Interim report Q2 2014

Highlights

Update strategy

- In the light of the asset rotation strategy 5 assets have been sold in the Netherland for €8.3 million in total

Retail NL

- The occupancy rate of the retail portfolio improved from 83.9% as per 31 March 2014 to 87.7%,
- Effective rent level new leases was €163 per sqm in the 1st half-year of 2014, compared with an average level of €187 for the total retail portfolio

Offices NL

- The occupancy rate of the Dutch office portfolio improved from 71.7% as per 31 March 2014 to 72.6%
- Office asset Point West (7,500 sqm) leased out to Shi Hotel Group. The asset will be transformed into a hotel.
- Like-for-like rent development was -1.6% negative
- Effective rent level was €129 per sqm in 1st half-year of 2014, compared with an average level of €148 for the total Dutch office portfolio

HNK

- The roll-out of the flexible full service concept HNK progresses according to plan, 7 HNK in operation as per year-end 2014:
  - ✓ HNK Amsterdam-Houthavens and HNK Groningen have been opened in Q2 2014
  - ✓ HNK Den Haag and HNK Apeldoorn scheduled for opening in October 2014 and respectively December 2014
- Gross rental income from HNK increased to €1.9 million in the 1st half-year of 2014.
  - ✓ HNK represents 7% of gross rental income of Dutch office portfolio
  - ✓ Like-for-like growth of 9.7% in the 2nd quarter 2014 compared with the 1st quarter 2014

Belgium

- The occupancy rate of the portfolio of Intervest Offices & Warehoudes was 84.8% (31 March 2014: 84.5%) due to a slight increase in the office portfolio and a slight decline in the logistics portfolio
- Intervest Offices & Warehouses renewed leases representing 16% of the gross rental income
- Intervest Offices & Warehouses successfully placed bonds for a total amount of €60 million in April 2014.

Results (x € 1,000)	HY 2014	*Per share(x€)*	HY 2013	*Per share (x €)*	2013	*Per share (x €)*
Gross rental income	67,003		73,612		144.564	
Net rental income	54,854		62,466		121.791	
Direct investment result	24,489	0.17	25,471	0.37	46.272	0.61
Occupancy rate (in %)	79.7		81.5		79,5	
Loan-to-value (in %)	47.8		58.9		45.4	
(Interim-) dividend		0.13		0.19		0.28

Johan Buijs, CEO van NSI:

"With our strategy, announced in February, we focus on creating value through active management and improving the quality of the portfolio through asset rotation. The first non-core asset sales are the first steps in the execution of this asset rotation strategy.

The sale of non-core assets remains one of our priorities. At the same time we see that the investment market continues to pick up. The number of transactions is increasing, also in the mid-segment at realistic price levels. Also given the level of revaluations we have taken now, we will start to focus on acquisitions as well.

The letting market remains challenging. Nevertheless, we are cautiously optimistic that the rental levels of new leases are stabilizing in the retail portfolio. The office market continues to demonstrate that our strategy is right. Given the oversupply in this market, offering the right proposition is key, as our HNK concept proves; HNK achieved an organic growth of almost 10%. The rollout of HNK is obviously also one of our priorities. '"

Strategic progress
The strategy of NSI is focused on operational excellence and transforming the current portfolio into a high quality core portfolio and a “value add” portfolio. In order to put management time and capital at work in the most efficient way, non performing assets will be divested to reinvest the released capital into high quality core products or in “value-add” properties that can support the roll out of HNK.

The execution of this ‘asset rotation’ strategy will decrease the risk and increase the occupancy and quality of the portfolio, while maintaining a strong balance sheet. NSI sold 5 assets in the running year, including both non-core assets and value-add asset of which the value was optimised.

As previously indicated, NSI has a prudent acquisition strategy in view of its balance sheet. The level of negative revaluations taken in the 1st half of 2014, and the increasing number of transactions taking place in the mid-segment at realistic price levels, show that the time has come to take advantage of acquisition opportunities. Possible acquisitions must have the potential to evolve to the core portfolio or should support the further roll-out of HNK.

The roll-out of the flexible full service leasing concept HNK to 20 assets, as defined in the strategic targets for 2016, is progressing. There will be 7 HNK’s in operation as per year-end. As per 30 June 2014, HNK’s generate 7% of the gross rental income of the Dutch office portfolio.

Outlook 2014
The Dutch economy is showing cautious growth. Also consumer spending turned positive after years of decline to a marginal growth of 0.1%. Consumer confidence is gaining since the summer of 2013, but is still sub-zero. For 2014 the Dutch economy is expected to grow slightly by 0.75%.

The letting market remains relentlessly challenging, as also demonstrated by the earlier stated expectation of NSI that the rental income will decrease in 2014, but will be offset by lower financing costs. For 2014, NSI expects the direct result to be at least equal to the direct result in 2013 (€46.3 million).

Leasing activities

Offices NL

Leases started (sqm) in HY 2014	Vacated (sqm) in HY 2014	Expired (sqm) in HY 2014	Renewed (sqm) in HY 2014	Retention rate in HY 2014	Financial occupancy as per 30 June 2014	Take-up/ supply ratio[2]
9,980	16,254	54,748	37,468	68%	72.6%	9%

The occupancy rate increased to 72.6% compared with 71.7% as per 31 March 2014 (year-end 2013: 72.1%), mainly as a result of the sale and reclassification of a number of non-core assets (approx. 15,000 sqm).

NSI signed 6,311 sqm of new leases (take-up) in the Dutch office portfolio in the 2nd quarter, totalling the total take up in the 1st half-year to 11,030 sqm, which represents 2.3% of the total take-up in the Dutch office market[1] while NSI's portfolio represents 1.2% of the total market. The take-up/supply ratio[2] was 9%.

In the remaining months of 2014 13% of the contracts can expire. The peak in the remaining expirations is formed by a number of larger contracts, including contracts with the Central Government Real Estate Agency (RGD) and ProRail, which will expire at year-end.

The retention rate amounted to 68% in the first half year of 2014.

The effective rent level of new leases, taking incentives into account, amounted to €120 per sqm over the last 12 months (€129 per sqm in the first half of 2014). The effective rent level for the overall Dutch office portfolio amounted to €148 per sqm as per 30 June 2014 (31 March 2014: €143 per sqm). The average lease duration of the portfolio was 3.7 years as per 30 June 2014.

HNK

The roll-out of the HNK concept is progressing according to plan. HNK Den Haag, comprising approx. 15,000 sqm, is scheduled for opening in October 2014. HNK Apeldoorn (approx. 14,000 sqm), for which the first leasing contracts have been signed already, is expected to open in December 2014. This brings the total HNK assets in operation on 7 as per year-end 2014, comprising 75,000 sqm in total (12% of the Dutch office portfolio).

The HNK assets continue to perform well. The occupancy rates were 55.6% in HNK Rotterdam 73.3% in HNK Hoofddorp and 58.5% in HNK Utrecht. HNK Amsterdam Houthavens has been opened in March 2014 and HNK Groningen in May 2014. These buildings were already managed with a 'multi-tenant' approach, resulting in occupancy rates of 83.3% (Amsterdam Houthavens) and 63.7% (Groningen).

The gross rental income from HNK amounted to €1.9 million in the 1st half-year of 2014, representing 7% of the gross rental income of the Dutch office portfolio. The gross rental income of HNK showed an organic growth of 9.7%in the 2nd quarter of 2014 compared with the 1st quarter of 2014.

NSI invested €1.4 million in HNK in the 1st half-year of 2014, bringing the current cumulative investments in the HNK roll-out to €7.8 million, out of the total 3-years investment plan of €31.0 million.

[1] Take-up Dutch office market amounted to 486,000 sqm in the 1st half-year 2014 (source: DTZ)

[2] Recalculated on annualized basis

Retail NL[3]

Leases started (sqm) in Hy 2014	Vacated (sqm) in HY 2014	Expired (sqm) in HY 2014	Renewed (sqm) in HY 2014	Retention rate in HY 2014	Financial Occupancy as per 30 June 2014
12,004	10,169	37,745	27,889	74%	87.7%

The retail climate in the Netherlands shows an improving trend, but remains challenging. After years of decline in consumer spending, the trend turned into a marginal positive growth of 0.1% in May 2014. Consumer confidence is gradually improving since the summer of 2013, but is still sub-zero.

The occupancy rate of the retail portfolio improved from 83.9% as per 31 March 2014 to 87.7% as per 30 June 2014 (year-end 2013: 87.8%). The contract with Primark in shopping center Zuidplein effectuated mid June 2014, after that NSI adapted the retail unit to the requirements of Primark.
NSI realized several new lettings in the 1st half-year of 2014, amongst other in shopping centre In de Bogaard, where German fashion brand Gerry Weber and foodchain Subway have opened a store.

In the remaining months of 2014, 3% of the contracts can expire.

The effective rent level of new leases, taking incentives into account amounted to €163 per sqm in the first half of 2014. The effective rent level for the overall Dutch retail portfolio amounted to €186 per sqm as per 30 June 2014. The average lease duration of the portfolio increased from 4.1 to 4.2 years as per 30 June 2014.

The redevelopment of the Zuiderterras, part of the shopping centre Zuidplein in Rotterdam, is progressing according to plan. In parallel with the work being done for the Primark store, works have been done to adjust the ground floor and to modernise the parking facilities. Also the rebuilding of shopping centre 't Loon is on schedule. The newly built area for the new store of C&A has been delivered in June 2014, and will be opened after the fitting out by C&A in September. Subsequently, the existing area will be renovated and merged with the newly built area, after which the new store is planned to be opened in March/April2015

Belgium

The occupancy rate of the portfolio of Intervest Offices & Warehouses increased slightly to 84.8% as per 30 June 2014 (31 March 2014: 84.5%, 31 December 2013: 85.0%), due to a slight increase in the office portfolio to 82.6% (31 March 2014: 81.9%, 31 December 2013: 82.3%) and a slight decrease in the logistic portfolio to 90.2% (31 March 2014: 90.7%, 31 December 2013: 91.3%).

The letting activities in the 1st half of 2014were mainly focused on renewals. In total, contracts representing 16% of the annual gross rental income have been renewed. Intervest Offices & Warehouses renewed leases with 3 of its top ten largest tenants; the contract with Hewlett Packard Belgium (13,574 sqm in Mechelen Business Tower), representing 6% of the annual rental income, has been renewed until 2025 (break options in 2019 and 2022), the contract with Nike Europe (50,912 sqm in Herentals Logistics 2), representing 5% of the annual rental income, has been renewed until 2018 and 2019, and the first break option in the contract with CEVE Logistics Belgium (24,721 sqm in Boom Krekelenberg), representing 3% of the annual rental income, has been extended until 2016.

The average lease duration of the Belgian office portfolio was 3.8 years an of the logistics portfolio 4.5 years as per 30 June 2014.

[3] NSI previously reported retail and large scale retail as one segment. Given the strategic focus, NSI will now report the retail segment separately.

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Financial report

Total investment result
The total investment result, consisting of the balance of the direct and the indirect investment result, amounted to -€69.0 million in the 1st half-year of 2014(1st half-year 2013: -€ 43.3 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 determining its dividend.

The direct investment result amounted to €24.5 million (HY 2013: €25.5 million) in the 1st half-year of 2014 as a result of lower net rental income, largely offset by lower financing costs.

Gross rental income amounted to €67.0 million (HY 2013: € 73.6 million), amongst other due to the sale of assets (€3.2 million).

The occupancy rate of the total portfolio increased to 79.7% as at 30 June 2014, compared to 78.5% as at 31 March 2014 (year-end 2013: 79.5%).

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

	Hy 2014	Hy 2013
The Netherlands		
Gross rental income	47,005	52,560
Net rental income	36,573	42,011
Switzerland		
Gross rental income	-	1,018
Net rental income	-27	859
Belgium		
Gross rental income	19,998	20,034
Net rental income	18,308	19,596

In the Netherlands, the net rental income was influenced by a one-off in the service costs (final settlement), higher letting costs and an increase in administrative costs.
In Belgium the net rental income 2013 included refurbishment fees from departing tenants (€0.5 million).

Gross rental income HY 2013 up to HY 2014

x €1,000	HY 2013	Purchases	Disposals	Organic growth	HY 2014
the Netherlands					
Offices	28,376	-	- 334	- 466	27,576
Retail	16,565	-	- 1,327	- 1,683	13,555
Large-scale retail	3,345		-	- 645	2,700
Industrial	4,112	-	362	- 696	3,054
Residential	162	-	- 42	-	120
Total	52,560	-	- 2,065	- 3,490	47,004
Switzerland					
Offices	202	-	- 202	-	-
Retail	816	-	- 816	-	-
Total	1,018	-	- 1,018	-	-
Belgium					
Offices	12,504	-	-	- 210	12,293
Industrial	7,530	-	- 90	264	7,705
Total	20,034	-	- 90	54	19,998
Total NSI	73,612	-	- 3,173	- 3,436	67,003

The organic (like-for-like) rental development of the retail portfolio was significantly impacted by redevelopments in shopping centres Zuidplein and ‘t Loon. The impact of the strategic early termination of the contract with MediaMarkt Saturn, to be able to facilitate Primark, was approx. -€0,5 million. The impact of shopping centre ’t Loon in the organic growth was approx. -€0.8 million. The effect of 2 bankruptcies (Free Record Shop and De Block) was approx.-€0.1 million.
A contract with a tenant in the home furniture market was terminated (-€0.1 million) in the retail portfolio, even as in the large scale retail portfolio, of which the combined effect with a temporary rent reduction amounted to -€0.5 million. The organic growth in the industrial portfolio reflects the expiration of a large contract, after which the asset will be sold. Furthermore, the contract with the largest tenant (Menlo) in this segment has been renewed.

The effective rent level of new leases is below the rent level of expiring contracts in both the retail and the office portfolio. The effective rent level of new leases in the retail portfolio amounted to €163 per sqm in the 1st half-year of 2014, compared to an average rent level of €186 per sqm in the total retail portfolio. The effective rent level of new leases in the Dutch office portfolio amounted to €120 per sqm over the last 12 months, compared to an average rent level of €148 per sqm in the total Dutch office portfolio.

Gross rental income Q1 2014 up to Q2 2014

x €1,000	Q1 2014	Purchases	Disposals	Organic growth	Q2 2014
the Netherlands					
Offices	13,854	-	- 5	- 128	13,721
Retail	6,849	-	-	- 142	6,707
Industrial	1,522	-	-	- 345	1,177
Large-scale retail	1,587	-	- 2	- 117	1,468
Residential	69	-	- 18	-	51
Total	23,881	-	- 25	- 732	23,124
Belgium					
Offices	6,134	-	-	25	6,159
Industrial	3,854	-	-	12	3,850
Total	9,988	-	-	37	10,009
Total NSI	33,869	-	- 25	- 695	33,133

On a quarterly basis, the organic growth development was mainly impacted by the strategic early termination of the contract with MediaMarkt Saturn, to be able to facilitate Primark (approx. -€0.1 million) and a temporary rent reduction, with retroactive effect over two quarters, with a large tenant in large scale retail (approx. -€0,35 million).

Service costs not recharged to tenants (€2.9 million) increased in the 1st half of 2014, compared with the 1st half of 2013 (€2.4 million) also due to final settlements related to preceding years (€0.2 million).

The increase in operating costs to €9.2 million in the 1st half of 2014 (1st half-year 2013: €8.8 million) mainly reflects the intensified efforts required to acquire new tenants and the necessity to invest in upgrading properties. Furthermore, 2013 includes the positive effect of the refurbishment fees in Belgium .

The administrative costs increased to €3.8 million in the 1st half-year (1st half-year 2013: €3.1 million).

Financing costs significantly decreased in the 1st half-year to €21.3 million compared with the 1st half-year of 2013 (€29.7 million), following the debt redemption and improved interest rates following the equity placement in November 2013. This is partly being offset by temporarily slightly higher financing costs in Belgium as result of the bond issued in April 2014.

Indirect investment result

The indirect investment result for the 1st half-year of 2014 amounted to €93.5 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 (-€90.0million) and the interest hedging instruments (-€3.9 million).

The realised revaluations include the result on sales (-€0.7million) of an industrial asset, an office asset and 48 residential units in the Netherlands and the sale of a semi-industrial asset in Belgium. On average, the properties were sold 9.2% below book value, mainly due to the sale of the Belgian asset. The Dutch properties were sold around book value.

The negative value of the derivatives increased as result of the lower rates.

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 downward revaluation of the Dutch office portfolio in the 1st half-year of 2014 was -€87.4 million (1st half-year of 2013: €83.6 million). The value of the Dutch office portfolio decreased by €59.5 million in the 1st half-year due to persisting pressure on market rents and yields. The revaluation in the Dutch retail portfolio amounted to -€22.4 million, mainly as a result of pressure on yields.

The revaluation in the Belgian portfolio was - €2.1 million in the office portfolio and -€0.4 million in the industrial portfolio.

Revaluation results of properties in the Netherlands (x €1,000)

	HY1 2014	HY2 2013	HY1 2013	HY2 2012	HY1 2012	2011*	2010*	2009*
Offices	-59,510	- 68,951	- 62,707	- 55,847	- 46,243	-31,400	- 21,435	-37,875
Retail	- 22,371	- 25,395	- 13,417	- 6,110	- 5,194	- 72	- 668	- 4,058
Large-scale retail	- 6,159	- 7,689	- 3,595	- 3,535	- 1,585	- 550	- 511	- 3,862
Industrial	650	- 7,178	- 3,845	- 4,612	- 1,482	- 1,351	- 2,416	- 5,504
Residential	-	- 490	- 85	- 25	- 130	135	- 1,747	44
Total	-87,390	- 109,703	- 83,649	- 70,129	- 54,634	- 33,238	-26,777	- 51,255

*) In accordance with IFRS the figures prior to the merger with VNOI (over the period 2008- 1st three quarters of 2011) have not been amended and represent only NSI. As of the 4th quarter of 2011 all results of NSI and VNOI are fully consolidated.

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

	HY 2014	2013	2012	2011
Offices	- 2,126	- 19,308	- 21,899	2,555
Industrial	- 445	20,513	7,946	- 6,126
Total	- 2,572	1,205	- 13,953	- 3,571

EPRA Yields in % at 30 June 2014 and 31 December 2013

The EPRA Net Initial yield is calculated as annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable operating and service costs, divided by the market value of the property, increased with (estimated) purchasers' costs.

The EPRA Topped-up Net Initial Yield is calculated as an adjustment to the EPRA NIY in respect of the expiration of rent free periods (or other unexpired lease incentives).

	EPRA net initial yield (%) 30-06-2014	EPRA topped up NI yield(%) 30-06-2014	EPRA net intitial yield(%) 31-12-2013	EPRA topped up NI yield(%) 31-12-2013
Offices	7.1	7.3	6.4	6.6
Retail	5.9	5.9	5.6	5.6
Large-scale retail	7.5	7.5	6.9	6.9
Industrial	7.7	7.7	8.1	8.1
Residential	-	-	5.5	5.5
The Netherlands	6.7	6.9	6.3	6.4
Belgium	6.4	6.7	6.3	6.7
Total	6.6	6.8	6.3	6.5

Balance sheet and financing

The value of the real estate investments amounted to €1,722.7 million on 30 June 2014 (ultimo 2013 €1,808.8 million). This is the result of the balance of investments, disposals and revaluations.

The loan-to-value (LtV) increased to 47.8% as per 30 June 2014 compared with year-end 2013 (45.4%), which is a significant improvement compared to 30 June 2013 (58.9%) due to the debt reduction after the equity placement in November 2013. NSI is committed to maintain the LtV level below 50%.

Debts to credit institutions amounted to €823.1 million as per 30 June 2014 (ultimo 2013: €821.9 million).

Intervest Offices & Warehouses successfully placed 2 bonds for a total amount of €60 million, with maturities of respectively 5 years (€25 million, interest rate 3.430%) and 7 years (€35 million, interest rate 4.057%), expiring respectively on 1 April 2019 and 1 April 2021. The proceeds have been used to repay temporary committed bank facilities. These bonds will replace the current outstanding bond of 75 million with a coupon of 5.1%, which will be repaid on 29 June 2015. Until then, the financing costs will be temporarily higher.

In the Netherlands, 2 financing agreements for in total €43 million with Pfandbrief banks were extended in Q1 2014. A €23 million loan was extended until July 2016 and a €20 million loan was extended until May 2017.

Equity

NSI's equity decreased to €847.8 million in the 1st half year of 2014 (ultimo 2013: €932.9 million), mainly as the result of the negative total investment result of €65.3 million and the final dividend 2013 (€19.8 million).

The number of outstanding shares remained unchanged in the 1st half of 2014. The net asset value (including deferred tax and the market value of the derivatives) amounted to €5.02 per share on 30 June 2014 (ultimo 2013: €5.59). 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 €5.31 per share on 30 June 2014 (ultimo 2013: €5.85).

Financial ratios

The funding available to the company under the committed credit facilities as at 30 June 2014 amounted to €210.5 million (ultimo 2013: €150.8 million).
The average remaining maturity of the loans improved from 2.2 to 2.3 years. The fixed interest part or the mortgaged loans increased from 82.4% (31 December 2013) to 88.8% as per 30 June 2014, mainly as result of the (temporary) redemption of bank facilities in Belgium as a result of the bond issued in April.

The average costs of debt funding (including margins) decreased from 4.8% as at year-end 2013 to 4.7% as per 30 June 2014. The average cost of debt is based on the current interest margins by quarter end, which does not reflect the average interest margin for the period. The interest coverage ratio amounted to 2.6 as per 30 June 2014 .

Interim dividend HY 2014

The interim-dividend for the 1st half-year of 2014 amounts to €0.13 per share in cash, which reflects a pay-out of 76% of the direct result, in accordance with the dividend policy of distributing at least 75% of the direct result, as adopted in the annual meeting of shareholders held at 26 April 2014. The dividend will be made payable on 20 August 2014.

Developments in the portfolio

The value of the real estate portfolio decreased by €86.1 million to €1,722.7 million in the first half of 2014 (year-end 2013: €1,808.8) This decrease is the result of revaluations of (- €90.0 million), disposals of (€7.5 million) and investments (€11.4 million.

Assets sold in the 1st half-year included an industrial asset (Tijnmuiden in Amsterdam), an asset (Max Euwelaan, Rotterdam) and 48 residential units (Zevenkampse Ring Rotterdam), meaning that NSI sold its last remaining residential units in its portfolio. In Belgium, a semi-industrial asset was sold (Riyadstraat, Meer).
On average, the assets have been sold 9.2% below the bookvalue, mainly as result of the sale of the Belgian asset.

After balance sheet date, NSI reached agreement regarding the sale of 2 office assets (Kobaltweg in Utrecht, approx. 10,000 sqm and Luchthavenweg in Eindhoven, approx. 2,000 m^2). The transactions have been completed in July 2014

NSI continues its efforts to divest assets that strategically no longer fit with its portfolio focus or of which the value potential has been optimised.

The most important investments included the roll out of HNK (€1.4 million), the redevelopment of Zuiderterras in Rotterdam (€ 2.8 miljoen) and the reconstruction of shopping centre 't Loon (€ 2,7 miljoen).

As at 30 June 2014, the portfolio consisted of 214 commercial properties, spread across:

	in %	x €1,000
Sector spread		
Offices	56	960,153
Retail	22	379,895
Large-scale retail	4	71,280
Industrial	18	311,416
Total real estate investments	100	1,722,744
Geographical spread		
The Netherlands	66	1,142,971
Switzerland	-	-
Belgium	34	579,773
Total real estate investments	100	1,722,744

Financial occupancy rate portfolio

The occupancy rate of the entire portfolio as at 30 June 2014 rose to 79.7% (31 March 2014: 78.5%, year-end 2013: 79.5%). Occupancy levels as at 30 June 2014 per sector were: 75.3% in offices, 85.9% in industrial premises and 88.1% in retail (including large-scale retail). Occupancy levels per country were: 77.6% in the Netherlands and 84.8% in Belgium.

Retail

The occupancy rate improved in both the retail portfolio (from 83.9% per 31 March 2014 to 87.7%), amongst other due to the contract with Primark taking effect, as well as in the large scale retail portfolio (from 85.1% per 31 March to 90.1% as per 30 June 2014) as a result of a new lease with a home furniture store.

Offices

The occupancy rate in the total office portfolio increased to 75.3% as at 30 June 2014 (31 March 2014: 74.4%). The occupancy rate in the Dutch office portfolio improved from 71.7% (31 March 2014) to 72.6%, as result of the sale and reclassification of three office assets. The occupancy rate of the Belgian office portfolio improved from 81.1% (31 March 2014) to 81.8% as per 30 June 2014.

Industrial/logistics
The occupancy rate in the total logistics portfolio decreased to 85.9% as at 30 June 2014 (31 March 2014: 87.4%) as result of the decline of the occupancy rate in the Dutch industrial portfolio from 80.4% (31 March2014) to 76.7%. The occupancy rate of the Belgian portfolio decreased slightly from 90.7% to 90.2%.

The theoretical gross annual rental income per segment in the Netherlands and Belgium per 30 June 2014:
(x €1,000)

	The Netherlands	Belgium	Total
Offices	80,715	32,994	113,709
Retail	32,268	-	32,268
Large-scale retail	7,258	-	7,258
Industrial	8,545	18,037	26,582
Total	128,786	51,031	179,817

The annualized contractual rental income from the real estate portfolio as at 30 June 2014 amounted to €143.2 million (31 March 2014: €143.1 million, 30 June 2013: €151.9 million).

Financial key figures

	30-06-2014	30-06-2013	2013
Results (x €1,000)			
Gross rental income	67,003	73,612	144,564
Net rental income	54,854	62,466	121,791
Direct investment result	24,489	25,471	46,272
Indirect investment result	- 93.487	- 68,721	- 180,345
Result after tax	- 68.998	- 43,250	- 134,075
Occupancy rate (in %)	79.7	81.5	79.5
Balance sheet data (x €1,000)			
Real estate investments	1,722,744	1,948,626	1,808,768
Shareholders' equity	847,790	735,400	932,915
Shareholders' equity attributable to NSI shareholders	719,272	609,269	801,159
Net debts to credit institutions (excluding other investments)	823,139	1,148,577	821,854
Loan-to-value (debts to credit institutions/ real estate investments in %)	47.8	58.9	45.4
Issued share capital (in shares)			
Ordinary shares with a nominal value of €0.46 during period under review	143,201,841	68,201,841	143,201,841
Average number of outstanding ordinary shares during period under review	143,201,841	68,201,841	75,804,581
Data per average outstanding ordinary share (x €1)			
Direct investment result	0.17	0.37	0.61
Indirect investment result	- 0.65	- 1.00	- 2.38
Total investment result	- 0.48	- 0.63	- 1.77
Data per share (x €1)			
(Interim-) dividend	0.13	0.19	0.28
Net asset value	5.02	8.93	5.59
Net asset value according to EPRA	5.31	9.85	5.85
Average stock-exchange turnover (shares per day, without double counting)	130,485	187,169	199,858
High price	5.04	7.00	7.00
Low price	4.18	4.86	4.51
Closing price	4.60	4.92	4.60

Consolidated direct and indirect investment result
(x €1,000)

		HY 2014		HY 2013
Gross rental income		67,003		73,612
Service costs nog recharged to tenants	-	2,926	-	2,364
Operating costs	-	9,223	-	8,782
Net rental income		54,854		62,466
Financing income		123		156
Financing costs	-	21,328	-	28,340
Administrative costs	-	3,777	-	3,087
Direct investment result before tax		29,872		31,195
Corporate income tax	-	67	-	66
Direct investment result after tax		29,805		31,129
Direct investment result attritutable to non-controlling interest	-	5,316	-	5,658
Direct investment result		24,489		25,471
Revaluation of real estate investments	-	89,961	-	79,996
Elimination of rental incentives		473		863
Net result on sales of real estate investments	-	684	-	813
Movements in market value of financial derivatives	-	3,859		17,589
Exchange-rate differences		31	-	73
Allocated management costs	-	1,130	-	1,273
Indirect investment result before tax	-	95,130	-	63,703
Corporate income tax		-	-	61
Indirect investment result after tax	-	95,130	-	63,764
Indirect investment result attributable to non-controlling interest		1,643	-	4,957
Indirect investment result	-	93,487	-	68,721
Total investment result	-	68,998	-	43.,50
Data per average outstanding share (x €1)				
Direct investment result		0.17		0.37
Indirect investment result	-	0.65	-	1.00
Total investment result	-	0.48	-	0.63

Condensed consolidated interim financial information

30 June 2014

Consolidated statement of comprehensive income
(x €1,000)

	note		HY2014		HY 2013
Gross rental income			67,003		73,612
Service costs recharged to tenants		9,078		9,959	
Service costs		- 12,004		- 12,323	
Service costs not recharged to tenants			- 2,926		- 2,364
Operating costs	6		- 9,223		- 8,782
Net rental income	4		54,854		62,466
Revaluation of investments			- 89,488		- 79,133
Net result on sales of investments	7		- 684		- 813
Total net proceeds from investments			- 35,318		- 17,480
Administrative costs	8		- 4,907		- 4,360
Financing income		154		156	
Financing costs		- 21,328		- 28,413	
Movements in market value of financial derivatives		- 3,859		17,589	
Net financing result			- 25,033		- 10,668
Result before tax			- 65,258		- 32,508
Corporate income tax	15		- 67		- 127
Result after tax			- 65,325		- 32,635
Exchange-rate differences on foreign participations			-		- 1
Total non-realised result			-		- 1
Total realised and non-realised result			- 65,325		- 32,636
Result after tax attributable to:					
NSI shareholders			- 68,998		- 43,250
Non-controlling interest			3,673		10,612
Result after tax			- 65,325		- 32,638
Total realised and non-realised result attributable to:					
NSI shareholders			- 68,998		- 43,251
Non-controlling interest			3,673		10,615
Total comprehensive income			- 65,325		- 32,636
Data per average outstanding share (x €1)					
Diluted as well as non-diluted result after tax			- 0.48		- 0.63

Consolidated statement of financial position

Before proposed profit appropriation HY 2014
(x €1,000)

	Note	30-06-2014	31-12-2013	30-06-2013
Assets				
Real estate investments	9	1,722,744	1,808,768	1,940,428
Intangible assets		8,450	8,481	8,464
Tangible assets		2,704	2,865	3,821
Financial derivatives	13	44	234	448
Total fixed assets		1,733,942	1,820,348	1,953,161
Assets held for sale		-	-	8,198
Debtors and other accounts receivable	10	15,889	14,291	27,481
Cash		6,849	13,204	14,400
Total current assets		22,738	27,495	50,079
Total assets		1,756,680	1,847,843	2,003,240
Shareholders' equity				
Issued share capital		65,872	65,872	31,372
Share premium reserve		923,435	923,435	657,912
Other reserves		- 201,037	- 54,073	- 29,945
Retained earnings		- 68,998	- 134,075	- 50,070
Total shareholders' equity attributable to shareholders		719,272	801,159	609,269
Non controlling interest		128,518	131,756	126,131
Total shareholders' equity	11	847,790	932,915	735,400
Liabilities				
Interest-bearing loans	12	648,210	707,300	923,945
Financial derivatives	13	40,894	36,857	62,509
Deferred tax liabilities		-	-	156
Total long-term liabilities		689,104	744,157	986,610
Redemption requirement long-term liabilities	12	155,287	106,579	157,961
Financial derivatives	13	258	517	394
Debts to credit institutions		26,491	21,179	81,071
Other accounts payable and deferred income	14	37,750	42,496	41,804
Total current liabilities		219,786	170,771	281,230
Total liabilities		908,890	914,928	1,267,840
Total shareholders' equity and liabilities		1,756,680	1,847,843	2,003,240

Consolidated cash flow statement

(x €1,000)

	note		30-06-2014		30-06-2013
Result after tax			-65,325		-32,635
Adjusted for:					
Revaluation of real estate investments		89,961		79,996	
Net result on sales of investments	7	684		-813	
Book profit on divestment tangible fixed assets		-11		-	
Net financing expenses		25,033		10,688	
Corporate income tax		-67		-127	
Depreciation		267		329	
Cash flow from operating activities			115,867		90,073
Movements in debtors and other accounts receivable	10		-1,587		-5,566
Movements in other liabilities, accrued expenses and deferred income			-3,605		1,341
Financing income			123		156
Financing expenses			-22,416		-31,690
Tax paid			143		119
Cash flow from operations			23,200		21,798
Purchases of real estate and investments in existing properties	9		-11,404		-6,899
Proceeds of sales of real estate investments			6,783		85,027
Investments in tangible fixed assets			-89		-401
Divestments of tangible fixed assets			25		3
Cash flow from investment activities			-4,685		77,730
Dividend paid			-19,800		-21,744
Costs related to optional dividend			-		-8
Drawdown of loans	12		66,190		12,571
Redemption of loans	12		-76,572		-77,007
Cash flow from financing activities			-30,182		-86,188
Net cash flow			-11,667		13,340
Exchange-rate differences			-		-899
Cash and debts to credit institutions as of 1 January			-7,975		-79,112
Cash and debts to credit institutions as of 30 June			-19,642		-66,671

Consolidated statement of movements in shareholders' equity

(x €1,000)

The development of the item shareholders' equity over the 1st half year ending at 30 June 2014 was as follows:

	Issued share capital	Share premium reserve	Other reserves	Retained earnings	Total share-holders' equity attributable to shareholders	Non-controlling interest	Total share-holders' equity
Balance as of 1 January 2014	65,872	923,435	- 54,073	- 134,075	801,159	131,756	932,915
Result HY 2014	-	-	-	- 68,998	- 68,998	3,673	- 65,325
Exchange-rate differences on foreign participations	-	-	-	-	-	-	-
Total realised and non-realised results HY 2014	-	-	-	- 68,998	- 68,998	3,673	- 65,325
Distributed final dividend 2013 in cash	-	-	- 12,889	-	- 12,889	- 6,911	- 19,800
Profit appropriation 2013	-	-	- 134,075	134,075	-	-	-
Total contributions by and to shareholders	-	-	- 146,964	134,075	- 12,889	- 6,911	- 19,800
Situation as of 30 June 2014	65,872	923,435	- 201,037	- 68,998	719,272	128,518	847,790

The development of the item shareholders' equity per over the 1st six months ending at 30 Juni 2013 was as follows:

	Issued share capital	Share premium reserve	Other reserves	Retained earnings	Total share-holders' equity attributable to shareholders	Non-controlling interest	Total share-holders' equity
Balance as of 1 January 2013	31,372	657,912	80,683	- 103,117	666,850	122,938	789,788
Result HY 2013	-	-	-	- 43,250	- 43,250	10,615	- 32,635
Exchange-rate differences on foreign participations	-	-	- 1	-	- 1	-	- 1
Total realised and non-realised results HY 2013	-	-	- 1	- 43,250	- 43,251	10,615	- 32,636
Distributed final dividend 2012 in cash	-	-	- 7,502	-	- 7,502	- 7,422	- 14,924
Profit appropriation 2012	-	-	- 103,117	103,117	-	-	-
Distributed interim-dividend 2013 in cash	-	-	-	- 6,820	- 6,820	-	- 6,820
Costs related to optional dividend	-	-	- 8	-	- 8	-	- 8
Total contributions by and to shareholders	-	-	- 110,627	96,297	- 14,330	- 7,422	- 21,752
Situation as of 30 June 2013	31,372	657,912	29,945	- 50,070	609,269	126,131	735,400

Notes to the condensed consolidated interim financial statements

1. Reporting entity

NSI N.V. is a company domiciled in The Netherlands (headquartered in Hoofddorp , statutory seat in Amsterdam). These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and joint ventures.

2. Basis of preparation

(a) 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 2013.

These interim financial statements were authorised for issue by the Company's Management and Supervisory Board on 6 August 2014

(b) Judgements and estimates

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

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013.

3. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014. The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements and Changes in IAS 32 Financial instruments: Presentation – offsetting financial assets and liabilities. As required by IAS 34, the nature and the effect of these changes are disclosed below. Several other new standards and amendments applicable for the first time in 2014 However, these do not have an impact, or do not have a material impact, on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard/amendment is described below:

IFRS 10 Consolidated Financial Statements

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. This amendment did not have an impact on the consolidation of the entities.

IFRS 10, IFRS 12 and IAS 27 Investment entities
The changes provide for an exception to the consolidation rules in IFRS 10 and require that investment entities measure specific subsidiaries at fair value via the income statement and not through consolidation of these subsidiaries. The changes also include disclosure requirements for investment entities. This amendment has no impact on the Group's financial position or performance.

IFRS 11 Joint arrangements
IFRS 11 replaces IAS 31 Interests in joint ventures that are jointly controlled. Under IFRS 11 the structure of the joint agreements is still an important, but no longer the most important factor for determining what type of joint agreement applies and how this agreement then has to be recognised.

- The share of the group in a joint activity, being an agreement by which parties have rights to the assets and have primary obligations arising from the liabilities, must be recognised on the basis of the group's share in these assets and liabilities.
- The share of the group in a joint venture, being an agreement by which parties have rights to net assets, must be recognised using the equity method.

The Group is not involved in a joint arrangement.

IFRS 12 Disclosure of interests in other entities
IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

IAS 28 Investments in Associates and Joint Ventures
As a result of the new IFRS 11 and IFRS 12 the name of IAS 28 has changed to IAS 28 Investments in Associates and Joint Ventures. This describes the application of the equity method for investments in joint ventures and associates. This improvement has no impact on the Group's financial position or performance.

Changes in IAS 32 Financial instruments: Presentation – offsetting financial assets and liabilities
The changes explain the criterion that an entity "has a legally enforceable right of set-off of the stated amounts". It also explains the application of the set-off systems on clearing systems (such as systems with a central clearing institution) that do not simultaneously apply gross clearing mechanisms. This change does not affect NSI, because the Group does not offset financial instruments.

4. Segment information

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

Per country	The Netherlands		Switzerland		Belgium		Total	
	HY 2014	HY 2013	HY 2014	HY 2013	HY 2014	HY 2013	HY 2014	HY 2013
Gross rental income	47,005	52,560	-	1,018	19,998	20,034	67,003	73,612
Service costs not recharged to tenants	- 2,520	- 1,949	-	-	- 406	- 415	- 2,926	- 2,364
Operating costs	- 7,912	- 7,594	- 27	- 159	- 1,284	- 1,029	- 9,223	- 8,782
Net rental income	36,573	43,017	- 27	859	18,308	18,590	54,854	62,466
Revaluation results	- 87,163	- 83,043	-	- 142	- 2,325	4,052	- 89,488	- 79,133
Net result on sales	- 95	- 1,847	-	- 1,081	- 589	2,115	- 684	- 813
Segment result	- 50,685	- 41,873	- 27	- 364	15,394	24,757	- 35,318	- 17,480
Reconciliation								
Administrative costs	- 3,924	- 3,418	- 10	- 129	- 973	- 813	- 4,907	- 4,360
Net financing costs	- 18,769	- 7,243	-	- 170	- 6,264	- 3,255	- 25.033	- 10,668
Result before tax	- 73,384	- 52,534	- 37	- 663	8,157	20,689	- 65,258	- 32,508
Corporate income tax	- 6	- 68	21	- 10	- 82	- 49	- 67	- 127
Result after tax	- 73,384	- 52,602	- 16	- 673	- 8,075	20,640	- 65,325	- 32,635
Non-controlling interest	-	-	-	-	- 3,673	- 10,615	- 3,673	- 10,615
Investment income attributable to shareholders NSI	- 73,384	- 52,602	- 16	- 673	4,402	10,025	- 68,998	- 43,250

Per country	The Netherlands		Switzerland		Belgium			Total
	30-06-2014	30-06-2013	30-06-2014	30-06-2013	30-06-2014	30-06-2013	30-06-2014	31-12-2013
Real estate investments	1,142,971	1,358,754	-	7,886	579,773	581,987	1,722,744	1,948,627
Other assets	21,922	41,035	3,843	1,531	8,028	11,590	33,793	54,156
Non-allocated assets	-	-	-	-	-	-	143	457
Total Assets							1,756,680	2,003,240
Long-term liabilities	532,480	747,109	-	156	156,624	239,345	689,104	986,610
Current liabilities	70,413	199,885	409	5,823	148,865	74,422	219,687	280,130
Non-allocated liabilities	-	-	-	-	-	-	99	100
Total liabilities							908,890	1,267,840
Purchases and investments in existing properties	9,112	3,985	-	143	2,292	2,771	11,404	6,899

5. Exchange-rate differences

As at 30 June 2014, the exchange rate for the Swiss franc was: CHF1 = €0.82203 (30 June 2013: €.0.81050 and 31 December 2013 €0.81460).

6. Operating costs

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

	HY 2014	HY 2013
Municipal taxes	2,068	1,844
Insurance premiums	390	380
Maintenance costs	1,716	1,865
Contributions to owner's asscociations	414	204
Property management (including attributed administrative expenses)	2,345	2,576
Letting costs	1,562	1,131
Other costs	728	782
Total	9,223	8,782

7. Net result on sales of investments

	HY 2014	HY 2013
Sales of real estate investments	6,899	85,533
Book value at time of sale	7,467	84,214
Total	- 568	1,319
Sales costs	- 116	- 2,132
Total	- 684	- 813

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:

	HY 2014	HY 2013
Management costs	6,234	6,221
Audit costs	217	176
Consultancy costs	423	302
Appraisal costs	258	202
Compensation of Supervisory Directors, members of the Investments Advisory Board	175	131
Other costs	322	271
Total	7,629	7,303
Allocated to operating costs	- 2,572	- 2,713
Allocated to real estate portfolio	- 150	- 230
Total	4,907	4,360

9. Real estate investments

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

	HY 2014	HY 2013
Real estate investments in operation	1,709,318	1,918,978
Real estate investments under development	13,426	21,450
Total	1,722,744	1,940,428

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 fair value 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. Effective from 1 January 2014, NSI appraises its Dutch portfolio two times a year externally - approximately 50% of the portfolio as at 30 June and 50% as at 31 December. These valuations are compared with the internal valuations and analysed with regard to the methods and assumptions used and the results. Internal valuations are based on a consistent and uniform method, in terms of both time and country. These valuations are part of an integrated ERP system that links up with letting registers and other supporting business data.

Per 30 June 2014, 66.1% 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 at arms' length transaction preceded by sound negotiations in which the parties are properly informed and were willing to enter into the transaction.

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 table below summarises the valuation technique which is used for determining the fair value, as well as the significant unobservable inputs being used.

Valuation technique	Significant non-observable input	Interrelationship between significant unobservable inputs and measurement of the fair value
Net Initial Yield calculation. The valuation model considers the present value of cash flow from investments, taking into account the expected increases in rent levels, periods of vacancy, the occupancy rate, letting costs, such as rent-free periods and other rent incentives not being paid by the tenant. The expected net cash flows are discounted using a risk-adjusted discount rate. In estimating the discount rate, among other things , the quality and location of the object, the creditworthiness of the tenant and the lease conditions are taken into account.	• Forecasted growth of the market rent (1%). • Periods of vacancy (on average 12 months after termination of a lease agreement). • Improved occupancy rate (weighted average 79.7%). • Rent-free period. • EPRA Net Intital yield (average 6.6%)	The estimated fair value would increase (decrease) if: • The expected growth of market rent were higher (lower) • The periods of vacancy were shorter (longer). • The occupancy rate were higher (lower) • The rent-free periods were shorter (longer). • EPRA Net Intital Yield is lower (higher)

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 EPRA net Initial yield as of 30 June 2014 was 6.6% (31 December 2013: 6.3%). The EPRA net Initial Yields were 6.7% for the Netherlands (2013: 6.3%) and 6.4% for Belgium (2013: 6.3%). The yields are specific to the country, real estate type, location, state of repair and leas ability of the object. The basis for determining the yields are comparable transactions supplemented with market and property-specific knowledge. Comparable transactions in the market were also taken into account in the valuation.

The most important valuation assumptions are:

	The Netherlands		Belgium	
	HY 2014	2013	HY 2014	2013
Average effective contractual rent per m² (in €)				
Offices	145	144	135	135
Retail	151	152	-	-
Industrial	67	64	46	46
Residential (per apartment) per month	-	591	-	-
Average market rent per m² (in €)				
Offices	119	122	142	142
Retail	143	145	-	-
Industrial	56	59	49	49
Residential (per apartment) per month	-	549	-	
Average gross yield (in %)	11.3	10.7	8.8	8.8
Average net yield (in %)	8.8	9.0	8.1	8.2
Vacancy	22.4	22.7	15.2	15.0

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 8.5% (2013: 8.5%). If the yields applied in the calculation to determine the valuation of real estate investments as per 30 June 2014 would be 100 basis points lower than those currently used, the value of the real estate investments would increase by 13.3% (2013: 13.4%). NSI's equity would in this case increase by €228.8 million (2013: €242.0 million. The loan-to-value would then decrease from 47.8% to 42.2% (2013: 40.1%). In case the net yield would have been 100 basis points higher, the opposite would apply.

Real estate investments in operation

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

	The Netherlands	Belgium	Total 30-06-2014	The Netherlands	Belgium	Total 30-06-2013
Balance on 1 January	1,215,519	582,059	1,797,578	1,437,009	583,860	2,020,869
Investments	9,112	2,292	11,404	3,947	2,771	6,718
Reclassification into real estate investments under development	- 3,271	-	- 3,271	- 8,040	-	- 8,040
Reclassification into assets held for sale	-	-	-	-	-	-
Sales	- 4,840	- 2,627	- 7,467	- 10,190	- 12,402	- 22,592
Revaluations	- 86,355	- 2,571	- 88,926	- 83,222	5,245	- 77,977
Balance on 30 June	1,130,165	579,153	1,709,318	1,339,504	579,474	1,918,978

The valuations contain:

	The Netherlands	Belgium	Total 30-06-2014	the Netherlands	Belgium	Total 30-06-2013
Prepayment and accrued income in relation to incentives	7,077	3,937	11,014	7,318	4,439	11,757

The development of the investments in operation by real estate type was as follows:

	Retail	Offices	Industrial	Residential	Total 30-06- 2014
Balance on 1 January 2014	473,960	1,006,707	313,161	3,750	1,797,578
Investments	5,745	4,722	937	-	11,404
Reclassification into real estate investments under development	-	- 2,671	- 600	-	- 3,271
Sales	-	- 830	- 2,887	- 3,750	- 7,467
Revaluations	- 28,530	- 60,601	205	-	- 88,926
Balance on 30 June 2014	451,175	947,327	310,816	-	1,709,318

On 30 June 2014, properties with a book value of €1,108.8 million (ultimo 2013: €1,194.7 million) were mortgaged as security for loans taken out and credit facilities at banks amounting to €577.3 million (ultimo 2013: €604.4 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.

Real estate investments under development	30-06-2014	30-06-2013
Balance on 1 January	11,190	15,245
Investments	-	38
Reclassification of real estate investments in operation	3,271	8,040
Revaluations	- 1,035	- 1,873
Balance on 30 June	13,426	21,450

Real estate investments under development contain five offices, one industrial and two land positions per 30 June 2014.

10. Debtors and other accounts receivable

The main items concern the expected insurance settlement in connection to shopping centre ‘t Loon, prepaid costs 2014 for an amount of €4.3 million, corporate income tax (€1.6 million) and rental income overdue for an amount of €4.4 million.

11. Shareholders’ equity

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

12. Interest-bearing debt

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

	30-06-2014	30-06-2013
Balance on 1 January	813,879	1,147,319
Drawdowns	66,190	12,571
Redemptions	- 76,462	- 77,007
Amount classified as amortisation Deutsche Bank financing	- 110	- 977
Balance on 30 June	803,497	1,081,906
Redemption requirement long-term debt up to 1 year	155,287	157,961
Balance on 30 June	648,210	923,945

Remaining maturities of the loans at 30 June 2014 was as follows:

	Fixed interest	Variable interest	Total
Up to 1 year	75,900	79,387	155,287
From 1 to 2 years	113,606	131,228	244,834
From 2 to 5 years	70,768	287,130	357,898
From 5 to 10 years	41,478	4,000	45,478
More than 10 years	-	-	-
Total loans	301,752	501,745	803,497

The interest-bearing debt comprises predominantly loans from banks and a €135 million Belgian bonds with an average remaining maturity of 2.3 years. The weighted average interest on outstanding mortgages and interest-rate swaps at 30 June 2014 was 4.7% per annum including margin. The interest coverage ratio amounted to 2.6 as at 30 June 2014.

	fixed interest	variable interest	total loans	credit institutions	swaps (variable for fixed i)	% fixed interest after swaps	interest %
The Netherlands	160,787	367,318	528,105	48,750	346,625	88.0%	4.9%
Belgium	140,964	134,428	275,392	12,950	120,000	90.5%	4.2%
Total 30 June 2014	301,751	501,746	803,497	61,700	466,625	88.8%	4.7%
Total 31 December 2013	244,211	569,668	813,879	486,625	486,625	82.4%	4.8%

13. Financial derivatives

At fair value valued Financial derivatives

The categories of financial instruments in accordance with IAS 39 are: A. assets and liabilities, B. loans and receivables, C. financial assets available for sale, D. cash and cash equivalents and E. financial liabilities.

The carrying amount of financial instruments and fair value in the balance sheet were as follows:

	Note	IAS 39 category	Book value	30-06-2014 Fair value
Financial assets				
Assets held for sale		A	-	-
Debtors and other accounts	10	B	15,889	15,889
Cash		D	6,849	6,849
Total			22,738	22,738
Financial liabilities				
Interest-bearing debt	12	E	803,497	807,403
Financial derivatives	13	A	41,152	41,152
Current liabilities	14	E	64,241	64,241
Total			908,890	912,796

Fair value hierarcy

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

Level 1: valuation on the basis of quoted prices in active markets;
Level 2: values based on (external) observable information;
Level 3: values based wholly of 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 periodically tested for reasonableness by discounting expected future cash flows using a market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

The derivative financial instruments have the following maturities:

	Number of contracts	nominal	fair value assets 2014	fair value liabilities 2014
Up to 1 year	3	30,000	-	258
From 1 to 5 years	20	357,325	-	27,837
From 5 to 10 years	3	79,300	-	13,057
Total swaps	26	466,625	-	41,152
Total derivatives index loans	2	54,000	44	-
Total derivatives	28	520,625	44	41,152

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 1,2725% to 4,613% and with maturity dates between 2015 and 2022. The market value of the financial derivatives amounted to - €41.2 million as at 30 June 2014.

The weighted average remaining maturity of the financial derivatives is 3.4 years. NSI is hedged at a weighted interest rate of 3.1%, excluding margin. 5.3% of the current loans and credit facilities are subject to variable interest and are therefore not hedged.

14. Other payables and accrued liabilities

The largest items recognized under the other payables and accrued liabilities concern prepaid rent of €10.5 million, payable operational costs of €11.0 million and payable interest of €5.6 million.

15. Liabilities not appearing on the balance sheet

Disposals

By the end of June 2014, NSI reached agreement on the sale of the following:

- an office at de Luchthavenweg in Eindhoven (purchase price €1.9 million), transport on 1 July 2014;
- an office at de Kobaltweg in Utrecht (purchase price €1.5 million), transport op 1 July 2014.

Management Board Statement

The Management Board states that, as far as it aware that:

- 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 2013, NSI's business is exposed to certain risks. NSI considers the credit risk, liquidity risk, interest risk and currency risks as financial risks. Also market risks are being recognised.

Risks

Reference is made to the annual report 2013 with regards to existing 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.

Hoofddorp, 7 August 2014

Management Board
J. Buijs, *CEO*
D.S.M. van Dongen, *CFO*
M.R. Siezen, *COO*

Other information

Statement pursuant to the Financial Supervision Act
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 3% 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 3% in the company. According to the most recent notification, this interest was as follows:

Cohen & Steers Capital Management, Inc.	12.3%
Habas H.Z. Investments (1960) Ltd.	6.4%
CBRE Clarion Securities, LLC	5.9%
Mayer (kesher) Real Estate Ltd.	4.3%
BlackRock, Inc.	3.0%

Financial calendar 2014

Financial calendar 2014	
Trading Update Q3 results 2014	14 November 2014

Interim-dividends	
Setting of HY 2014 interim-dividend	8 August 2014
Listing ex-dividend	12 August 2014
Payment of HY 2014 interim-dividend	20 August 2014

Conference call for analysts
NSI will host a conference call and an audiocast for analysts and investors on 8 August at 11.30 CET.
You can listen to the call and ask questions by dialing, using participant code (36492844#) :
The Netherlands +31 (0)20 717 68 68
UK:++44 (0)20 3043 2442
US: +1 914 885 07 80
Israel (toll free) : 1 809 214 432

or login to the audiocast via: http://player.companywebcast.com/nsi/20140808_1/en/Player

Review report

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial information on page 14 to page 28, as at 30 June 2014 of NSI N.V., Hoofddorp (Statutory seat in Amsterdam), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statements of comprehensive income, the consolidated statement of movements in shareholders' equity, and the consolidated cash flow statement for the 6-month ended 30 June 2014, 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 interim financial information based on our review.

Scope

We conducted our review in accordance with the International Standard on Review Engagements 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 International Standards on Auditing 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 June 2014 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 7 August 2014

KPMG Accountants N.V.

H.D. Grönloh RA