.2%) to 52.4% (2012: 51.0%). In case the net yield would have been 100 basis point higher, the opposite would apply.

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Real estate investments in operation

The development of the real estate investments in operation per country was as follows:

	the Netherlands	Switzerland	Belgium	Total 2013	the Netherlands	Switzerland	Belgium	Total 2012
Balance on 1 January	1,437,009	-	583,860	2,020,869	1,605,790	123,084	587,889	2,316,763
Purchases	-	-	-	-	-	-	7,966	7,966
Investments	7,768	-	4,421	12,189	7,010	-	6,277	13,287
Reclassification into real estate investments under development	- 8,125	-	-	- 8,125	- 10,595	-	-	-10,595
Reclassification into assets held for sale	-	-	-	-	-	-119,925	- 1,225	-121,150
Reclassification to tangible fixed assets	- 1,665	-	-	- 1,665	-	-	-	-
Reclassification of tangible fixed assets	2,512	-	-	2,512	-	-	-	-
Sales	- 41,725	-	-12,402	-54,127	- 4,920	-	- 3,865	- 8,785
Revaluations	-138,045	-	3,345	-134,700	- 92,280	- 4,293	- 482	-97,055
Exchange-rate	-	-	-	-	-	1,134	-	1,134

differences

Balance on 30	1,257,729	-	579,224	1,836,9	1,505,005	-	596,560	2,101,5
September				53				65

The valuations contain:

	the	Switzerlan	Belgium	Total	the	Switzerla	Belgium	Total
	Netherland	d		2013	Netherland	nd		2012
	s				s			

Prepayment  
and accrued  
income in  
relation to  
incentives

6,992	-	4,260	11,252	8,099	-	4,720	12,819
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The development of the investments in operation by real estate type was as follows:

	Retail	Offices	Industrial	Residential	Total	2013
Balance on 1 January 2013	551,377	1,146,269	318,898	4,325	2,020,869	
Investments	1,601	6,320	4,268	-		12,189
Reclassification to tangible fixed assets	-	-	1,665	-	-	1,665
Reclassification of tangible fixed assets	-	2,512	-	-		2,512
Reclassification into real estate investments under development	-	-	8,125	-	-	8,125
Sales	-	30,260	-	21,142	-	54,127
Revaluations	-	32,951	-	116,125	14,481	105
Balance on 30 September 2013	489,767	1,026,461	316,505	4,220	1,836,953	

On 30 September 2013, properties with a book value of €1,279.6 million (2012: €1,507.2 million) were mortgaged as security for loans taken out and credit facilities at banks amounting to €845.9 million (2012: €951.0 million). It is possible to vary the level of securitisation within the banking arrangements, enabling NSI to create additional loan capacity within the existing facilities or allocate the securities partly to a different facility.

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Real estate investments under development	2013	2012
Balance on 1 January	15,245	5,050
Investments	55	-
Reclassification of real estate investments in operation	8,125	10,595
Revaluations	-	4,405
Balance on 30 September	19,020	15,645

Real estate investments under development contains four offices and two land positions per 30 September 2013.

## 10. Assets held for sale

The book value of real estate held for sale equals the expected sales proceeds, representing fair value.

	2013	2012
Balance on 1 January	69,977	-
Reclassification of real estate investments in operation	-	121,150
Investments	143	166
Sales	-	61,103
Revaluations	-	173
Exchange-rate differences	-	909
Balance on 30 September	7,935	37,544

## 11. Debtors and other accounts receivable

The main items concern the expected insurance settlement in connection to shopping centre 't Loon, loan provided to buyer shopping centre Zug (€3.6

million), prepaid costs 2013 for an amount of €4.2 million, corporate income tax (€1.6 million) and rental income overdue for an amount of €4.5 million.

## 12. Shareholders' equity

The number of issued shares remained unchanged during the reporting period.

The company set and distributed the following dividends:

- Final dividend Q4 2012: €0.11 per share;
- Interim-dividend Q1 2013: €0.10 per share;
- Interim-dividend Q2 2013: €0.09 per share;

## 13. Interest-bearing debts

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

	2013	2012
Balance on 1 January	1,147,319	1,259,837
Drawdowns	31,835	30,043
Redemptions	- 118,723	- 136,382
Exchange-rate differences	- 828	1,077
<b>Balance on 30 September</b>	<b>1,059,603</b>	<b>1,154,575</b>
Redemption requirement long-term debts up to 1 year	143,552	306,644
<b>Balance on 30 September</b>	<b>916,051</b>	<b>847,931</b>

Remaining maturities of the loans at 30 September 2013 was as follows:

	Fixed interest	Variable interest	Total
Up to 1 year	28,263	115,289	143,552
From 1 to 2 years	-	43,177	43,177
From 2 to 5 years	216,034	648,118	864,151
From 5 to 10 years	-	8,722	8,722
More than 10 years	-	-	-
<b>Total loans</b>	<b>244,297</b>	<b>815,306</b>	<b>1,059,603</b>

The interest-bearing debts are predominantly loans from banks and a €75 million Belgian bond with an average remaining maturity of 2.6 years. The weighted average interest on outstanding mortgages and interest-rate swaps at 30 September 2013 was 5.3% per annum including margin. The interest coverage ratio amounted to 2.1 as at 30 September 2013.

As collateral for the loans and the current account facilities at the banks, mortgages are registered on real estate with a value of €1,279.6 million, together with a possessory lien on the rental income in some cases.

## 14. Financial derivatives

### *At fair value valued Financial derivatives*

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

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

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

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



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

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

The derivative financial instruments have the following maturities:

	Number of contracts	Nominal	Positive market value	Negative market value
Up to 1 year	6	65,000	-	1,561
From 1 to 5 years	34	649,704	-	44,126
From 5 to 10 years	4	99,300	-	12,489
<b>Total swaps</b>	<b>44</b>	<b>814,004</b>	<b>-</b>	<b>58,176</b>
Total derivatives				
index loans	2	54,000	429	-
<b>Total derivatives</b>	<b>46</b>	<b>868,004</b>	<b>429</b>	<b>58,176</b>

NSI limits its interest-rate risk by swapping the majority of the variable interest it pays on its loans into a fixed interest rate, by means of contracts with fixed interest rates varying from 2.14% to 4.61% and with maturity dates between 2014 and 2022. The market value of the financial derivatives amounted to €57.7 million as at 30 September 2013.

The weighted average remaining maturity of the financial derivatives is 3.2 years. NSI is hedged at a weighted interest rate of 3.1%, excluding margin. 6.7% of the current loans and credit facilities are subject to variable interest and are therefore not hedged.

## 15. Deferred tax liabilities

Deferred tax liabilities are recognized at nominal value for the corporate income tax payable in future periods that arise because of the differences between market value and value for tax purposes of the properties in Switzerland.

## 16. Other accounts payables and accrued liabilities

The largest items recognized under the other payables and accrued liabilities concern prepaid rent of €12.9 million, payable operational costs of €9.9 million and payable interest of €8.5 million.

## 17. Liabilities not appearing in the balance sheet

### Divestments

NSI sold and transferred the office property Pérolles 2000 in Fribourg (Switzerland) on 4 October 2013. The sales price amounted to CHF9.7 million.

*Management Board*

J. Buijs, *CEO*

D.S.M. van Dongen, *CFO*

*Supervisory Board*

H.W. Breukink, *chairman*

H.J. van den Bosch

G.L.B. de Greef

## Other information

### Statement pursuant to the Financial Supervision Act

The Netherlands Authority for the Financial Markets granted a licence to NSI N.V. on 13 July 2006. A copy of this license can be obtained at the company's office as well as via its website: [www.nsi.nl](http://www.nsi.nl)

The members of NSI's Supervisory Board and Management Board have no personal interests in any of the investments made by NSI. Furthermore, they never had any such interest at any time during the period under review. The company is not aware of any property transactions during the period under review with any people or organisations that could be considered to have a direct relationship with the company.

### Holders of shares with a capital interest of 5% or more:

In accordance with the Financial Supervision Act, the Netherlands Authority for the Financial Markets received a notification of a shareholder with an interest of more than 5% in the company. According to the most recent notification, this interest was as follows: Habas Investments (1960) Ltd. and its subsidiaries (20.5%). The date of the notification mentioned above was 18 December 2012.

## Management Board Statement

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The Management Board states that, as far as they are aware:

- this interim report, which has been prepared in accordance with IAS 34 "Interim Financial Reporting", gives a true and fair view of the assets, liabilities, the financial position and the results of NSI and the companies included in the consolidation as a whole;
- the interim report provides a true and fair view on the condition as at the balance sheet date and the course of business during the half year under review of NSI N.V. and the related companies of which the data have been included in the interim statement, and the expected course of business; and
- the interim report includes a true and fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

As described in detail in the annual report 2012, NSI's business is exposed to certain risks. NSI considers the credit risk, liquidity risk, interest risk and currency risks as financial risks.

### *Financial risks*

Due to a higher awareness of financing partners in relation to real estate related risks, in combination with the overall economic situation and changing regulations (Basel III/ Solvency II), NSI notes a general decreased availability of real estate financing in the market. Processes of refinancing take significantly longer to complete. Margins and bank costs have been rising substantially since the beginning of the crisis as a result of aforementioned trends. However, NSI refinanced more than €850 million of its Dutch outstanding debt over the last six quarters. The process regarding refinancing debt that is due to mature in 2014 (approx. €100 million) has started.

Loan covenants tend to become more restrictive and are more intensively monitored for the effects of real estate valuations, property sales and developments in vacancy rates.

Negative revaluations lead to a lower solvency and a higher LtV. By doing additional repayments, the loan covenants can be met. Additional repayments may result in pressure on the liquidity of the company. Through adjustment of the dividend policy and selling off real estate this can be managed. Selling off real estate and the related net rental income, in combination with increasing financing costs, lead to pressure on the interest ratio.

The intended equity issue will strengthen the solvency and liquidity position, lowers the LtV as a result of reducing debt, which lead to lower financing costs and an improved interest ratio.

*Market risks*

Market risks include changes in the economic environment and availability of funding in the credit markets, which is partially related to the euro crises, which may effect both the letting prospects as well as the market value of the properties. Market circumstances led to high negative revaluations of real estate in the preceding periods and it is uncertain when this will change.

Our risks are being monitored on a continuous basis.

Hoofddorp, 8 November 2013

*Management Board*

J. Buijs, *CEO*

D.S.M. van Dongen, *CFO*

## Review report

To the General Meeting of shareholders of NSI N.V.

### Introduction

We have reviewed the accompanying, on page 17 to page 30, condensed consolidated interim financial information as at 30 September 2013 of NSI N.V., Hoofddorp (statutory seat Hoorn), which comprises the consolidated statement of financial position as at 30 September 2013, the consolidated statement of comprehensive income for the period of 3 months and 9 months ended 30 September 2013, the consolidated statement of movements in shareholders' equity and the consolidated cash flow statement for the period of 9 months ended 30 September 2013 and the notes. Management of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### Scope

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We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 September 2013 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 8 November 2013  
KPMG Accountants N.V.

H.D. Grönloh RA