Trading Update

Q3 2016

- Guidance direct result per share 2016 is maintained at €0.31- €0.33
- Security release on €450m in bank facilities effected at 1 September 2016
- Financial occupancy rate up 1.9% to 79.2% year-to-date
- Strategic update to be announced as part of the preliminary full year results on 14 February 2017

INDEX

Definitions

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

ERV
The estimated rental value (ERV) is the valuer's estimate of the open market rent that a property in its current state can be reasonably expected to achieve given its characteristics, condition, amenities, location and local market conditions.

Theoretical rent
The contractual rent for let space plus the ERV for vacant units.

Financial occupancy
Financial occupancy reflects the contractual rent of the occupied units as a percentage of the theoretical rent.

Net LTV
The loan to value ratio is calculated by expressing the balance sheet value of interest bearing debts plus short term debts to credit institutions, net of cash and cash equivalents, as a percentage of the total real estate investments, including assets held for sale.

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

G4
G4 refers to the locations Amsterdam, Den Haag, Rotterdam en Utrecht.

Financial calendar

Preliminary annual results 2016	14 February 2017

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NSI HIGHLIGHTS

Key financial metrics[1]

€k	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2015	Change
Revenues and Earnings			
Gross rental income	71,073	66,930	6.2%
Net rental income	53,625	50,213	6.8%
Total direct result	32,961	37,299	-11.6%
Total indirect result	-9,783	17,006	
IFRS Profit	23,178	54,306	
Earnings per share (€)	0.16	0.38	
Direct result per share (€)	0.23	0.26	-11.6%
Dividend (€)[2]	0.13	0.13	0.0%
EPRA earnings per share (€)	0.22	0.25	-11.1%
EPRA cost ratio A (%)[3]	35%	34%	1.0pp

€k	30 Sep 2016	31 Dec 2015	Change
Balance Sheet			
Investment property	1,211,970	1,203,464	5.9%
Net Debt	-521,368	-542,332	-3.9%
Equity	645,224	660,720	-2.3%
IFRS Equity per share (€)	4.51	4.61	-2.3%
EPRA NAV per share (€)	4.68	4.79	-2.2%
Net LTV (%)[4]	43.0%	43.2%	-0.2pp
Number of ordinary shares outstanding	143,201,841	143,201,841	
Weighted average number of ordinary shares outstanding	143,201,841	143,201,841	

Key portfolio metrics

			30 Sep 2016			31 Dec 2015
	Office	**HNK**	**Retail**	**Other[5]**	**Total**	**Total**
Number of properties	108	13	41	6	168	194
Market value (€m)	610	154	425	22	1,212	1,203
Annual contracted rent (€m)[6]	55	13	32	1	101	101
Lettable area (sqm)	456,866	127,232	271,906	21,715	877,719	973,882
Occupancy (financial)[7]	80.3%	65.5%	86.0%	50.1%	79.2%	77.3%
WAULT (years)	4.7	3.1	4.2	2.2	4.3	4.7
Average rent/sqm (€/p.a.)	161	171	140	96	159	144
EPRA net initial yield	6.5%	4.8%	5.8%	7.7%	6.0%	6.3%

[1] Based on unaudited Q3 2016 results, 2015 figures adjusted for deconsolidation of Intervest Office & Warehouses (IOW)
[2] Interim dividend (paid in August 2016)
[3] Including vacancy; 2015 excluding IOW
[4] During 2015 LTV was calculated including participation in IOW (€51.4m)
[5] Includes Industrial, Assets held for sale and one directly held Belgian asset
[6] Before rent free and other rent incentives
[7] Total including assets held for sale

CEO COMMENTS

NSI is changing. A new strategic plan is being developed. Ahead of this plan we have already started several initiatives to structurally lower the organisational cost base.

At 35% the EPRA cost ratio[8] is high compared to our European peers, even when considering the fact that the Dutch market in general and the type of assets in NSI's portfolio in particular are management intensive. The reclassification of IOW[9] as discontinued operation in H1 2016 and the subsequent sale of this stake has made this visible and a clear point of focus. The ratio is impacted by a high level of non-recoverable service charges and approximately €1.2m in one-off costs year-to-date.

Meanwhile, NSI continues to focus on improving the quality of its portfolio, in part through active asset rotation and investing in its assets and in part through increasing the occupancy rate (+0.3% in Q3). A further reduction in financing costs is also being pursued.

In addition NSI is investing in its future, in particular in IT. A data warehouse solution should be fully operational in H1 2017, further improving our management information systems, whilst the introduction of Salesforce to support the asset management and leasing teams will further improve our operational performance.

Changes in reporting

NSI is also changing the way it is reporting. Rather than waiting for the full year 2016 results release, we have already started to change the format and content of this quarterly report. Further details on financials and operational activities will be provided as part of the result releases going forward.

Real estate market

The Dutch property investment market is well underpinned by international investor demand. Investors are attracted by the positive economic outlook, improving consumer confidence, competitive yields and moderate risks in the prime market segment. Whilst most of the investor interest is in Amsterdam and the other G4 cities, we are noticing a growing interest for regional markets, where NSI still holds 46% of its assets.

In 2016 NSI has managed to increase its occupancy rate by 1.9% to 79.2%, even though like-for-like rents are still under pressure due to legacy over-renting effects. We expect a further improvement in our occupancy rate in Q4 2016 and in 2017.

Outlook

The guidance for the direct result is maintained at €0.31- €0.33 per share for 2016. A strategic update will be announced as part of the preliminary 2016 full year results.

Bernd Stahli

[8] EPRA cost ratio A, inclusief leegstand
[9] Intervest Offices & Warehouses

INCOME, COST AND RESULTS

Introduction

The direct result per share of 8.6 cent for Q3 2016 is on par with Q2 2016 (8.7 cent), despite one-off staff costs. For the nine months period the direct result is 23.0 cent, on track to meet the guidance of 31-33 cents per share for the full year.

Further one-off costs are expected in Q4 2016, including temporary staffing and higher IT costs, due to the introduction of a data warehouse system and other software systems.

The Q3 2016 indirect result includes a negative revaluation on assets that have been transferred to 'assets held for sale' and that have been marked at sales prices. NSI booked a small non-cash mark-to-market gain on its derivatives during the quarter. The -8.0 cent indirect result for the full nine month period mostly reflects the book loss on the disposal of the industrial portfolio in H1 2016.

Rents

Turnover for Q3 2016 is up to €24.2m (+3.3% vs Q2 2016), largely due to the acquisition of Glass House (€1.3m). On a like-for-like basis rents in Q3 are marginally down (-€0.4m), mostly due to higher lease termination fees released in Q2 2016. Adjusted for this effect rents were basically stable.

The turnover for the nine month period is €71.1m (+6.2% vs first 9 months 2015). The effects of Glass House, the Cobra portfolio (+€9.5m) and Ypsilon in Leiden are offset by disposals (-€4.6m) and a negative mark-to-market rent adjustment on the renewal of legacy leases at expiry (-€2.3m). This negative reversion breaks down in offices (-€1.9m), retail (-€1.5m) and HNK (€1.0m). The reduction in the net rent was limited to €-1.2m on a like-for-like basis as a result of cost efficiencies.

Service Costs

Non-recoverable service charges are down by circa €0.1m in Q3 2016 vs Q3 2015, largely due to a one-off release in 2015. These charges are substantially lower (€0.7m, -17%) for the nine month period 2016 vs 2015, in part due to rotation from assets with above average vacancies into assets with below average vacancy rates and in part due to cost savings.

Operating costs

Operating costs are flat in Q3 vs Q2 2016, even with the addition of Glass House to the portfolio. The operating margin is 77% adjusted for IFRIC21 effects[10], well ahead of the 75% margin in Q3 2015.

Letting fees are down in Q3 2016, mostly due to seasonality effects. Other costs include a write-down of one of the claims related to 't Loon (€154k). Doubtful debtors are historically low, at 25bps of turnover.

Administrative expenses

The €2m increase in admin costs to €6.1m for the nine month period 2016 (vs similar period in 2015) is largely due to costs related to the CEO change, restructuring costs, temporary staff and advisory fees.

A restructuring charge of around €600k was taken in Q3 2016 (Q2: €600k) to cover personnel changes, including eight redundancies . As per 30 September 2016 NSI has 79 employees (72.9 FTE).

Net financing expenses

Net interest expenses are down 21% (-€4m) year-to-date compared to first 9 months 2015 due to the disposal of the IOW stake, lower financing margins and lower swap costs.

The average cost of debt is down to 3.4% in Q3 2016 (vs 3.8% in Q2 2016), even when taking into account the 15bps margin widening on the bank facilities related to the security release associated with these facilities.

Revaluation of investment

The portfolio was not revalued in Q3 2016. A small negative revaluation in Q3 (-€0.5m) relates solely to the reclassification of three assets as 'assets held for sale'. These sales have completed in Q4 and were already marked in Q3 at sales prices (€10.7m).

A loss versus book value on a property on the Beukenlaan in Eindhoven (-€0.7m) is partly compensated for by disposals ahead of book on two smaller assets in Amsterdam and Utrecht.

Result on asset sales

The result on asset sales for the 3rd quarter was positive as a consequence of the sale of an office asset on the Kokermolen in Houten. Year-to-date the total sales result in the Netherlands is -€7m, mainly because of the sale of the industrial portfolio. This was partly compensated by a positive result on sale of land banks in Belgium (€1.5m) and Switzerland (€0.5m) in Q2.

Revaluation of derivatives

The derivatives portfolio showed a positive revaluation of €0.9m in Q3, as a consequence of shorter duration and a slight change in the yield curve. Year-to-date the impact is -€3.8m, primarily due to yield volatility post Brexit.

During Q3, €30m of short maturing derivatives were replaced by €50m of derivatives maturing in 2023. This forms part of our restructuring to align the derivatives portfolio with the new Berlin Hyp financing and the maturity/interest hedge strategy.

[10] Annual council tax, which usually is paid in Q1, is accounted for in the first quarter rather than spread over the year

Discontinued operations

NSI held a 50.1% majority stake in Intervest Offices & Warehouses (IOW) as per the end of 2014. This stake was reduced in 2015, whilst the remainder was sold in Q1 2016. Accordingly, this participation is deconsolidated as per H1 2016 and reported as separate line items in the income statement.

Post-closing events

On the 11th of October a fully vacant asset on the Kanaalweg in Utrecht was sold. On the 14th of October the sale of an empty property on the Strekkerweg 79 in Amsterdam was closed. The purchaser will convert the asset into apartments. On the 1st of November an office asset on the Beukenlaan in Eindhoven was sold. For the third quarter these assets are reported as assets held for sale.

Outlook

Direct result guidance is maintained at €0.31- €0.33 per share for 2016. The strategic update will be announced as part of the preliminary full year results on the 14th of February 2017 (post-close).

EPRA Earnings

€k	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2015
Rental income	71,073	66,930
Service costs not recharged	-3,404	-4,102
Operating costs	-14,044	-12,616
Net revenue from operations	53,625	50,213
Administrative expenses	-6,067	-4,109
Net financial expenses	-15,157	-17,867
Direct result before tax	32,401	28,237
Income tax expenses	-6	11
Direct result after tax	32,396	28,249
Discontinued operations	565	9,050
Direct result	**32,961**	**37,299**
Revaluation of real estate investments	-384	3,562
Elimination of rental incentives	-612	199
Net result on sales of real estate investments	-5,020	5,517
Movements in market value of financial derivatives	-3,683	6,707
Exchange-rate differences	-7	499
Allocated management costs	-1,128	-1,487
Discontinued operation (IOW)	1,053	2,009
Indirect result	**-9,783**	**17,006**
Total result	**23,178**	**54,306**
Direct result	**32,961**	**37,299**
Allocated management costs to indirect result	-1,128	-1,487
EPRA Earnings	**31,833**	**35,812**

REAL ESTATE PORTFOLIO

In Q3 NSI acquired one asset, Glass House in Amsterdam Sloterdijk, whilst one asset was sold, the Kokermolen in Houten. Three assets were transferred to assets held for sale and subsequently sold in the 4th quarter.

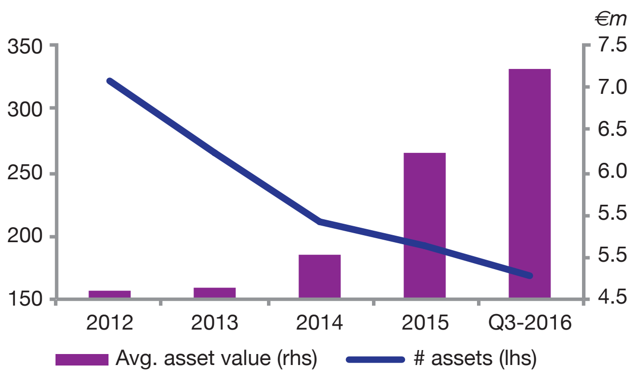
Portfolio split

	Number of assets	% assets	Value €m	% Value
Offices	108	64%	610	50%
HNK	13	8%	154	13%
Industrial	2	1%	10	1%
Retail	35	21%	356	29%
LSR	6	4%	68	6%
Investment properties	164	98%	1,200	99%
Total in development			1	0%
Total held for sale	4	2%	10	1%
Total portfolio	**168**	**100%**	**1,211**	**100%**

The share of offices and HNK has increased to 63% (Q4-15: 59.6%) due to recent disposals and acquisitions in the portfolio. The share of retail and large scale retail is 35% of the total portfolio value. Going forward we expect the exposure to offices relative to retail to increase.

At the end of Q3 the investment portfolio (excluding assets held for sale) consists of 164 assets with a market value of €1,200m. The effect of asset rotation is visible in the development of the average value per asset. In fact the effect is bigger when considering the write-downs of assets in recent years.

Development number of assets and asset size



Occupancy

The financial occupancy rate increased to 79.2% in the third quarter, an improvement of 1.9% versus the end of last year. In particular offices and HNK saw strong improvements. The disposal of the assets held for sale will have a positive impact of circa 0.7%.

The take-up/supply ratio[11] for the past 12 months was 9.3%. We expect the occupational market to continue to improve. This should result in further vacancy reduction next year. For smaller office assets with above average vacancy we are actively exploring opportunities for transformation.

Financial occupancy

	30-09-16	31-12-15
Offices	80.3%	76.7%
HNK	65.5%	59.6%
Retail	86.0%	84.4%
Other	50.1%	77.1%
Total	**79.2%**	**77.3%**

Net rent

Net like-for-like rental growth was -2,7% over the past 12 months. Negative like-for-like growth in the office portfolio was more than compensated for by strong growth in the HNK portfolio. The combination saw positive like-for-like net rental growth of 3.3%.

Net rent like-for-like

	Q3 2015 €m	Q3 2016 €m	Like-for-like	Retention rate
Offices	20.4	19.0	-6.7%	69.0%
HNK	3.1	5.3	69.7%	72.3%
Retail	16.7	14.9	-11.2%	78.0%
Other	4.6	4.5	-2.5%	na
Total	**44.8**	**43.6**	**-2.7%**	**73.5%**

The like-for-like was negatively influenced by €440k lower lease termination fees released in the first 9 months compared to the same period in 2015, in particular in the retail segment. The retention rate remains high (73.5%) as a result of pro-active management and a high service level.

EPRA Yields

The EPRA net initial yield of the portfolio is 6.0% per Q3 2016, circa 30bps lower than in Q4 2015. Negative like-for-like rental growth in 2016 and a high exit yield[12] on the Industrial portfolio (circa 9.5%) is in part compensated for by a high yield on the Glass House acquisition (11.3%).

EPRA net initial yield

	30-09-16	31-12-15
Offices	6.5%	6.8%
HNK	4.8%	4.6%
Retail	5.5%	5.8%
Large Scale Retail	7.1%	7.1%
Industrial	7.7%	7.7%
Total	**6.0%**	**6.3%**

In Q4 2016 an external valuation of the total portfolio will be conducted.

[11] Take-up in sqm as % of total vacant sqm 12 months ago
[12] Gross yield (GRI/ market value)

Offices

With the acquisition of the Cobra portfolio and Ypsilon in Leiden in Q3 2015 and Glass House in Q3 2016, the weight of the G4 and Amsterdam in the office portfolio has increased to 55.9% and 30.0% respectively.

Overview offices

	Sep 16	Jun 16	Dec 15
Number of properties	108	110	120
Market value (€m)	610	561	593
Annual contractual rent (€m)	55	50	55
Lettable area (sqm)	456,866	450,858	484,951
Occupancy	80.3%	78.8%	76.7%
WAULT (years)	4.7	4.9	5.1
Average rent (€/p.a.)	161	152	159
EPRA net initial yield	6.5%	6.5%	6.8%

In the current office market NSI continues to focus on further occupancy improvements.

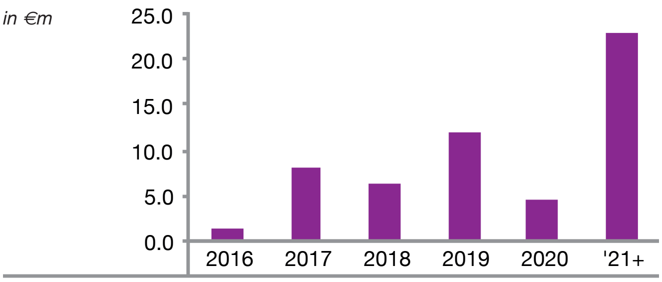
Key metrics offices split by location

	Value €m	EPRA NIY	Occupancy- (%)	WAULT (years)	Avg. Rent (€/m²)
G4	329	6.2%	88.5%	5.6	201
Other	282	6.8%	73.5%	3.8	135
Total	**610**	**6.5%**	**80.3%**	**4.7**	**161**

The like-for-like rental growth for the office portfolio stood at -6.7% by the end of Q3 2016. The Cobra portfolio and Ypsilon in Leiden are not yet included in the like-for-like for Q3.

The G4 portfolio is approximately circa 10% over-rented. This is reduced to 3.8% if we exclude the over-renting on the recently acquired Glass House building.

Annual expirations offices



	2016	2017	2018	2019	2020	'21+
Rent expiring	1.2	8.0	6.4	11.9	4.4	22.8
# Contracts	32	95	77	51	37	92

HNK

The HNK business continues on its positive trajectory in 2016. At the end of September 12 HNK centres are operational. The 13th HNK (Arena, Amsterdam) will open on 15 December 2016.

The potential to convert existing offices into HNK office assets is starting to run out. The focus will shift to optimising existing HNK assets and to acquire additional office assets specifically with the HNK concept in mind.

One of HNK's strength is NSI's ownership of the actual assets, as this provides the flexibility to convert the ground floor area to a lively 'social heart', enables quicker response times and provides more options to offer customised space to potential tenants.

Overview HNK

	Sep 16	Jun 16	Dec 15
Number of properties[13]	13	14	10
Market value (€m)	154	161	123
Annual contractual rent (€m)	13	13	9
Lettable area (sqm)	127,232	134,293	110,214
Occupancy	65.5%	62.2%	59.6%
WAULT (years)	3.1	3.1	3.5
Average rent (€/p.a.)	171	174	188
EPRA net initial yield	4.8%	4.6%	4.6%

The financial occupancy of the HNK portfolio has shown a strong increase to 65.5%.

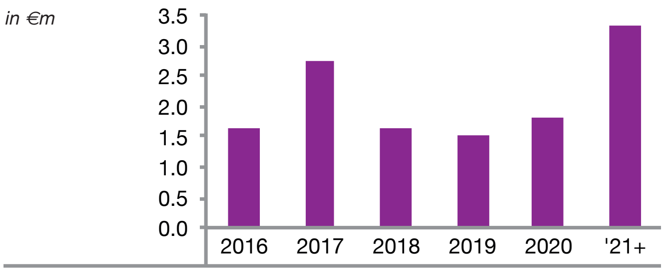
For those HNK's that have reached levels close to full occupancy (circa 90%), focus has shifted to actively improve pricing. This will result in lower incentives and increasing rent levels, in particular for 'managed offices' and 'tailor-made offices'.

In 2017 the target will be to improve the earnings capacity of existing HNKs with a focus on marketing and the introduction of a new online bookings system.

Next year we will start testing if certain service elements used at HNK can be introduced profitably in other parts of the more traditional office portfolio.

A relatively high number of short-term lease expiries in 2016 and 2017 is the consequence of the flexible nature of certain HNK lease contracts.

Annual expirations HNK



	2016	2017	2018	2019	2020	'21+
Rent expiring	1.6	2.8	1.6	1.5	1.8	3.3
# Contracts	142	151	51	38	30	48

[13] HNK Dordrecht, HNK Westblaak, Amsterdam Arena and one asset in Eindhoven were reclassified as HNK assets in H1 2016. The asset in Eindhoven was transferred to assets held for sale in Q3 2016.

Retail

NSI's retail portfolio consists of neighborhood shopping centers, part ownership of several large shopping centers, Large Scale Retail (Retail warehouse) and several (clustered) high street shops.

Overview Retail

	Sep 16	Jun 16	Dec 15
Number of properties	41	41	41
Market value (€m)	425	425	425
Annual contractual rent (€m)	32	32	32
Lettable area (sqm)	271,906	272,325	270,969
Occupancy	84.7%	86.6%	84.4%
WAULT (years)	4.2	4.3	4.8
Average rent (€/p.a.)	140	140	142
EPRA net initial yield	5.8%	5.9%	6.0%

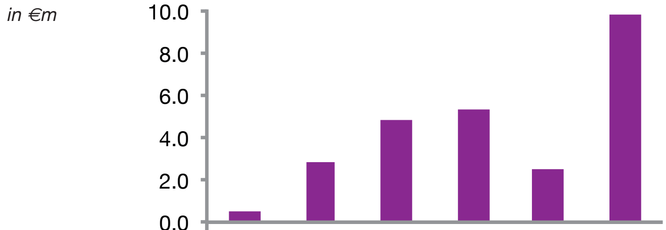
In what remains a polarised retail environment we note that neighbourhood shopping centres continue to offer a defensive cash flow and this appears to underpin the current strong investor demand for these assets.

For Large Scale Retail a recovery in the Dutch housing market is helping retailer profitability. It is one of the very few property sectors where the improvements in the occupational market dynamics are yet to be reflected in the investment market.

The re-development of 't Plateau in Spijkenisse has been completed successfully and on time in Q3 2016. For the extension of the Keizerslanden shopping center in Deventer €3.5m is invested in the 3rd quarter. Completion is scheduled for Q2 2018.

Easyshopping, NSI's website tool for neighborhood shopping centers in combination with additional marketing support gives retailers the possibility to actively connect to local consumers. Following a pilot in the neighborhood shopping center Zevenkamp the concept has been further developed and introduced in an adjusted form at 't Plateau in Spijkenisse.

Annual expirations retail



	2016	2017	2018	2019	2020	'21+
■ Rent expiring	0.5	2.9	4.8	5.3	2.6	9.8
# Contracts	69	90	102	84	57	110

FINANCING

In Q3 2016 the security on €450m committed bank facilities was released. Consequently only €157.5m out of €532.3m of debt facilities are mortgage backed (29.5%). According to the loan terms for going unsecured the margin on these facilities marginally increased (15bps).

Net debt at the end of September is €521.4m. The €72m increase compared to Q2 2016 (€449.4m) is mainly a result of the Glass House acquisition, the interim dividend (€18.5m) and the positive Q3 cash flow.

The average cost of debt in Q3 2016 dropped to 3.4% (3.8% in Q2 2016) as a result of a larger amount drawn on the RCF facilities, the favorable margin on the new Berlin Hyp financing (1.67% margin) and lower interest rate swaps despite the 15bps higher margin on the syndicated bank facility that is now unsecured.

The costs of swaps decreased to lower levels as costly derivatives (€30m) expired and new better-priced contracts were exchanged matching maturities of new financing facilities (€50m).

Despite lower margins total financing costs increased slightly in Q3 2016 (€0.2m) due to an increase in net debt.

Debt outstanding

Net debt September 2016

€m	Q3-16	Q2-16	Q4-15
Debt outstanding	532.3	462.6	567.3
Amortisation cost	-2.6	-2.8	-2.8
Book value debt	529.7	459.8	564.5
Cash	-8.4	-10.4	-22.3
Net debt	**521.4**	**449.4**	**542.3**

At the end of Q3 2016 NSI has undrawn committed credit facilities of €95m and extra uncommitted bank facilities of €50m.

Key financing metrics

	Q4-2013	Q1-2014	Q2-2014	Q3-2014	Q4-2014	Q1-2015	Q2-2015	Q3-2015	Q4-2015	Q1-2016	Q2-2016	Q3-2016
LTV	45.4%	44.9%	47.8%	47.8%	48.9%	44.9%	47.8%	36.6%	43.3%	40.1%	39.1%	43.0%
Avg. cost of debt	5.2%	5.1%	4.9%	4.8%	4.9%	4.8%	5.2%	5.2%	3.7%	3.8%	3.8%	3.4%
Avg. debt maturity (yrs)	2.3	2.2	2.1	1.9	1.7	1.4	4.6	4.3	3.9	3.7	4.2	3.8
Net Debt (€m)	544.9	541.6	540.1	547.4	538.1	501.6	394.4	402.3	542.3	483.2	449.4	521.4
Hedging ratio	63%	64%	64%	63%	64%	65%	85%	82%	73%	85%	86%	84%
Avg. swap maturity (yrs)	4.2	3.9	3.7	3.4	3.2	3.0	3.3	3.1	4.0	3.7	3.9	4.4
ICR	2.1x	2.6x	2.6x	2.6x	2.6x	2.6x	2.6x	3.1x	3.2x	2.9x	3.4x	3.5x

LTV and hedging

The LTV at the end of Q3 2016 reduced to 43,0% (versus 43,2% in Q4 2015). NSI has additional borrowing capacity, although the intention is to maintain a LTV below 45% to limit balance sheet risks.

At the end of September 2016 the average loan maturity is 3.8 year and the maturity of derivatives 4.2 years. The volume hedge[14] is 84,3% (max 100%), and the maturity hedge[15] 116,2% (max 120%).

Covenants

NSI complies to all its covenants. At the end of 2016 all assets will be externally valued to get a clearer view on the LTV.

In addition to the LTV covenant of 60% and the ICR covenant of 2.0x NSI has certain negative pledges related to the Axa financing.

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