# Annual Report 2015

## NSI NV

# General data

## Supervisory Board

H.W. Breukink, chairman
H.J. van den Bosch
G.L.B. de Greef
L.A.S. van der Ploeg
N. Tates, vice chairman

## Management Board

J. Buijs, CEO
D.S.M. van Dongen, CFO
Drs. A. de Jong, CIO

## General Meeting of Shareholders

The General Meeting of Shareholders will be held on Friday 29 April 2016 at 2:00 pm at HNK The Hague, Oude Middenweg 17. The agenda for this meeting is available from the company.

## Financial Calendar 2016

| Publications | |
|---|---|
| AGM | 29 April 2016 |
| Publication trading update first quarter 2016 | 12 May 2016 |
| Publication first half year results 2016 | 29 July 2016 |
| Publication trading update third quarter 2016 | 4 November 2016 |

| Dividend distribution | |
|---|---|
| Setting of final dividend for 2015 | 29 April 2016 |
| Listing ex-dividend | 3 May 2016 |
| Record date | 4 May 2016 |
| Payment of final dividend for 2015 | 12 May 2016 |
| Setting of interim dividend 2016 | 29 July 2016 |
| Listing ex-dividend | 2 August 2016 |
| Record date | 3 August 2016 |
| Payment of interim dividend 2016 | 9 August 2016 |

* In employment with NSI since 1 May 2015. Proposal for statutory appointment on AGM 2016 agenda.

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Message of the CEO Johan Buijs

# Looking back on a remarkable year

We can look back on a remarkable year. The valuations reached their turning point to our belief. The 2015 half-year results finally showed signs of this turnaround. That created the conditions needed to once again start thinking about growth. NSI seized that opportunity.

Entirely in line with its strategy, NSI made a significant improvement in the quality of its portfolio in 2015. We sold a large portfolio with Dutch office buildings for which we did not see sufficient potential. In addition, NSI freed up capital by reducing its interest in the Belgian Intervest Offices & Warehouses. A significant reinvestment quickly followed in October. In total, NSI purchased eight high-quality office buildings.

Our investments are more focused than ever. Exclusively in quality multi-tenant buildings of a minimum of 5,000 sqm. And exclusively in Dutch cities where knowledge and innovation have the upper hand. Aside from the 4 large cities, Leiden, Ede, Wageningen and Eindhoven are good examples. In total there are some 18 cities with a distinct local growth market. NSI only invests in these dynamic locations that will also be attractive as a place to work and live in 20 years' time.

We approach our shopping centres in the same selective manner. We believe in the power of the district shopping centre, with a good mix of discounters, full-service supermarkets and quality fresh food specialty shops. Where it is easy to park and you can quickly do your daily shopping. But where there is also a place to eat a sandwich and meet up with your neighbours. Our focus is on this type of shopping centre.

Although NSI's investments are increasingly more selective, we remain unabatedly flexible. With an open mind, NSI moves in tandem with the market and with the needs of today's tenant. This is where our strength really lies: to be open to change, to anticipate these changes and to continuously adapt our strategy accordingly.

This leads to innovative concepts, such as The New Office (HNK), which is NSI's strong suit. With HNK we create an environment where people like to be. This in turn increases the value of the HNK brand. With ten locations, HNK now makes up about 14% of the rental income of the total Dutch office portfolio of NSI..

We improved our direct investment result in comparison to last year, by means of solid operating results and a better financing structure. The strong commercial results with which NSI closed 2015 emphasise the strength of our approach. With new lettings of almost 50,000 sqm we achieved a strong increase compared to last year. NSI consequently started off the year 2016 full of confidence!

Johan Buijs
*Managing Director*

'Our investments are more focused than ever.'

# NSI significantly improves the quality of its portfolio

***What do you think as you look back on 2015?***

Johan Buijs: “It gives me a good feeling. We succeeded in considerably improving the quality of the portfolio and in significantly improving the investment result. After living through a period during which we were more or less at the mercy of the market, NSI once again took control in 2015. We made focused choices that are consistent with our strategy. We sold a poorly performing office portfolio and a large share of our equity interest in the Belgian IOW. This was followed by the purchase of the Cobra portfolio later in the year. We could not have timed Anne’s arrival any better. We were able to make good use of his expertise while preparing for this important purchase. A man with a great deal of knowledge of the Dutch real estate market.”
Daniel van Dongen: “I truly consider the acquisition of the Cobra portfolio a success. The teamwork between commerce and finance was essential in this respect. In 2014 and 2015, finance devoted a lot of effort on refinancing 80% of our loans. As a result we reduced financing charges by 20%. Furthermore, we succeeded in attracting 100 million euros from non-bank financiers and to incorporate a €250 million flexible buffer zone, which has increased our financial clout. The sale of our stake in Belgium subsequently gave us the room we needed to act. All of this was crucial to our negotiating position for this transaction. This enabled us to quickly switch gears. It is great to work together as a team on such a major purchase and to combine our collective know-how.”

***Anne, what was it like to join NSI in this dynamic environment?***

Anne de Jong: “I stepped into a moving train and was able to immediately apply my purchasing knowledge. I like what I found at NSI. A no-nonsense culture that appeals to me.

**The market continues to be challenging, yet NSI managed to improve its results in 2015. Furthermore, NSI took important steps in the implementation of its strategy. CEO Johan Buijs, CFO Daniël van Dongen and the new CIO Anne de Jong speak about how NSI is succeeding in seizing the opportunities that are presenting themselves.**

Good, authentic people and a strategy that makes sense. Something else that stands out at NSI is the high degree of creativity and entrepreneurship. All the ingredients needed to successfully conduct business are present."

### *What is the key focus in 2016?*

Johan Buijs: "Asset rotation is crucial and we therefore continue to concentrate on this. The persistently difficult market forces us to adopt a very clear strategy. In addition, continuously maintaining a sense of what the customer wants is essential. The office market has already changed a great deal. The success of the HNK concept demonstrates that NSI is succeeding in anticipating the newest demands of office users. Today, the retail market is in full motion. Although the retailer is our customer, we have to immerse ourselves in the consumer's needs at the same time. What does the consumer want to do online and what does the consumer want to do offline? This is difficult to predict. Yet we believe that our specific focus on district shopping centres is the right one. In recent months, newspapers once again were full of news about the bankruptcy of multiple retail chains. NSI's district shopping centres, that revolve around everyday shopping needs, consequently were barely touched by these bankruptcies.

NSI sees many similarities between offices and retail. We invest in good locations where people like to come and that are easily accessible, and that NSI is able to quickly adapt to the needs of the tenant. With HNK - which stands for 'The New Office' - we are building a brand. NSI is moving in the same direction with its shopping centres. We believe that shopping must first and foremost be easy: free parking, free WiFi, lots of service and offers that can be ordered online as well. This is why, in 2016, we will continue to work on the further evolution of the Easy Shopping retail concept."

Anne de Jong: “Continue to improve the occupancy rate. We want to reach an  occupancy rate of at least 80% in the office portfolio by the end of 2016. That is our ambition and I am convinced that we have the right approach to achieve this. Most definitely when you consider the volume new lettings in 2015; 50,000 m². This is four times better than the national average. The goal is to further differentiate ourselves. In terms of the quality of locations, our buildings and the services provided. This is what is key to our profession: knowing what the user wants and to anticipate this. Institutional investors in real estate are more remote, without active management. NSI owns the properties and performs the management in-house. As a result we know what our tenants are up against and what their needs are. NSI is on top of things.”

Daniel van Dongen: “In order to grow and implement our asset management strategy, we need to take a careful look at the financial implications of every investment and divestment, and our financing must be solid. Finance must be at the service of – and keep a grip on – the strategy and business operations. This goes together with clear communications. This is where I always keep my focus, and therefore in 2016 as well. If you look back on our plans for the past two years, you can almost literally check off all the items on our list. We have done what NSI promised we would do. As a result we closed the 2015 financial year with clearly better financial results and a healthy balance sheet. NSI is in a good position, but we are not ready yet by far. There is still a lot more to come.”

Daniël van Dongen
*CFO*

Johan Buijs
*CEO*

Anne de Jong
*CIO*

Chapter 1

# NSI at a glance

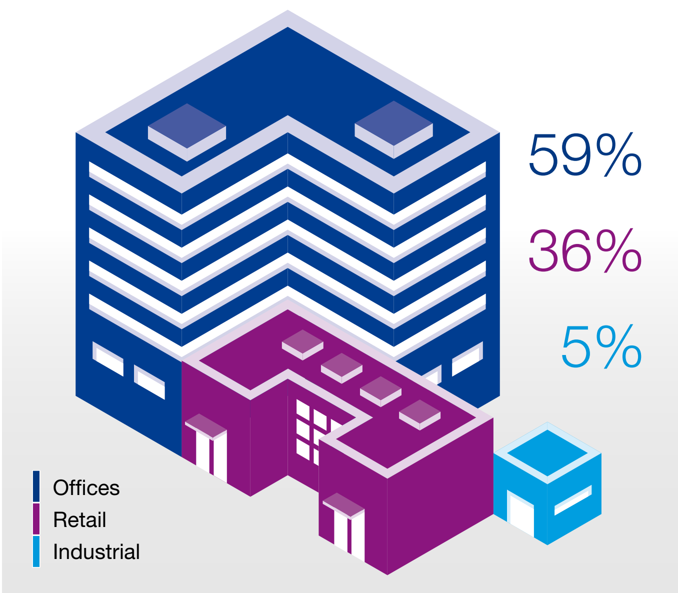
# NSI at a glance




General - NSI N.V. is a listed real estate company with €1.2 billion in invested capital.

Mission - Together with and for its customers, NSI creates inspiring environments to meet, work and do business.

*Division of real estate investments*




## Activities and Markets

NSI primarily invests in offices and retail located at high-quality and bustling sites in the Netherlands. In making its investments, NSI focuses on properties to which it can add value on the basis of its active management strategy and by means of asset rotation. NSI is an active landlord and manager of its own real estate portfolio. NSI manages a property portfolio valued at € 1.2 billion. In addition, NSI held an interest in the Belgian listed Intervest Offices & Warehouses; NSI reduced its interest in IOW from 50.2% to 15.2% in 2015. NSI sold the remaining interest in IOW in 2016.

In the office market, NSI differentiates itself on the basis of the HNK full-service and flexible accommodation concept (www.hnk.nl). HNK ('Het Nieuwe Kantoor' – which means 'The New Office') is a concept with workplaces, office areas and many services for any type of tenant, ranging from the self-employed worker without employees to multinationals, in an inspiring contemporary environment.

In the retail market, NSI focuses on shopping centres for everyday shopping needs in which consumer convenience, a comprehensive offer of products and services, excellent accessibility, facilities and high-quality service are key elements. NSI has incorporated these principles into its Easy Shopping concept (www.easyshopping.nl).

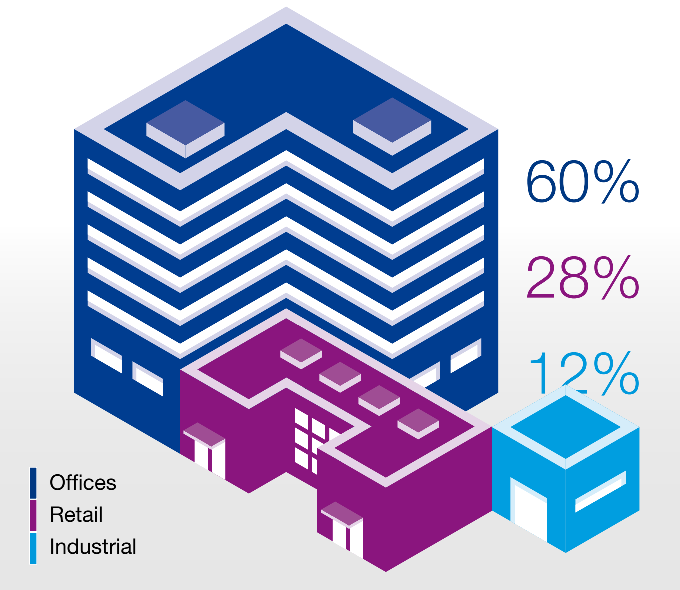
The industrial buildings portfolio (€61 million) was classified as held for sale as at 31 December 2015.

## Fiscal Structure

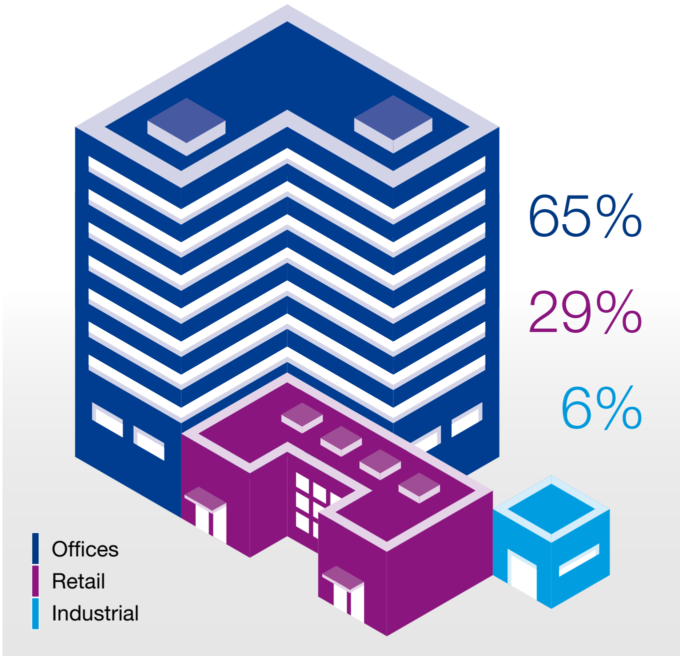
NSI is zero-rated for corporate income tax on its investment result, since it qualifies as a fiscal investment institution (FBI) in the sense of Article 28 of the 1969 Netherlands Corporate Income Tax Act (Wet Vpb 1969). The Act stipulates certain conditions for this, such as a limited ratio between debt and fiscal capital of at most 60%, maximum ownership of shares by one legal entity or natural person, and the obligation to pay out the total fiscal profit as dividends.

Effective 1 January 2014, new legislation went into effect that allows an FBI to perform enterprise-type business activities within certain limits. These activities must be carried out by a normal taxable subsidiary and must be of service to the operation of the FBI's own real estate.

*Division of square meters*




*Division of gross rental income*




## Stock Exchange Listing

Since 3 April 1998, NSI has been listed on the Official Market of the stock exchange maintained by Euronext N.V. in Amsterdam.

NSI gives everyone the opportunity to invest in a diversified, high-quality real estate portfolio by purchasing shares.

NSI's shares are listed on the Euronext Amsterdam stock exchange and registered under code 29232 (ISIN code: NL0000292324, ticker symbol 'NSI').

Options on the NSI share are traded via the Euronext Liffe financial options and futures exchange.

# Key figures

| | 2015* | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Results (x €1,000) | | | | | |
| Gross rental income | 113,835 | 133,599 | 144,564 | 160,545 | 119,964 |
| Net rental income | 91,324 | 109,160 | 121,791 | 137,334 | 101,497 |
| Direct investment result | 50,575 | 48,451 | 46,272 | 63,405 | 56,030 |
| Indirect investment result | 13,219 | - 185,348 | - 180,345 | - 166,522 | 6,675 |
| Result after tax | 63,794 | - 136,897 | - 134,075 | - 103,117 | 62,705 |
| Occupancy rate (in %) | 77.3 | 79.9 | 79.5 | 81.1 | 84.1 |
| Balance sheet data (x €1,000) | | | | | |
| Real estate investments | 1,203,465 | 1,668,176 | 1,808,768 | 2,106,091 | 2,321,813 |
| Shareholders' equity | 660,720 | 788,948 | 932,915 | 789,788 | 909,620 |
| Shareholders' equity attributable to NSI shareholders | 660,748 | 632,758 | 801,159 | 666,850 | 781,218 |
| Net debts to credit institutions (excluding other investments) | 542,332 | 815,483 | 821,854 | 1,226,432 | 1,329,166 |
| Loan-to-value (debts to credit institutions/ real estate investments and financial fixed assets in %) | 43.2 | 48.9 | 45.4 | 58.2 | 57.2 |
| Issued share capital (in shares) | | | | | |
| Ordinary shares with a nominal value of €0.46 as at 31 December | 143,201,841 | 143,201,841 | 143,201,841 | 68,201,841 | 60,282.917 |
| Average number of outstanding ordinary shares during period under review | 143,201,841 | 143,201,841 | 75,804,581 | 64,288,818 | 46,978.800 |
| Data per average outstanding ordinary share (x €1) | | | | | |
| Direct investment result | 0.35 | 0.34 | 0.61 | 0.99 | 1.19 |
| Indirect investment result | 0.09 | - 1.30 | - 2.38 | - 2.59 | 0.14 |
| Total investment result | 0.44 | - 0.96 | - 1.77 | - 1.60 | 1.33 |
| Data per share (x €1) | | | | | |
| (Interim-) dividend | 0.27 | 0.25 | 0.28 | 0.86 | 1.19 |
| Net asset value | 4.61 | 4.42 | 5.59 | 9.78 | 12.96 |
| Net asset value according to EPRA | 4.79 | 4.69 | 5.85 | 10.95 | 14.02 |
| Average stock-exchange turnover (shares per day, without double counting) | 251,506 | 177,660 | 199,858 | 92,580 | 77,675 |
| High price | 4.56 | 5.04 | 7.00 | 9.70 | 15.34 |
| Low price | 3.43 | 3.57 | 4.51 | 5.95 | 8.28 |
| Closing price | 3.98 | 3.68 | 4.60 | 6.08 | 9.45 |

* In 2015 NSI decreased its interest in Belgian company IOW from 50.2% to 15.2% (as per 31 December 2015). Consequently IOW is no longer consolidated in the income statement from Q3 2015 onwards and in the balance sheet as per 30 June 2015.

Chapter 2

# Report of the Supervisory Board

# Report of the Supervisory Board

The Supervisory Board is charged with supervising the policies pursued by the Management Board and the general performance of the Company and its associated companies. The Supervisory Board assists the Management Board with advice.

## To the General Meeting of Shareholders

As the Supervisory Board of NSI N.V. (NSI) we hereby present you with the annual report prepared by the Management Board for the 2015 financial year. The financial statements have been audited by KPMG Accountants N.V. who issued an unqualified audit opinion (page 133-137). We will recommend adoption of the financial statements in the General Meeting of Shareholders. The discharge of responsibility of the Management Board for the policy pursued in 2015 and of the Supervisory Board for the supervision it provided in 2015, without prejudice to the legal provisions in this regard, will be addressed as separate agenda items in the General Meeting of Shareholders of Friday, 29 April 2016.

## Tasks of the Supervisory Board

The Supervisory Board is charged with supervising the policies pursued by the Management Board and the general performance of the Company and its associated companies. The Supervisory Board assists the Management Board with advice. In the exercise of its duties, the Supervisory Board focuses on the interests of the company and its associated companies, taking the interests of the company's stakeholders into consideration. The Supervisory Board feels it is important to report that it takes the interests of all stakeholders into consideration in discharging its tasks and in its deliberations. The way in which the Supervisory Board discharges its duties and the interaction between the Board and other company bodies is described in further detail in the chapter on Corporate Governance.

[1] Corporate Governance Code III.1 and Article 3.1 of the Regulations of the Supervisory Board.

## Composition of the Supervisory Board

The Supervisory Board of NSI is a separate body, independent of the Management Board within the framework of the two-tier system.
The composition of the Supervisory Board should be such that the board is able to carry out its duties properly (Principle III.3 of the Corporate Governance Code). All Supervisory Board members must be capable of assessing the main principles of the overall policy of the company. The Supervisory Board as a whole must be composed such that its members in relation to one another, the Management Board and any particular interest whatsoever can in fact operate independently and critically. Furthermore, each supervisory director must have specific areas of expertise that are relevant to the Company. The areas of expertise that are required are described in the profile of the Supervisory Board, which is available on NSI's website. The specific expertise of the current members of the Supervisory Board is as follows:

- Mr Breukink: financial reporting and financing of large corporations, risk management and financing structures, human resources and organisation expertise, supervision and corporate governance.
- Mr Van den Bosch: financial reporting and financing of large corporations and real estate companies, risk management and funding structures, tax matters, corporate governance, remuneration and ICT.
- Mr De Greef: investment in real estate and project development, including the operation and letting of real estate.
- Mr Van der Ploeg: financial reporting and financing of large corporations and real estate companies, risk management and funding structures, tax and legal matters, corporate governance and ICT.
- Mr Tates: investment in real estate and project development, including the operation and letting of real estate.

In principle, Supervisory Board members are appointed for a period of four years and step down at the General Meeting of Shareholders held during the fourth year after their appointment. A supervisory director may not be reappointed more than twice.

The schedule of retirement is as follows:

| | First appointment | End current term | Last term |
|---|---|---|---|
| Mr Van den Bosch | 2006 | 2018 | 2018 |
| Mr De Greef | 2008 | 2016 | 2020 |
| Mr Breukink | 2011 | 2017 | 2021 |
| Mr Van der Ploeg | 2014 | 2018 | 2026 |
| Mr Tates | 2014 | 2018 | 2026 |

Mr De Greef is due to stand down in the General Meeting of Shareholders of 29 April 2016 and has not made himself available for reappointment. Given his specific expertise, the Supervisory Board during the selection process for a potential successor looked for a candidate with broad knowledge of real estate. Pursuant to provisions of Article 4.4 of the Supervisory Board's profile that aim for a balanced ratio of men and women, whereby at least 30% of the seats are to be allocated to women, the Board made every effort to look for female candidates during the selection process. In the General Meeting of Shareholders, a proposal will be submitted to appoint Ms Karin Koks as the new member of the Supervisory Board to fill the vacancy. Ms Koks possesses broad international experience in construction, project development, real estate and investment management, and international management with a globally operating asset management company.

The Supervisory Board currently consists of five people. As a listed company, (institutional) investors are important stakeholders for NSI. In this context, knowledge and the perspective from the capital market are deemed important to be represented in the board. Therefore, the appointment of Mr Harm Meijer as member of the Supervisory Board will be proposed to the general meeting of shareholders. Mr Meijer is co-founder of the investment fund ICAMAP and has led the Real Estate Research departments of JP Morgan and ABN AMRO. He has an extensive international network in the investment community  and has a broad international experience in investing in real estate. This expertise fits the profile of the members of the Supervisory Board well.

## Meetings and activities of the Supervisory Board; Attendance

The Supervisory Board met on seven occasions for regular meetings during the reporting year and participated in two telephone conferences. The Supervisory Board was fully represented on all occasions during these meetings, except for one supervisory director on one occasion and another supervisory director on two occasions. All meetings were attended by members of the Management Board, except during the Supervisory Board's preparatory meeting, which is always held in the absence of the Management Board.

## Substance of Deliberations

The general state of affairs and the Company's financial position were discussed at all regular meetings. Furthermore, there were discussions with the Management Board on various occasions regarding the targets, shareholder relations, and the strategy and its implementation and the main risks associated with the company. Developments in the real estate markets and the effects on the national and international composition of the real estate portfolio and the occupancy rate were extensively discussed and evaluated. Issues such as the valuations of real estate and the valuation methodology, the system of internal controls and risk control procedures and corporate governance policy also have the continuous attention of the Supervisory Board.

The meetings of the Supervisory Board are structured so that in addition to the general topics mentioned above, a specific theme is discussed at each meeting. These are as follows:

| Meeting Held in | Theme |
|---|---|
| February | Results of the past year; evaluation of the Management Board's performance |
| March | Meeting with the auditor to discuss the financial statements<br>Annual report; preparation for the General Meeting of Shareholders; evaluation of the Supervisory Board's performance |
| April | General Meeting of Shareholders |
| May | First quarter results; site visits; training |
| August | Half-year results and strategy update |
| October | Results of the first three quarters; risk management and control systems |
| December | Strategy for the Company, the long-term plan and the budget for the year to come |

## Evaluation

In March 2016, the Board evaluated its performance, as well as that of its committees and individual supervisory directors over the year under review. This evaluation was conducted on the basis of a self-analysis based on a questionnaire. During this process, the Supervisory Board evaluated the performance of the Board as a whole and that of the members individually, the composition of the Board, which was also reviewed on the basis of the Board's profile, the quality and efficiency of the meetings and the provision of information, the performance of the Chairman of the Board and the collaboration with the Management Board.

During the reporting year, no transactions took place that should be specified here within the scope of the conflict of interest regulations.
No situations as referred to in provisions III.6.1 to III.6.3, inclusive, and III.6.5 of the Corporate Governance Code occurred during the reporting year.

There were no transactions between the Company and a shareholder owning 10% or more of the Company's shares.

The Supervisory Board has struck four committees in order to optimise the operation of the Board. The Audit Committee, the Remuneration Committee, the Selection and Appointment Committee, and the Real Estate Advisory Committee all report on their activities below.

## Change of Auditor

Anticipating a legally mandatory change of auditor, a tender procedure was conducted in 2015 to select a new auditor. See the Report of the Audit Committee for additional information on this topic. The General Meeting of Shareholders will be requested to engage PWC effective from the 2016 financial year to audit the financial statements.

## Appointment of CIO as Statutory Director

Effective 1 May 2015, Mr Anne de Jong joined NSI as Chief Investment Officer as successor to the Chief Operating Officer who had left the company at the end of 2014. The tasks of the CIO consist of the further elaboration of the company's strategy in close collaboration with the CEO and the CFO and the provision of day-to-day direction to the management of NSI's portfolio. The appointment of Mr De Jong as Statutory Director will be submitted to the General Meeting of Shareholders.

## Corporate Governance

The Supervisory Board attaches value to a transparent structure, a clear policy and reporting to its shareholders and other stakeholders. The further development and implementation of the company's corporate governance structure is therefore a permanent focus of attention. The Board revised its Regulations during the year under review. The new Regulations now also contain a provision that meets Best Practice Provision III.6.5.
The Audit Committee annually reviews the need for an internal auditor. The following aspects are taken into consideration:

- The need for expert supervision
- the nature and the complexity of the risks
- the need for objective (monitoring) information
- the internal management responsibility when activities are outsourced.

The company has no internal audit department given its relative limited size. The Audit Committee and the Supervisory Board discuss the findings of the external auditor on the control environment of the Company with the Management Board and the external auditor. The Audit Committee believes that the supervision on the design and functioning of the risk management system is proficiently secured. On the basis of this assessment and as proposed by the Audit Committee, the Supervisory Board has recommended to the Management Board to continue the current practice.

There are no protective measures in place.

The Supervisory Board continuously and carefully checks that NSI complies with all the best-practice provisions of the Dutch Corporate Governance Code. The Supervisory Board is of the opinion that the Company meets all the requirements of the Dutch Corporate Governance Code.

## Dividend policy and proposed final dividend for 2015

Commencing with the reporting year, the dividend policy established by General Meeting of Shareholders is as follows:

- A dividend policy that distributes at least 75% of the direct result in cash.

Retaining a portion of the direct result for reinvestment in the portfolio combined with a dividend in cash will ultimately yield the highest total return for shareholders. Given the changing dynamics in the real estate market it is crucial to keep or bring the existing portfolio up to the required quality level. Particularly in the office market, where there is a structural oversupply, tenants must be enticed by a distinctive and attractive product. The best alternative to competition on price is to offer quality and unique products and services. For example, the HNK concept has above-average rental levels and uptake, as well as an above-average level of regular investments. This shows that the office market requires a structurally higher level of regular investments.

In this context and following a fundamental analysis of the portfolio, NSI prepared a long-term investment plan for its existing portfolio that focuses on anticipating the changed needs of the tenant's market and creating value within the portfolio. NSI has investigated how the required investments can be financed in ways that provide maximum added value. The conclusion is that the – partial – reinvestment of the direct result is the most efficient way.

For practical reasons, the dividend will be distributed on two separate occasions each year: an interim divided after the first six months of the year and a final dividend.

## 2015 Final Dividend

In line with the applicable dividend policy (payout of at least 75% of the direct result), NSI is proposing a final dividend of €0.14 per share in cash. This brings the total dividend for 2015 to €0.27 per share of which €0.13 per share was already distributed as an interim dividend.

## Conclusion

The Supervisory Board would like to take this opportunity to express its appreciation for the efforts made by the Management Board and employees during the reporting year.

*Hoofddorp, 15 March 2016*

The Supervisory Board,

H.W. Breukink, *Chairman*
N. Tates, *Vice-chairman*
H.J. van den Bosch, RA
G.L.B. de Greef, MRE
L.A.S. van der Ploeg, RA, RC

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# Remuneration Committee and remuneration report

The tasks of the Remuneration Committee are as follows:
- To submit a proposal to the Supervisory Board concerning the remuneration policy to be pursued;
- To submit a proposal concerning the remuneration of the individual members of the Management Board for adoption by the Supervisory Board, which at a minimum addresses the following: i) the remuneration structure and ii) the amount of the fixed remuneration, the shares and/or options and/or other variable remuneration components to be awarded, pension rights, severance arrangements and other remuneration, as well as the performance criteria and their application; and
- To prepare an annual remuneration report.

The Remuneration Committee met twice during the reporting year. The topics discussed during these meetings included the remuneration of the Supervisory Board, the remuneration of the Management Board and the Management Board's long-term share plan.

## Remuneration Report

*Remuneration of the Supervisory Board*
The remuneration of the members of the Supervisory Board is adopted by the General Meeting of Shareholders. The remuneration of the Supervisory Board members is not dependent on NSI's results.

In 2014, the remuneration adopted in the Annual General Meeting of Shareholders held on 25 April 2014 is €30,000 per year for a supervisory director and €45,000 per year for the Chairman. The remuneration for membership in the Audit Committee and the Real Estate Advisory Committee of the Supervisory Board is €7,500 per year. The remuneration for membership in the Selection & Appointment Committee of the Supervisory Board is €3,750 per year.

*Remuneration of the Management Board*
The currently applicable remuneration policy for the Management Board was adopted in the Annual General Meeting of Shareholders held on 27 April 2012.

The remuneration policy's integral text can be viewed on NSI's website.
The objectives of the remuneration policy are as follows:
- To be able to recruit, retain and motivate qualified Management Board members in order to realise the Company's goals;
- To provide remuneration such that the members of the Company's Management Board are remunerated in accordance with the weight of their position; and
- To stimulate value creation for the Company and its stakeholders.

The Management Board's remuneration consists of a fixed annual salary, a variable remuneration and secondary conditions of employment.

In 2015, the CEO, Mr Buijs, received a fixed salary of €463,000. The CFO, Mr Van Dongen, received a fixed salary of €303,000 in 2015.
As of 1 January 2012, the variable part exclusively consists of a long-term share plan (LTSP). The short-term variable remuneration granted each year prior to 2012 has been abolished.

The LTSP covers a period of three years. A maximum applies to payment pursuant to the LTSP: for the CEO this maximum has been set at 120% of the average fixed annual salary over the term of the LTSP; for the CFO the maximum has been set at 90%.

80% of the remuneration achievable under the LTSP is based on the total shareholder return (TSR) over the term of the LTSP. This TSR takes into account NSI's share price at the beginning and at the end of the period as well as dividends distributed during the period. Then, NSI's TSR is compared with the TSR of a benchmark. This benchmark consists of Wereldhave, VastNed Retail, Alstria, Befimmo, Confinimmo and Eurocommercial Properties. Depending on NSI's relative performance in relation to the benchmark, the amount of the remuneration pursuant to the LTSP is determined. A sliding scale will be used for this purpose.

20% of the LTSP remuneration is based on personal targets for the relevant member of the Management Board and are determined and evaluated by the Supervisory Board.

The current LTSP period for the CEO and CFO expires on 31 December 2017.
Payment of the remuneration pursuant to the LTSP shall be in cash. The relevant director is obliged to purchase NSI shares amounting to 2/3 of the net amount to be paid. These shares will be subject to a three-year lock-up period.

*Hoofddorp, 15 March 2016*

Remuneration Committee

H.W. Breukink
H.J. van den Bosch, *Chairman*

# Selection and Appointment Committee

The tasks of the Selection and Appointment Committee are as follows:

- To regularly evaluate the size and composition of the Supervisory Board and the Management Board and to submit a proposed profile of the Supervisory Board;
- To prepare the selection criteria and appointment procedures concerning Supervisory Board members and members of the Management Board;
- To regularly evaluate the performance of individual Supervisory Board members and members of the Management Board and to report on this to the Supervisory Board;
- To submit appointment/reappointment proposals; and
- To supervise the policy pursued by the Management Board concerning the selection criteria and appointment procedures for higher management.

The Selection and Appointment Committee met twice during the reporting year. The main topics discussed during these meetings were the recruitment and selection procedure for the new CIO and a member of the Supervisory Board.

*Hoofddorp, 15 March 2016*

Selection and Appointment Committee

H.W. Breukink
N. Tates, *Chairman*

# Audit Committee

The duty of the Audit Committee is to prepare the decision-making of the Supervisory Board in the following areas:
- The operation of the internal risk management and control systems, including supervising the enforcement of relevant laws and regulations and supervising the operation of the codes of conduct;
- The provision of financial information by the Company (valuation issues, choice of accounting policies, application and assessment of the effects of new rules, information about the treatment of 'estimated items' in the financial statements, forecasts, the related work of external auditors, etc.);
- Compliance with recommendations and observations made by external auditors;
- Company policy with regard to tax planning;
- The relationship with the external auditor, including in particular his independence and compensation and any non-audit work carried out for the Company;
- The Company's funding and treasury policy;
- The application of information and communication technology.

The Audit Committee met on eight occasions during the reporting year. One of these meetings was a joint meeting of the Real Estate Advisory Committee and the Audit Committee.
The Audit Committee confers with the auditor, in part without the presence of the Management Board.

The Audit Committee annually reviews the need for an internal auditor and makes a proposal to the Supervisory Board for a recommendation to the Board of Management.
In addition to the general duties described above, in 2015 the Audit Committee was particularly involved in the assessment of:
- The existing organisation and the internal risk management and control systems
- The acquisition of a large portfolio
- The treasury policy
- Revaluations
- The liquidity position
- The management reports to the Supervisory Board.
- The selection of a new auditor

## Change of Auditor

Anticipating a legally mandatory change of auditor, a tender procedure to select a new auditor was conducted in 2015. The following selection criteria were established in the meeting of the Supervisory Board of 6 May 2015:

1. Expertise, integrity/reputation and international network
2. Relevant references/listed customers in the real estate sector
3. Team that audits practical and organisational aspects
4. An action plan presented by the Auditor
5. Financial Proposal, including benchmarking with other market parties
6. Consideration of audit versus non-audit activities for NSI
7. Miscellaneous relevant qualifications

Proposals and interviews were conducted with various auditing firms. Three firms were asked to present themselves with two partners and their audit team to the Selection Committee consisting of the Audit Committee, the CFO, the Head Audit and Administration, and the company's Secretary. On the basis of the scores on the criteria defined in advance, the projected costs and the presentations by the various teams, the Audit Committee was of the opinion that PWC is the most appropriate candidate to be appointed as NSI's new auditor. This choice was ratified by the Supervisory Board. The current KPMG auditor has been informed about the selected successor. Both firms will make every effort to effect a flawless transition.

*Hoofddorp, 15 March 2016*

Audit Committee

Drs. H.J. van den Bosch RA, *Chairman*
Drs. L.A.S. van der Ploeg RA RC

# Real estate advisory Committee

The Real Estate Advisory Committee supports the Supervisory Board in supervising real estate-related matters in the broadest sense of the word and prepares the decision-making of the Supervisory Board in this area. In addition, the Real Estate Advisory Committee serves as a sounding board for the Management Board. Approval of the decision-making for planned decisions of the Management Board concerning real estate transactions (acquisitions, disposals, investments) valued at between €1.5 million and €7.5 million is delegated to the Real Estate Advisory Committee. Decisions concerning planned decisions of the Management Board related to real estate transaction valued above €7.5 million are taken by the Supervisory Board after receiving advice from the Real Estate Advisory Committee in relation to these transactions.

In actual practice this means that the Real Estate Advisory Committee discusses all substantial acquisitions, disposals and investments with the Management Board. This consultation naturally also takes account of general trends and developments in the real estate market and regional developments that affect the portfolio of NSI. As such the Real Estate Advisory Committee is an important sounding board for the Management Board in the area of real estate.

## Composition

Membership of the Real Estate Advisory Committee is limited to members of the Supervisory Board. The members of the Real Estate Advisory Committee are appointed and dismissed by the Supervisory Board. Members of the Real Estate Advisory Committee are selected on the basis of their real estate expertise.

## Activities

The Real Estate Advisory Committee met on eight occasions with the Management Board during the reporting year. In addition, there was a joint meeting of the Real Estate Advisory Committee and the Audit Committee.

Furthermore, the Real Estate Advisory Committee, together with the Management Board, held a Retail Day to focus on developments in the retail market in which NSI invests. Different retail experts gave a presentation and a supermarket tenant presented his views of trends in this sub-segment.

The property plans for retail properties valued in excess of €4 million were discussed. These property plans form the basis for the 2016 Investment Plan.

*Hoofddorp, 15 March 2016*

The Real Estate Advisory Committee

N. Tates, *Chairman*
G.L.B. de Greef, MRE

# Focus on quality

The office portfolio of NSI evolves to a higher quality level through asset rotation. NSI focuses its investments on 18 regions where NSI believes in a fundamentally strong office market, on properties with a minimum size of approximately 5,000 sqm so that the offices are suitable for multi-tenant and multi-purpose use.
A good example is the property at Barbara Strozzilaan in Amsterdam which was acquired in 2015.


# Details of the Supervisory Board

### Mr H.W. Breukink (1950)

**Chairman**

| | |
|---|---|
| **Nationality** | Dutch |
| **Current position** | professional supervisor and coach |
| **Previous positions** | Financial and management positions at F&C Asset Management Plc., Boer & Croon, Royal Dutch Shell and supervisory board member of VastNed Offices/Industrials |
| **Additional positions** | Coach for senior executives |
| **Supervisory Board positions** | ING Groep, Brink Groep and Hogeschool Inholland (chairman), Gemeente Museum The Hague. |
| **First appointment** | 2011 |
| **Current term** | To 2017 |

### Mr N. Tates (1956)

**Vice chairman**

| | |
|---|---|
| **Nationality** | Dutch |
| **Current position** | Managing Director, Head of Investment Management at Prelios Deutschland GmbH<br>Member of Supervoisory Board Intervest Offices & Warehouses |
| **Previous positions** | European Strategic Advisor at Aberdeen Asset Management, Head of direct real estate Continental Europe at Aberdeen Asset Management, Founder and CEO at Aberdeen Property Investors Europe B.V, several positions at ABN, Aegon, SPP Reim, and Celexa Real Estate Investment Management<br>Board member IVBN |
| **First appointment** | 2014 |
| **Current term** | To 2018 |

### Mr H.J. van den Bosch RA (1949)

| | |
|---|---|
| **Nationality** | Dutch |
| **Current position** | Independent management consultant |
| **Previous positions** | Financial director Blokker B.V. |
| **Additional positions** | Director of maatschap Alliance, Director foundation ‘t Loo and Chairman of audit committee of Bugaboo Holding B.V. |
| **Supervisory Board positions** | Terberg Group B.V. (chairman), Antea Participaties IV (chairman) and Wooninvest |
| **First appointment** | 2006 |
| **Current term** | To 2018 |

### Mr G.L.B. de Greef (1959)

| | |
|---|---|
| **Nationality** | Dutch |
| **Current position** | Independent entrepreneur in the field of real estate investments and project development, and partner in Gemini Development B.V. |
| **Previous positions** | Various board positions at Jones Lang Wootton, MDC (Multi Vastgoed), William Properties and Fortis Vastgoed Ontwikkeling |
| **First appointment** | 2008 |
| **Current term** | To 2016 |

### Mr L.A.S. van der Ploeg (1970)

| | |
|---|---|
| **Nationality** | Dutch |
| **Current position** | CFO VolkerWessels Bouw & Vastgoedontwikkeling B.V. |
| **Previous positions** | CFO and CEO a.i Vesteda Investment Management B.V., CFO Multi Corporation B.V., several accountancy positions at Ernst & Young in the Netherlands, Australia and the United States |
| **Additional positions** | Member of committee of Association of Supervisors housing corporations |
| **Supervisory Board positions** | Dunea N.V., Housing association Meer Wonen, Housing Associaton Haag Wonen and Alrijne Care Group |
| **First appointment** | 2014 |
| **Current term** | To 2018 |

# Details of the Board of Management

## Mr J. Buijs (1965)

**CEO of NSI**

| | |
|---|---|
| **Nationality** | Dutch |
| **Previous positions** | Statutory Director of Wereldhave NV, Head of the Construction Department and Statutory Director of Wereldhave Management Holding BV, Project Manager and Managing Director of D3BN Rotterdam and Managing Director of D3BN Infrastructure, Structural Engineer/Project Manager at Royal Haskoning, Structural Engineer at D3BN Civil Engineers Consultancy |
| **Education** | Civil engineering at the Delft University of Technology |
| **First appointment** | 2008 |
| **Current term** | Until 31 December 2016 |

## Mr D.S.M. van Dongen (1971)

**CFO of NSI**

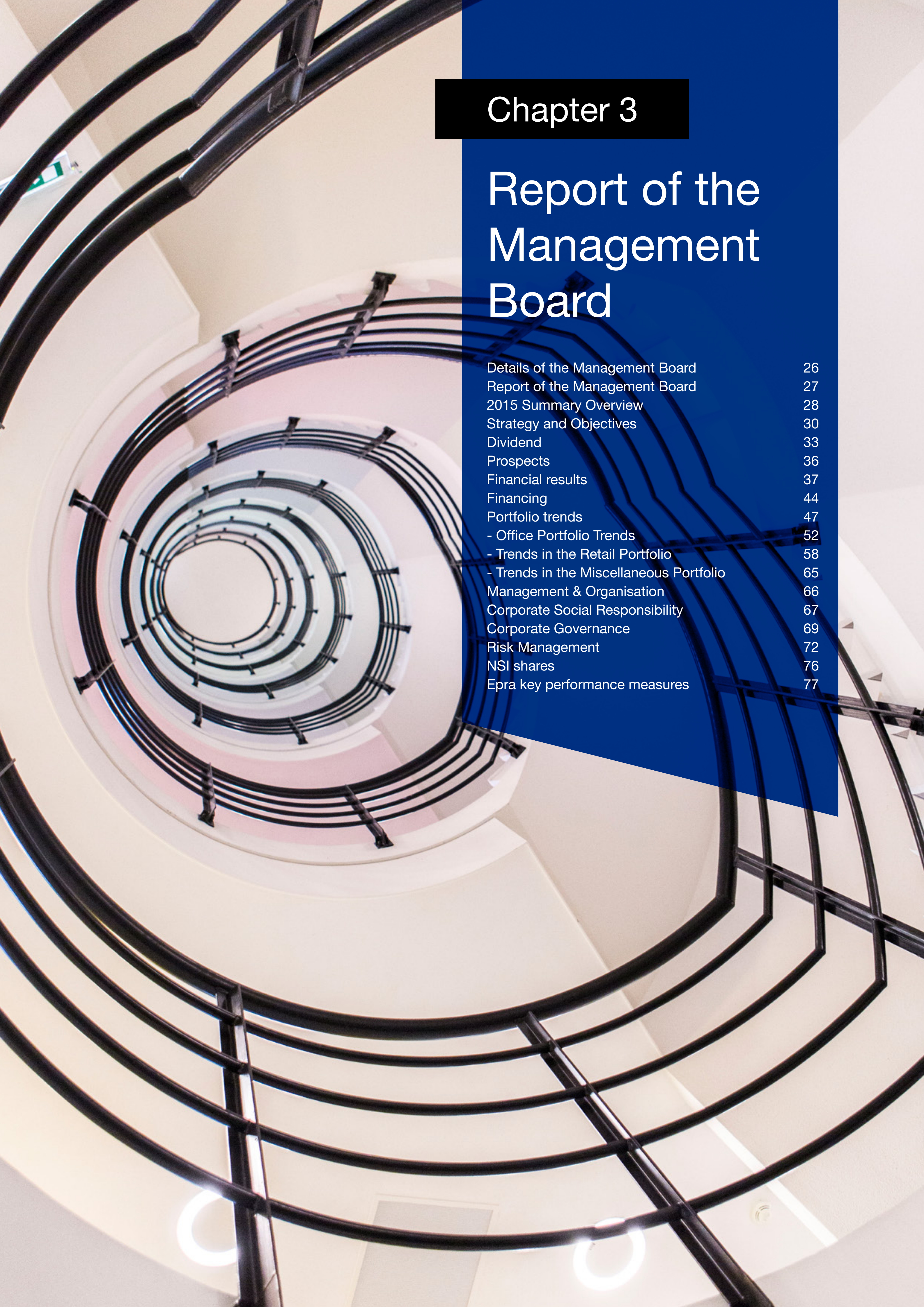
| | |
|---|---|
| **Nationality** | Dutch |
| **Previous positions** | Group controller Wereldhave NV (member of the management team), Senior controller Wereldhave NV, Finance manager TNT Logistics France, Financial controller TNT Logistics Netherlands & TNT Italy, Manager corporate finance TNT Post Group, Corporate finance advisor KPN |
| **Education** | Business school, specialisation corporate finance, at the universities of Groningen and Salamanca (Spa, in)<br>Post graduate education Certified Controller, University of Amsterdam, Supervisory Board & Governance course, Erasmus University Rotterdam |
| **First appointment** | 2009 |
| **Current term** | Until 31 December 2017 |

## Mr A. de Jong (1970)

**CIO of NSI**

| | |
|---|---|
| **Nationality** | Dutch |
| **Previous positions** | Portfolio Director CBRE Dutch Office fund, Portfolio Manager Offices CBRE Global Invetsors, Portfolio Manager Offices ING Real Estate Investment management, several positions at MN Services |
| **Education** | Economics, University of Amsterdam, Investment Management (VBA), University of Amsterdam |
| **First appointment** | Appointment proposed at the AGM of 2016* |

* In employment since 1 May 2015.



Chapter 3

# Report of the Management Board

# 2015 Summary Overview

## Focus on Quality through Asset Rotation

NSI improves the average quality of its portfolio by means of asset rotation. By disposing buildings that have been optimised and in which the needed investments do not produce the required yield, NSI frees up funds for reinvestment at locations where NSI believes in a fundamentally healthy office market.
In 2015, NSI sold 27 non-strategic buildings, including 24 office buildings, and acquired 8 high-quality office buildings. As a result of these disposals and acquisitions, the share of the Randstad region in NSI's office portfolio increased from 42.5% to 52.5%, and from 11.8% to 24.7% in the Amsterdam region. The average quality of the office portfolio (on the basis of an independent JLL ranking) increased from 49.3% to 57.8% in 2015.

## Interest in IOW reduced

NSI reduced its interest in the Belgian listed company Intervest Offices & Warehouses ("IOW") from 50.2% to 15.2% in June 2015, to free up capital to pursue opportunities in the Dutch office market, in line with NSI's strategy. In October 2015, NSI reinvested funds by acquiring 8 high quality Dutch office assets. NSI sold the remaining interest in IOW in 2016.

## Geographic Focus

In 2015, NSI refined the geographic focus of the office portfolio. NSI identified 18 cities in which NSI believes there is a fundamentally strong office market. Through means of the realised asset rotation in 2015, the portfolio expanded in these selected regions, while it contracted in the regions outside this focus.

## New HNK's

In 2015, three new HNKs were opened (HNK Den Bosch, HNK Ede and HNK Utrecht Central Station). This means that by year-end 2015, 10 HNK sites were operational. HNK continues to perform well commercially. In 2015, 43% of the take-up in office space at NSI was in HNK.
The HNK rollout to 20 sites by 2016 is on schedule.

## Rising trend in Lettings

In 2015, NSI's portfolio experienced a strong rising trend in lettings from vacant space (take-up). Take-up in the Dutch office market rose by 13%, while the take-up in NSI's office portfolio rose by 48%. This represents a 2.3% share of the total take-up in the Dutch office market, while NSI's portfolio only represents 1.2% of the total Dutch office market. This success is primarily due to NSI's strategic choices, such as to use the HNK concept to anticipate the demand for flexible and full-service accommodation concepts.



## HNK Pronounced Best Office Lessor 2016!

HNK was pronounced sector winner 2016 in the Office Space Letting Sector by the National Business Success Award (NBSA) Institute. According to the Nominating Committee, HNK has evolved into a leading company that is strongly positioned and has a sound reputation. According to the jury report 'HNK is one of the most important companies in the office space letting sector and excels at knowing how to combine its extensive professional know-how with an innovative approach as a result of which it scores very high in terms of customer satisfaction.'

## Easy Shopping

In the retail market, NSI focuses on district shopping centres for everyday shopping needs in which consumer convenience, a comprehensive offer of products and services, excellent accessibility and high-quality service are key elements. NSI has incorporated these principles into its Easy Shopping concept (www.easyshopping.nl).
Easy Shopping is a marketing tool for shopping centres and is used by NSI to focus on clicks and bricks.
The concept was tested in 2015 with a pilot in the Zevenkamp shopping centre.
Read more on page 62.

## Better Financing Conditions

Net financing costs in the direct result continued to significantly drop in 2015 (from €42.2 million to €28.2 million), in part due to the refinancing at more favourable conditions and the further reduction of the net outstanding debt.
With the €550 million refinancing, NSI met the most important objective in its financing strategy, including the diversification of the financing sources and the term extension.
NSI reduced its average cost of debt from 4.6% as per ultimo 2104 to 3.7% as at 31 December 2015.

# Strategy and Objectives

NSI's Mission - Together with and for its customers, NSI creates inspiring environments to meet, work and do business.

Markets & Activities - NSI manages a property portfolio valued at €1.2 billion. NSI's focus is on investing in offices and retail in the Netherlands. As at 31 December 2015, NSI's property portfolio was subdivided into an office portfolio of appr. €715 million, a retail portfolio of appr. €360 million and a miscellaneous portfolio (industrial buildings and large-scale retail trade) of €130 million.

NSI has a clear focus in the markets in which it operates:

*Office Portfolio in the Netherlands*

The office real estate market is highly dynamic. The demand for office space is changing dramatically. Trends, such as the 'New Way of Working' and changing technology have created a greater demand for flexibility and services, and a decrease in the required space per employee. With its HNK concept –'The New Office', NSI specifically focuses on the growing need for full-service and flexible concepts. NSI will continue to roll out the HNK concept, from 10 locations (with a portfolio value of €125 million) as at year-end 2015, to at least 20 giving it national coverage.

In the more 'traditional' office portfolio, NSI focuses on accommodating multiple tenants in a single property (referred to as the multi-tenant approach), to increase the lettability of properties and to spread the risk of lease expirations. This means that NSI focuses on buildings with a minimum size of approximately 5,000 sqm that are suitable for multi-tenant and multi-functional use.

In its Dutch office portfolio, NSI focuses on regions where NSI believes there is a fundamentally healthy office market. NSI's office portfolio will increasingly evolve towards these selected regions by means of asset rotation. Due to the multi-tenant focus, the average property size will increase and the number of properties in NSI's office portfolio will decrease.

*Retail Portfolio in the Netherlands*

In the retail market, NSI focuses on district shopping centres for everyday shopping needs in which consumer convenience, a comprehensive offer of products and services, excellent accessibility and high-quality service are key elements. In 2015, NSI started to incorporate online elements as well in its Easy Shopping concept (www.easyshopping.nl).

NSI aims for a good balance between national retail chains and local entrepreneurs in its retail portfolio, with a comprehensive offer for everyday shopping needs, including at least 2 supermarkets.

The industrial buildings portfolio (€61 million) was classified as held for sale as at 31 December 2015.

## Strategy and Objectives

The strategy is designed to add value to the portfolio with the right investment focus, active portfolio asset management and asset rotation. The following fundamental decisions are at the root of this:

- NSI's investment focus is on high yielding real estate, while anticipating the asset value development cycle of the properties. Inherent to this is an active acquisition and divestment policy.
- The total return strategy, which entails a focus on value development, as well as dividend returns, is implemented on the basis of a 'core portfolio' and a 'value-add portfolio'. The core portfolio supplies a solid cash flow that generates the dividend return, as well as the funds needed to invest in the value-add portfolio. The value-add portfolio comprises properties whose value can be further developed through active management and/or investments.
- Active property acquisition and disposal. This asset rotation strategy means that properties that have been optimised, or properties in which additional investment is not going to realize the desired returns, will be sold in order to reinvest funds in properties whose value NSI can enhance on the basis of its strategy.

- The key focus of the operational management of NSI's portfolio is on the customer. This translates into the organisation's structure (integral management) and is anchored in systems and processes. By consolidating letting, technical management, construction and development, marketing, and asset management expertise into an integrated strategy, the organisation is able to effectively anticipate tenants' needs. Based on its demand-based approach, NSI is able to provide a differentiating product. NSI does this in various ways, for example by introducing new letting concepts and propositions to the market that better match the needs of specific user groups.
- Part of active portfolio management is the pursuit of value creation in the portfolio by actively managing, developing and redeveloping properties. What comes to mind here is the expansion, transformation (including HNK) and repositioning of shopping centres and office buildings, as well as making them more sustainable, with a view to increasing rental income and property values.
- NSI carries out the active management of its own portfolio in-house and aims for operational excellence in this respect. This means that NSI has invested in all positions and competencies required to be a successful real estate company and to optimise the value of its real estate this way.
- To optimally exploit the selected business model involving a fully equipped operational platform, and to be attractive to the financial markets, the portfolio requires a critical mass. The operating platform offers the possibility to enhance leverage by increasing the portfolio.
- In terms of financing, the basic premise is to in principle finance 40% to 50% of the portfolio with loan capital and to have at least 70% of the loan capital at a fixed interest rate. Furthermore, NSI aims to further diversify its financing sources.

## Progress of Strategic Objectives in 2015

In 2015, in executing the strategy, NSI's focus was on improving the portfolio's quality by means of asset rotation and operational performance. In 2016 we will continue to improve the quality and performance of the portfolio. The focus is on organically growing the offices portfolio and on the further roll-out of the HNK concept to 20 locations at the end of 2016.

### Portfolio quality improvement through asset rotation:

- Disposal of 'non-core' office portfolio (76,047 sqm) completed;
- Total disposals in the Dutch portfolio amounted to approx. €49.4 million;
- Interest in the Belgian Intervest Offices & Warehouses reduced from 50.2% to 15.2% in order to free up funds for reinvestment purposes. NSI sold the remaining interest in IOW in 2016;
- Acquisition of high-quality office buildings for a total of €168.8 million.
- On balance, the quality of the Dutch office portfolio significantly increased as a result of these actions:
  - In 2015, the share in the region Randstad rose from 42.5% as at 1 January 2015 to 52.5% as at 31 December 2015;
  - In 2015, the share of core buildings rose from 54% as at 1 January 2015 to 65% as at 31 December 2015;
  - Based on the JLL office ranking, average quality increased from 49.3% as at 1 January 2015 to 57.8% as at 31 December 2015.

### Significant progress in value creation through operational performance

- HNK rollout to 20 locations end of 2016 on schedule; 10 HNKs were operational as at year-end 2015 (HNK currently represents approximately 17% of the value of the Dutch office portfolio);
- NSI performed well in terms of lettings from vacant properties (take-up), both in comparison to 2014, as in relation to the market; The total office portfolio performed with a take-up/supply ratio of 26% two times better than the market average (13%), and the HNK portfolio (take-up/supply ratio of 45%) even 3 times better.
- Development of and pilot with the Easy Shopping brand for district shopping centres.

### Refinancing in the Netherlands

- Completion of refinancing of €550 million. This represents 80% of the loan portfolio. As a result, average interest expenses decreased from 4.6% as at year-end 2014 to 3.7% as at year-end 2015, while the average term was increased from 2.0 year as at year-end 2014 to approximately 3.9 year at year-end 2015.

*Portfolio Improvement through Asset Rotation – Disposals*

NSI improves the average quality of the portfolio by means of asset rotation. By disposing buildings that have been optimised or in which the needed investments do not produce the required yield, NSI frees up funds for reinvestment. NSI's investment focus is on the Dutch office market, where NSI perceives the best opportunities to create value on the basis of its active management strategy, at locations where NSI believes there is a fundamentally healthy office market.

In 2015, NSI freed up funds from the sale of 27 non-strategic buildings with total proceeds amounting to €49.4 million. In addition, NSI reduced its interest in the Belgian listed Intervest Offices & Warehouses (IOW) from 50.2% to 15.2%, thereby freeing up €111 million in capital. NSI sold the remaining interest in IOW in 2016.

In 2015, NSI acquired 8 office buildings for a total of €168.8 million. This way NSI implements its strategy to enable it to supplement its Dutch office portfolio in selected regions with significant, high-quality buildings. As a result of these acquisitions, the share of the Randstad region in NSI's office portfolio has increased from 42.5% to 52.5%, and from 11.8% to 24.7% in the Amsterdam region. Furthermore, as a result of these acquisitions, the share of core buildings in NSI's portfolio has increased from 54% to 65%. This represents a major step towards achieving the strategic target of having 70% core buildings in the portfolio by year-end 2016.

*Progress in value creation through operational performance – HNK*

The HNK rollout to 20 locations by year-end 2016 is on schedule. In 2015, three new HNKs were opened (HNK Den Bosch, HNK Ede and HNK Utrecht Central Station). This means that by year-end 2015, 10 HNK's were operational. Preparations for a second HNK in Rotterdam and an HNK in Dordrecht and Amsterdam Southeast are in full swing and these sites are expected to be opened in the first half of 2016.

In 2015, NSI invested €9.5 million in HNK. This brings the total cumulative investment in the HNK rollout to €21.8 million. For the further roll out to 20 HNKs in 2016, an investment for transformation into HNK of approx. €15 million is expected.

*Progress in value creation through operational performance - letting activities*

In 2015, NSI's portfolio experienced a strong rising trend in lettings from vacant space (take-up). Take-up in the Dutch office market rose by 13% (source: DTZ), while the take-up in NSI's office portfolio rose by 48% to a total of 28,000 sqm. This represents a 2.3% share of the total take-up in the Dutch office market (1,206,000 sqm according to DTZ), while NSI's portfolio only represents 1.2% of the total Dutch office market.  This success is primarily due to NSI's strategic decision to use the HNK concept to anticipate the demand for flexible and full-service accommodation concepts.

*Progress in value creation through operational performance - development of Easy Shopping brand for district shopping centres*

In 2015, implementation of the Easy Shopping concept was initiated at the Zevenkamp shopping centre in Rotterdam. Easy Shopping creates an online, as well as physical brand for district shopping centres. The emphasis is on convenience and service. An Easy Shopping centre consequently is recognisable physically, as well as online. With this innovative approach, NSI focuses on increasing visitor numbers, increasing insight into consumer behaviour and reinforcing the shopping centre's strength, among other things.  The concept was intensively tested during the test phase in the Zevenkamp shopping centre in order to further develop and rollout the concept. Visitor numbers increased significantly during the test period.

*Refinancing*

The key refinancing objectives were to achieve greater diversification of financing sources, to extend the average term of the loan portfolio and to reduce financing costs. Furthermore, NSI's aim was to simplify and standardise the documentation and structure.
With the €550 million facility agreement NSI has met the above-referenced objectives.

# Dividend

*Dividend Policy*

In accordance with the dividend policy adopted in the Shareholders' Meeting of 25 April 2014, NSI distributes at least 75% of the direct result in cash. As such NSI complies with its distribution requirement as a fiscal investment institution (FBI).

Withholding part of the direct result for reinvestment in the portfolio, combined with a cash dividend will ultimately yield the highest possible return for shareholders.

Given the changing dynamics in the real estate market it is crucial to keep or bring the existing portfolio up to the required quality level. In this context and following a fundamental analysis of the portfolio, NSI prepared a long-term investment plan for its existing portfolio that focuses on anticipating the changed needs of the tenant's market and creating value within the portfolio, for example by means of the rollout of the HNK concept.

The conclusion from this analysis is that these provisions can largely be met with a 75% payout.

NSI distributes a dividend twice each year; an interim dividend is distributed after the publication of the semi-annual figures and the final dividend is distributed after the adoption of the proposed final dividend in the Shareholders' Meeting.

*2015 Final Dividend*

Based on the currently applicable dividend policy, NSI is proposing a final dividend of €0.14 per share in cash. This brings the total dividend for 2015 to €0.27 per share of which €0.13 per share was already distributed as an interim dividend after the publication of the semi-annual figures.

## Where is Europe's economic centre located?

This satellite photo displays a picture that is quite different from what most people expect. Not London, Paris or the manufacturing industry in North Italy, but the triangle formed by the Netherlands, Flanders and the German Ruhr Region is the area that lights up the most.


TRISTATE CITY®

## Tristate City

From the perspective of the Tristate City, the economic zones within the Netherlands form a pattern of rings and axes. The rings display an economic clustering of regions that each lies within an hour's travelling time from the other. The axes are strongly correlated with the powerful logistics infrastructure and connect the Dutch market with the European hinterland. The strong position of the port of Rotterdam and Schiphol airport are essential in this respect, as is the proximity of smaller airports, such as Brussels and Düsseldorf airports, that together create a compact and effective logistics network.

# The Netherlands Metropolis

The Netherlands is extremely well-positioned to form the core of a new metropolis: Tristate City comprising the Randstad Conurbation, the Flemish City Diamond and the Ruhr Region.
Mobilising the economic strength of this area and presenting it as an economic region, creates a powerful counterweight to the emerging new economic centres in the world. Combining strengths creates a more promising investment and business climate, as a result of which the competitive position improves. With a total of 25 million inhabitants, €150 billion in internal trade and a strong infrastructure, this region has everything it needs to exploit its collective strength as a European metropolis.
That is the mission of ‘Tristate City’, an initiative of Peter Savelberg. NSI is a sponsor of Tristate City, as a means of contributing to strongly positioning the Netherlands and consequently the associated Dutch office market.

## Tristate City facts

- 25 million inhabitants
- €150 billion internal trade
- Gateway to Europe
- Largest port in Europe
- Best airport in West Europe
- European administrative centre
- Strong universities

## NSI’s office portfolio from the perspective of Tristate City

In 2015, NSI refined the geographic focus of the office portfolio. NSI identified 18 cities in which NSI believes there is a fundamentally strong office market. This geographic focus matches the Tristate City vision in which attractive locations are located at the intersections of the axes and rings. The figure below depicts NSI’s office portfolio.

*locations NSI*

# Prospects

The improved economic conditions in the Netherlands as seen in 2015 are expected to continue. As shown by the high take up in 2015, this has increased the dynamics in the office market. Combined with the improvements that NSI has achieved in the office portfolio through asset rotation and the rollout of HNK, NSI expects to improve the occupancy rate of its office portfolio. The conditions in the retail market remain tough despite increased consumer spending. Thanks to the focus on local shopping centres, NSI nevertheless expects a stable development of the occupancy rate in its retail portfolio. On balance, NSI expects to improve the overall occupancy rate of the total portfolio.

In the past few years NSI made important progress in improving the quality of the portfolio. In 2015, the share of offices in the G4 (Amsterdam, Rotterdam, The Hague, Utrecht) and the Randstad rose to 52.5% (previously 42.5%) and the average quality based on the independent ranking of JLL rose to 57.8% (previously 49.0%). NSI will continue to work on improving the quality and performance of its portfolio in 2016. The focus is on organically growing the Dutch office portfolio and the continued rollout of the HNK concept to 20 assets by the end of 2016.

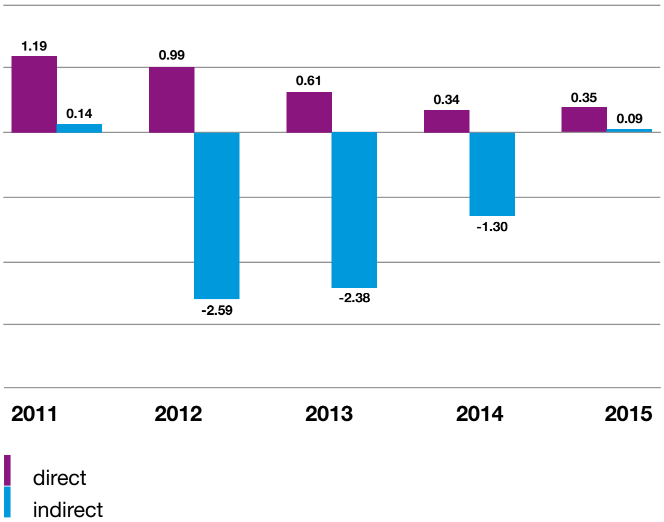
# Financial Results

## Total investment result

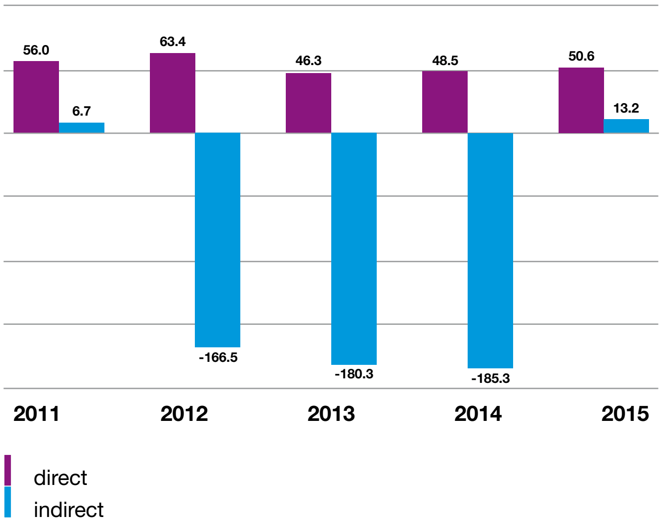
In 2015, the total investment result consisting of the balance of the direct and indirect investment result amounted to €63.8 million (2014: - €136.9 million), primarily due to a positive operating result, positive movements in the value of financial derivatives and the net result on sales.

The charts below give an overview of the evolution of the investment result over the past 5 years.

*Investment result per share (x €1)*




*Investment result (x €1 million)*




## Direct investment result

NSI uses the direct result (rental income minus operating costs, service costs not recharged to tenants, administrative costs and financing costs) as a measure for its core activities and for its dividend policy.

The direct investment result was €50.6 million in 2015 (2014: €48.5 million), primarily due to the lower financing costs that compensated for the lower contribution from the reduced interest in IOW. In addition, the result was affected by 2 one-time items. IOW received a refurbishment payment (€2.5 million) in relation to the upcoming departure of a tenant. In addition, NSI received a one-time interest payment arising from excessive withholding taxes paid on dividend payments in Belgium in the past and which are recognised as financing income (€2.5 million). The direct result in the Netherlands increased from €35.8 million in 2014 to €40.0 million in 2015.

*Notes on the recognition of Intervest Offices & Warehouses*

On 18 June 2015, NSI reduced its interest in the Belgian Intervest Offices & Warehouses (IOW) from 50.2% to 15.2% as per 31 December 2015. NSI sold the remaining interest in IOW in 2016. The effect of the recognition of this interest in the financial year 2015 is as follows:

*Balance Sheet*

Effective from 30 June 2015, IOW is no longer consolidated in NSI's balance sheet. The remaining 15.2% interest in IOW (2,476,241 shares) was revaluated as at 18 June 2015 in accordance with the fair value per share (IOW share price: €20.02). Effective from 18 June 2015, IOW is classified as an associate and is valued in accordance with the equity method. This means that the value of the participation will track the fluctuations in IOW's intrinsic value (NAV). NSI's valuation principles are used with this method.

*Profit and Loss Account*

The 50.2% interest in IOW up to and including 30 June was consolidated in the profit and loss account for the first six months of 2015 (€7.1 million). After this date, the partial share of the IOW result is recognised under the item 'Result from participations'.

*Total Investment Result*

The total investment result, consisting of the sum of the direct and indirect investment results amounted to €63.8 million in 2015 (2014: - €136.9 million).

*Direct Investment Result*

| (x €1,000) | Netherlands 2015 | Netherlands 2014 | Total 2015 | Total 2014 |
|---|---|---|---|---|
| Gross rental income | 90,796 | 93,333 | 113,835 | 133,599 |
| Service costs not recharged | - 5,216 | - 5,027 | - 5,796 | - 5,828 |
| Operating costs | - 17,377 | - 16,253 | - 16,715 | - 18,611 |
| Net rental income | 68,203 | 72,053 | 91,324 | 109,160 |
| Financing income | 2,540 | 112 | 2,541 | 176 |
| Financing expenses | - 24,694 | - 30,509 | - 30,777 | - 42,391 |
| Share in the result of participations | - | - | 2,337 | - |
| Administrative expenses | - 6,018 | - 5,833 | - 6,914 | - 7,711 |
| Direct investment result before tax | 40,031 | 35,823 | 58,511 | 59,234 |
| Corporate income tax | 18 | - 7 | - 125 | -111 |
| Direct investment result after taxes | 40,049 | 35,816 | 58,386 | 59,123 |
| Direct investment result attributable to minority interests | - | - | - 7,811 | - 10,672 |
| Direct investment result | 40,049 | 35,816 | 50,575 | 48,451 |

*Rental Income*

The total gross rental income declined to €113.8 million in 2015 (2014: €133.6 million), primarily due to the reduction of the interest in, and the associated deconsolidation of, the Belgian Intervest Offices & Warehouses (IOW). This decrease is explained in the following table.

The gross rental income per segment in the Netherlands and Belgium was as follows:

| x €1,000 | 2014 | Acquisitions | Disposals | Organic development | Transformation HNK | deconsolidation IOW | 2015 |
|---|---|---|---|---|---|---|---|
| The Netherlands | | | | | | | |
| Offices | 45,291 | 2,591 | - 1,909 | - 5,262 | 1,736 | - | 43,077 |
| HNK | 8,223 | - | - | 1,526 | - 1,736 | - | 8,013 |
| Retail | 26,772 | - | - 67 | 1,150 | - | - | 27,855 |
| Large-scale retail trade | 5,366 | - | - | - 529 | - | - | 5,895 |
| Company buildings | 6,931 | - | - 372 | - 603 | - | | 5,956 |
| Residential | 120 | - | - 120 | - | | - | - |
| Total | 93,333 | 2,591 | - 2,468 | - 2,660 | - | - | 90,796 |
| Belgium | | | | | | | |
| Offices | 24,740 | - | - | - | - | - 12,077 | 12,663 |
| Company buildings | 15,526 | - | - | - | - | - 5,150 | 10,376 |
| Total | 40,266 | - | - | - | - | - 17,227 | 23,039 |
| Total NSI | 133,599 | 2,591 | - 2,468 | - 2,660 | - | - 17,227 | 113,835 |

*Acquisitions*
In 2015, 8 office buildings were acquired in Amsterdam, Rotterdam, Den Bosch and Leiden (65,970 m²) for an amount of €168.8 million. The effect on the gross rental income from the acquisitions amounted to €2.6 million in 2015 (annualised gross rental income €13.4 million).

*Disposals*
In 2015, 24 office buildings, 2 industrial buildings and a shopping centre were sold in the Netherlands. In 2014, 3 office buildings, 48 apartments and 3 industrial buildings were sold in the Netherlands. The properties sold in 2015 represented an annual rental income of €3.3 million (impact in 2015: €1.7 million).

*Organic Growth*
The occupancy rate in the Dutch portfolio rose from 77.1% as at 31 December 2014 to 77.3% as at 31 December 2015. As at 31 December 2015 the financial occupancy rate by sector was as follows: 73.6% in Offices, 77.1% in Industrial Buildings and 85.5% in Retail.

New lease agreements increased rental income in the Netherlands by €4.9 million. Expired contract impacted the rental income by - €8.3 million. Indexation (€0.6 million), rent-free periods and rent discounts (€0.3 million) and other changes, for example resulting from rent reductions, changes and let floor areas (- €0.2 million) resulted in a negative trend of the organic rental income, which declined by €2.7 million.

The like-for-like rental trend in the office portfolio was - 6.9%.

The organic (like-for-like) growth in the Dutch office portfolio was affected by the expiration of a number of large leases as at 31 December 2014, in all quarters of 2015. The impact of the expiration of these leases involving Rijksgebouwendienst (5,000 m2), ROC Amsterdam (5,000 m2) and ProRail (9,200 m2), among others, amounted to €3.2 million in 2015.

In calculating the like-for-like HNK growth, the rule that applies is that as soon as an HNK is ready following transformation, it is included in the HNK portfolio. If there are any existing tenants that departed prior to the transformation, then this effect is included in the office portfolio. In 2015, HNK Utrecht Central Station, HNK Ede and HNK Den Bosch were transformed. The total rental income represented by existing tenants in these buildings prior to the transformation was €1.7 million.
Organic growth in the Dutch retail portfolio is driven by lettings in Zuiderterras in Rotterdam, following a period of strategic vacancy to complete the redevelopment of this shopping centre.

*Operating Expenses*

| x €1,000 | 2015 | 2014 |
|---|---|---|
| Municipal taxes | 3,571 | 4,135 |
| Insurance premiums | 807 | 792 |
| Maintenance costs | 4,703 | 4,175 |
| Contributions to owner associations | 957 | 676 |
| Property management (including attributed administrative expenses) | 3,984 | 4,676 |
| Letting costs | 1,592 | 2,975 |
| Other expenses | 1,101 | 1,182 |
| Total | 16,715 | 18,611 |

Operating expenses decreased from €18.6 million in 2014 to €16.7 million in 2015 due to the one-time receipt of a refurbishment payment in Belgium in the amount of €2.5 million in the first quarter and the deconsolidation of IOW. The operating expenses of the Dutch portfolio rose from €16.3 million to €17.4 million due to maintenance and one-time higher contributions to Owners' Associations (VVEs).

Property management costs are part of the operating costs. These costs consist of external costs and administrative costs that are allocated to the operating costs (3.5% of the gross rental income).

*Service Costs not Recharged*
Service costs not recharged remained stable at €5.8 million in 2015, but declined in the second half of 2015 (€2.5 million) in comparison to the first half of the year (€3.3 million) due to the deconsolidation of IOW and the sale of the non-core portfolio. Furthermore, NSI succeeded in reducing costs by further improving procurement conditions.

*Financing Result*

Net financing costs in the direct result continued to drop to €28.2 million in 2015 in comparison to €42.2 million in 2014, in part due to the refinancing of € 550 million at more favourable conditions in May 2015, and the further reduction of the net outstanding debt. Furthermore, the derivative portfolio was reorganised, in line with the changes in the asset- and loan portfolio, whereby the term of the interest rate swaps was extended at lower costs. The above-referenced initiatives resulted in a significant decline of 19% in the financing expenses of the Dutch portfolio. In addition, finance income increased due to one-time finance income (approximately €2.5 million) resulting from a settlement of the reimbursement of interest by the Belgian tax authorities in relation to historically excessive paid withholding taxes in Belgium.

*Administrative Expenses*

The administrative expenses decreased from €7.7 million to €6.9 million due to the deconsolidation of IOW. Administrative expenses in the Netherlands were €6.0 million (2014: €5.8 million).

## Development of the direct investment result per average outstanding share (x €1)

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Rental income | 0.80 | 0.93 | 1.91 | 2.50 | 2.55 |
| Service costs not recharged | - 0.04 | - 0.04 | - 0.06 | - 0.07 | - 0.06 |
| Operating costs | - 0.12 | - 0.13 | - 0.24 | - 0.29 | - 0.33 |
| Net revenue from operations | 0.64 | 0.76 | 1.61 | 2.14 | 2.16 |
| Administrative expenses | - 0.05 | - 0.05 | - 0.09 | - 0.10 | - 0.09 |
| Financing result | - 0.20 | - 0.30 | - 0.76 | - 0.87 | - 0.82 |
| Share in the result of participations | 0.02 | - | - | - | - |
| Direct investment result | 0.41 | 0.41 | 0.76 | 1.17 | 1.25 |
| Non-controlling interests | - 0.06 | - 0.07 | - 0.15 | 0.18 | - 0.06 |
| Direct investment result per average outstanding share | 0.35 | 0.34 | 0.61 | 0.99 | 1.19 |

## Indirect Investment Result

The indirect investment result in 2015 totalled €13.2 million (2014: - €185.3 million). The indirect investment result consists of both realized revaluations (net sales results on investments sold) and unrealized revaluations. These unrealized revaluations concern the changes in the market value of the property portfolio (€1.3 million), the interest rate hedging instruments (€7.5 million), the partial sale of the interest in IOW (€2.9 million) and the revaluation of other investments (- €2.2 million). The realised revaluation comprises the result on sales of buildings (€5.2 million).

| X €1,000 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Revaluation of investment properties | 376 | - 183.075 | - 192,314 | - 146,219 | - 37,753 |
| Revaluation of other investments | - 2,153 | - | - 3,536 | - | - 2,443 |
| Elimination of rental incentives | 921 | - 54 | 1,049 | 140 | - |
| Net result on sale of investments | 5,225 | - 1,358 | - 3,649 | - 7,870 | 835 |
| Other income | 2,858 | - | - | - | - |
| Share in the result of participations | - 538 | - | - | - | - |
| Movements in fair value of derivatives | 7,467 | - 1,842 | 25,705 | - 19,369 | - 13,608 |
| Exchange-rate differences | 502 | 72 | - 287 | - 127 | 106 |
| Allocated management costs | - 2,085 | - 2,261 | - 2,546 | - 2,554 | - 1,592 |
| Merger costs | | - | - | - | - 8,141 |
| | | - | - | - | 68,161 |
| Result from bargain purchase | | | | | |
| Corporate income tax | - 116 | - 22 | 95 | 1,526 | - 722 |
| Total | 12,457 | - 188,540 | - 175,483 | - 174,473 | 4,641 |
| Non-controlling interests | 762 | 3,192 | 4,864 | 7,951 | 2,034 |
| Indirect Investment Result | 13,219 | - 185,348 | - 180,347 | - 166,522 | 6,675 |

*Revaluation of Investment Properties*

An important part of the indirect result is the value development of the property portfolio. The revaluation of the investment properties amounted to €0.4 million (2014: -€183.1 million).

The value of the Dutch portfolio rose by €1.4 million, consisting of a positive revaluation of € 9.1 million in the office portfolio and €4.3 million in the large-scale retail portfolio, and a negative revaluation result in the retail portfolio (€ 9.4 million) and in the industrial buildings portfolio (€2.6 million). The net revaluation result in Belgium was €1.0 million negative.

The positive revaluation of the office portfolio was driven by a slight decline in market yields and market rents. In the retail portfolio, the negative revaluation was primarily due to rising yields.

## Real Estate Revaluation Results (x €1,000)

| Netherlands | 2015 | 2014 | 2013 | 2012 | 2011* | 2010* |
|---|---|---|---|---|---|---|
| Office property | 9,082 | - 122,519 | - 131,658 | - 102,090 | - 31,400 | - 21,435 |
| Retail | - 9,385 | - 41,604 | - 38,812 | - 11,304 | - 72 | - 668 |
| Large-scale retail | 4,283 | - 13,645 | - 11,284 | - 5,120 | - 550 | - 511 |
| Company buildings | - 2,599 | - 109 | - 11,024 | - 6,094 | - 1,351 | - 2,416 |
| Residential | - | - | - 575 | - 155 | 135 | - 1,747 |
| Total | 1,381 | - 177,877 | - 193,353 | - 124,763 | - 33,238 | - 26,777 |
| | | | | | | |
| Belgium | - 1,005 | - 5,198 | 1,205 | - 13,953 | - 3,571 | |
| Total | 376 | - 183,075 | - 192,148 | - 138,716 | - 36,809 | - 26,777 |

*) In accordance with IFRS, the figures prior to the merger with VastNed Offices/Industrials (over the period 2008 up to and including the first three quarters of 2011) have not been amended and represent only NSI. As of the fourth quarter of 2011 the results of NSI and VNOI are fully consolidated.

*Net Result on Sales*

In 2015, a total of 24 office buildings, 2 industrial buildings and a shopping centre were sold yielding a total result on sales of €5.2 million. The total proceeds of the transactions completed in 2015 was €49.4 million.

*Other Income*

NSI sold 5.7 million IOW shares (representing a 35% interest in IOW) thus realising a result on sales of €2.9 million (IFRS).

*Movement in the Market Value of Derivatives*

The effect of interest rate hedging instruments on the indirect investment result totalled €7.5 million in 2015 as a result of risen long-term Euribor rates.

NSI utilises interest-rate hedging instruments exclusively to limit operational interest rate risks. The nominal value of derivatives are lower than the nominal values of the interest-bearing debt. There is no ‘overhedging’ and NSI is not exposed to ‘margin calls’ and is not required to make any additional cash payments in case of a change in the value of these instruments. The value of the financial derivatives automatically reverts to zero at the end of the duration of these instruments.

# What I want in my workspace

NSI conducts thorough research into what HNK users consider important in a workspace and anticipates this with the right products and services.

**Cooperation**

Due to the New Way of Working, the office no longer necessarily is the area where the work has to be performed. At the office, people have to be able to meet each other and to work together. This is why every HNK has a ‘social heart’.

**Flexibility**

The fixed office hours are blurring. The old-fashioned 9 to 5 model no longer suffices for many office workers. Increasingly more employers facilitate their workers in organising their own time. HNK facilitates flexibility for both employers and employees.

**Multiple Locations**

With the trend that working is becoming increasingly independent of place, there is also a growing need to be able to work at multiple locations. Close to home, on the way to a client, of simply at the office. Thanks to the nationwide network, HNK always offers a location nearby.

**Wifi**

For the office user, WiFi is a kind of first necessity of life. HNK offers in all its location superfast WiFi.

**Smart & Connected**

Users are increasingly demanding that things can be organised ‘smart’ through means of technology. For example, the ability to book meeting rooms using the HNK app.

**Coffee...**

And last but not least; some things simply do not change. Good coffee continues to be an important aspect for the customer satisfaction of office users.

# The Strength of HNK

HNK has a solution for every tenant and every possible situation. HNK provides the complete range of accommodation needs under a single roof and that is unique. Ranging from a flexible workspace to a long-term lease, and everything in between. In an inspiring contemporary environment, with every conceivable facility, HNK offers precisely the space and the service level that suits a specific situation. And when this situation changes, HNK offers all conceivable opportunities to accommodate this change.


## HNK Winner of the National Business Success Award

HNK was pronounced sector winner 2016 in the Office Space Letting Sector by the National Business Success Award (NBSA) Institute. “Staying close to the user, being creative and the ability to deal flexibly with customer demand are the core concepts that make HNK a total service provider of workspace,” according to the jury’s report.

# Financing

In 2015, NSI continued to implement its financing strategy in support of its general strategy. In May 2015, NSI completed a major refinancing (€550 million) at the group level, representing approximately 80% of the outstanding loan portfolio. A €250 million credit facility was established thus creating financial flexibility in support of the asset rotation strategy. This resulted in largely meeting a number of objectives, including lowering financing costs, extending the term of the loans and increasing the opportunities for diversification. The simplified structure and documentation gives NSI greater flexibility to implement its portfolio strategy.

## Treasury Policy

NSI pursues an active treasury policy. This policy is subservient to its core activities: the lease, commercial operation and acquisition and sale of properties. The treasury policy is focused on controlling risks in the area of financing and on increasing the predictability and stability of cash flows. The objective of the treasury policy is to optimise the company's results, subject to the condition of a conservative financing structure at competitive rates. Taking speculative positions is not permitted.

## Interest Rate Policy

The majority of NSI's financing is currently at a variable interest rate. The objective of the interest rate policy is to control interest costs without taking speculative positions. To achieve this goal, NSI has the opportunity to hedge part of the variable interest rate by making use of fixed-rate loans, as well as interest rate derivatives and 'collars' (instrument that defines the bandwidth within which the interest rate fluctuates). The hedged positions must meet the following requirements over four consecutive quarters, including the reporting date:

1. The volume hedge (fixed-rate loans plus derivatives in relation to the loan portfolio) must be between 70% and 100%,
2. The maturity hedge (average term of derivatives in relation to the average term of the loan portfolio) must be between 70% and 120%.

In accordance with policy, in 2015, NSI did not take any speculative positions and complies with the provisions of the interest rate policy.

## Financing Policy

The objective of the financing policy is to manage the company's financial risks in combination with an appropriate financing at the lowest possible cost rate. In relation to this, a balanced tradeoff between managing these financial risks and the associated costs is being made, such as the balance between the duration / maturity of loan and derivative contracts and additional marginal costs of long-term financing. In this context, the financing policy can be broken down into the following components: (i) diversify financing sources in order to reduce relative dependence on a specific funding source (in this case, bank financing); (ii) create and if possible maintain uniform loan documentation so that entry of new lenders can be done in a transparent manner; (iii) optimise interest costs on the basis of agreements and rates in line with market conditions ; (iv) optimise the average term of the financing portfolio, aiming at further extension; (v) realise financing at the group level; so (vi) creating the possibility to migrate from secured (mortgage-backed) financing to predominantly non-mortgage-backed secured financing, so that diversification of funding sources can be facilitated.

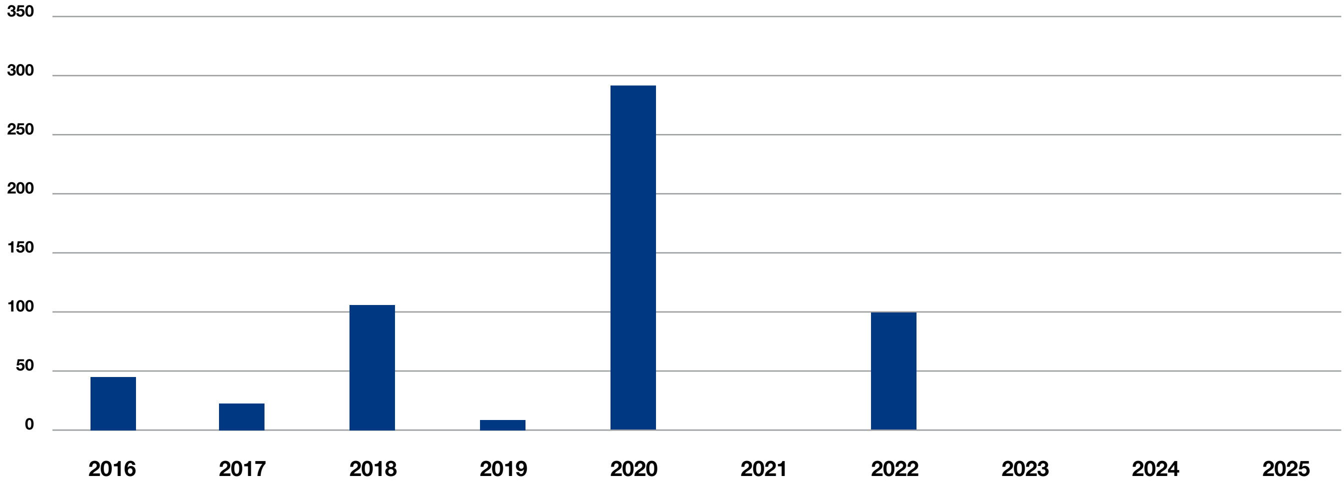
With the €550 million refinancing negotiated in 2015, NSI has largely met these objectives. This financing consists of a bank financing of €450 million by an international bank syndicate and an institutional facility of €100 million. The participation of international banks and the introduction of an institutional facility mean that the diversification of financing sources has been achieved. In addition, the financing structure has been simplified due to the fact that two syndicated facilities and multiple bilateral agreements were merged into a single financing facility, whereby the loan conditions were harmonised. Among others, by adding an institutional facility, the average term of the loan portfolio has been significantly extended.

The reduction of the interest rate margins on this facility has resulted in structurally lower average financing costs. Furthermore, the new facility explicitly creates the possibility of releasing securities over time and, after the release of securities, the largest part of the financing will be continued as a senior unsecured facility.

With the new financing structure and as a result of the migration of loans from the property level to the consolidated asset level, there is greater flexibility in terms of implementing NSI's strategy, including asset rotation. The acquisition of the high-quality buildings in October 2015 is an example of this.

NSI considers it important to continuously stay in discussion with financiers. Through means of open, frequent and transparent communications, including during times that the company does not require financing, the relationship banks and potential financiers keep abreast of the conditions within NSI, which enables them to more effectively anticipate NSI's financing policy. This method of communication is one of the factors that contributed to the successful refinancing in May 2015.

## Loan Maturity Dates
(x €1,000)




The loans decreased from €792.9 million at year-end 2014 to €564.6 million at year-end 2015, primarily due to the deconsolidation of IOW. The average term of the loans is 3.9 years (31 December 2014: 2.0 years).

The bank financing for the period 2016 – 2017 has already been refinanced with the €550 million facility. The remaining refinancing in 2016 and 2017 relate to two 'pfandbriefe' bank financings.

The fixed-rate portion of the loan portfolio, including interest rate derivatives, increased from 77.2% as at 31 December 2014 to 80.4% as at 31 December 2015. This is primarily due to the increase of the Dutch property portfolio due to the acquisitions completed in October 2015. The percentage amply falls within the specified bandwidth of 70% – 100%.

The derivatives have an average term of 4.0 years (2014: 3.1 years).

| X €1,000 | Fixed-rate Loans | Variable-rate Loans | Total Loans | CreditFacility | Variable Swaps Exchanged for Fixed Rate | Fixed Rate after Swaps % | Interest Rate % |
|---|---|---|---|---|---|---|---|
| 2015 Total | 72,054 | 492,564 | 564,618 | 40,000 | 414,300* | 80.4% | 3.7% |
| 2014 Total** | 214,213 | 578,659 | 792,872 | 63,250 | 446,625 | 77.2% | 4.6% |

* Excluding swaps taking effect after 1 January 2016

** Including Belgium

NSI has no margin calls in its derivative contracts that would require cash payments to be made in case of changes in the market value of derivatives.

## Credit Facilities

When it negotiated the new financing facility, NSI conducted analysis of the desired size of the committed, undrawn/available facilities. Committed undrawn facilities are subject to a fee, but provide the company a high degree of flexibility in financing potential acquisitions. This flexibility is used to absorb other short-term financing needs as bridging loans until such time as new equity capital is raised or long-term loans are acquired. The decision was to set up a €250 long-term revolving credit facility with the syndicated financing, including a €40 million (year-end 2014: €63.3 million) current account facility. In addition, NSI also still has access to a €50 million non-committed facility.

The funding available to the company under the committed facilities as at 31 December 2015 amounted to €78.0 million (31 December 2014: €201.0 million, approximately €75.0 million of which was related to IOW). Of this, €40 million was related to the committed current account facility. As at 31 December 2015, NSI had over €22 million in liquid assets reported on its balance sheet, primarily originating from the sale of real estate in December. At the beginning of January, these liquid assets were used to further increase the available funding.

## Financing costs

Financing costs in the direct result significantly declined in 2015 to €28.2 million compared to €42.4 million in 2014, due to the lower interest rate margins on the new facility, by making use of the current low interest rates on new derivatives (to replace expiring derivative contracts) and due to the fact that the financing expenses (€5.7 million) of the participation in IOW are no longer consolidated. In addition the financing income increased as a result of one-off income (appr. €2.5 million) resulting from the final settlement with the Belgian tax authority concerning historically paid witholding tax in Belgium.

The weighted average interest rate of the loans and interest rate hedging instruments significantly decreased from 4.6% as at 31 December 2014 to 3.7% as at 31 December 2015. This is based on the current interest rate margins as at year-end, which does not reflect the average interest rate margin over the period. The interest rate coverage ratio was 3.2 on 31 December 2015. As a result, NSI realised the objective of achieving an average interest rate level below 4% earlier than expected. The aim and the expectation is to further decrease average interest costs in the future.

## Loan-to-Value Trend

NSI's policy is to keep the portfolio's loan-to-value (LTV) ratio to between 40% and 50%, with a preferred LTV lower than 45% in view of the more favourable pricing in that bandwidth of the LTV-dependent interest rate margins in the 2015 loan facility discussed before.

The value of the real estate investments and financial fixed assets as at 31 December 2015 amounted to €1,254.9 million (2014: €1,668.2 million) in part due to the deconsolidation of IOW and the acquisition and disposal of buildings. The loan-to-value ratio at a net debt to credit institutions of €542.3 million at 31 December 2015 (31 December 2014: €815.5 million) was 43.2% (2014: 48.9%).

## Covenant-related Developments

The loan documentation stipulates that NSI must regularly report on the status of specific agreements (covenants) to its financial institutions. On this basis, financial institutions maintain insight into how the company's creditworthiness evolves over the term of the financings.

The framework of the covenants related to the loans, which differs by financial institution and agreement, is closely monitored by NSI. The new financing has limited the number of NSI's loans, reduced the diversity of covenants and simplified their management.

In line with the financing policy, the covenants are proactively monitored. Aside from the realised covenants, the potential impact of the strategic decisions and changed market conditions on the future outcomes of the covenants is calculated on at least a quarterly basis (and if necessary even more frequently).

During 2015, NSI met all agreed-upon covenants arising from all individual loan agreements.

## Shareholders' Equity

Shareholders' equity increased in 2015 to €660.7 million (year-end 2014: €632.8 million), primarily as a result of the net positive total investment result of € 63.8 million and the payment of dividend in cash (€35.8 million). The value of non-controlling interests decreased due to the partial sale of the interest in IOW (to 15.2% as at December, 2015) and IOW therefore is no longer consolidated.

## (EPRA) Net Asset Value per Share

The net asset value per share (including the market value of derivatives) rose to €4.61 as at 31 December 2015 in comparison to €4.42 as at 31 December 2014. Excluding the market value of derivatives (EPRA-based net asset value), the net asset value per share was €4.79 (31 December 2014: €4.69).

## Share Capital

The number of shares in issue was 143.2 million as at year-end 2015.

# Portfolio Trends

## The Real Estate Market in 2015

The investment volume in the Dutch real estate market rose to €10.7 billion in 2015 (source: JLL), reaching the investment level of that prior to the 2007 financial crisis. The uncertainty on the international investment markets and the low interest rates were responsible for the major influx of international capital into the Dutch real estate market. Furthermore, price levels were considered attractive (source: DTZ). In addition, research conducted by DTZ shows that investor confidence is once again back to 2007 levels.
The user market is heavily influenced by a number of trends that materially change the demand in all real estate segments. As a result, success is to a greater extent determined by the ability to effectively anticipate this demand, rather than by general economic developments.

## The NSI Property Portfolio

NSI's focus is on investing in offices and retail in the Netherlands. As at 31 December 2015, NSI's Dutch property portfolio was valued at €1,200.2 million, subdivided into an office portfolio of €713.8 million (of which €123.2 million is HNK), a retail portfolio of €356.9 million and a miscellaneous portfolio (industrial buildings and large-scale retail trade) of €129.5 million. The industrial buildings portfolio (€61.2 million) was classified as held for sale as at 31 December 2015.

In 2015, the value of the total property portfolio declined to €1,203.5 million (31 December 2014: €1,668.2 million). In 2015, NSI reduced its interest in the Belgian listed Intervest Offices & Warehouses (IOW) from 50.2% to 15.2%. As a result, IOW is no longer consolidated in the NSI financial statements and is therefore no longer included in NSI's portfolio. This transaction explains €635.7 million of the decline in the value of NSI's portfolio. In addition, the value of the portfolio was affected by acquisitions (€198.9 million), disposals (€47.0 million), revaluations (€0.4 million) and investments (€18.7 million).

| | Number of Properties | Lettable m² | Theoretical Annual Rent | Occupancy Rate % | Market Value (x €1,000) | % |
|---|---|---|---|---|---|---|
| Netherlands | 193 | 973,881 | 130,194 | 77.3 | 1,200,155 | 100 |
| Belgium | 1 | 2,365 | 304 | 16.8 | 3,310 | - |
| Total | 194 | 976,246 | 130,498 | 77.1 | 1,203,465 | 100 |
| | | | | | | |
| Offices | 120 | 488,570 | 69,751 | 76.7 | 593,863 | 49 |
| HNK | 10 | 100,214 | 15,128 | 59.6 | 123,200 | 10 |
| Retail | 35 | 180,923 | 31,079 | 84.4 | 356,934 | 30 |
| Large-scale retail trade | 6 | 90,046 | 6,626 | 90.5 | 68,240 | 6 |
| Industrial | 23 | 116,493 | 7,914 | 77.1 | 61,228 | 5 |
| Total | 194 | 976,246 | 130,498 | 77.1 | 1,203,465 | 100 |

## Value Trend of the NSI Property Portfolio

NSI determines the market value of the investment properties on the basis of a professional appraisal management system. The entire Dutch portfolio is appraised externally each year by reputable appraisers (50% at 30 June and 50% at 31 December). The external appraisals are also used as a basis to internally appraise the remaining buildings (50%) twice each year. NSI has configured its process on the basis of the good practice provisions of the PTA (Appraisers & Auditors Platform). These external valuations are compared with the internal valuations and analysed with regard to the methods and assumptions used and the results.

After years of major downward revaluations, the value of the Dutch portfolio remained relatively stable in 2015 (positive revaluation result of €1.4 million in comparison to - €177.9 million in 2014), primarily due to developments in the office portfolio. In 2015, after a long consecutive period of downward revaluations, a positive value trend amounting to €9.1 million was visible in the value of the office portfolio due to a slight decrease in yields and market rents.

In the retail portfolio, the negative revaluation (- €9.4 million; 2014: - €41.6 million) was primarily due to rising yields. The revaluation result of the large-scale retail portfolio was €4.3 million (2014: - €13.6 million) and the downward revaluation of the industrial buildings portfolio was €2.6 million (2014: - €0.1 million).

## Revaluation of the Property Portfolio

| | Netherlands x €1,000 | Belgium x €1,000 | Total x €1,000 | Gross Yield % | Net Yield % |
|---|---|---|---|---|---|
| Offices | 9,082 | - 1,026 | 8,056 | 11.9 | 8.9 |
| Retail | - 9,385 | - | - 9,385 | 8.7 | 7.1 |
| Large-scale retail trade | 4,283 | - | 4,283 | 9.7 | 8.3 |
| Industrial | - 2,599 | 21 | - 2,578 | 12.9 | 10.6 |
| Total | 1,381 | - 1,005 | 376 | 10.9 | 8.4 |

## Investments in Improvements, Expansions, Transformations and Redevelopment

Within the office portfolio, redevelopment is primarily focused on transformations into the HNK concept, renovations, on improving the letting proposition or on a specific lease. In the retail portfolio, redevelopments for the most part are focused on expansion, revitalisation and optimisation.

In many cases, the relationship with the municipality or the province plays a role, for example in the area of permits. NSI's knowledge and expertise in this area is sometimes decisive in terms of identifying and realising new opportunities.

The following office properties were under development or redevelopment by NSI in 2015.

| Office Portfolio | | Total Investment x €1,000 | Upgrading m² | Expected Delivery |
|---|---|---|---|---|
| *HNK's* | | | | |
| Bennekomseweg | Ede | 975 | 5,100 | 2015 |
| Europalaan | 's-Hertogenbosch | 990 | 1,150 | 2015 |
| Arthur van Schendelstraat | Utrecht | 4,440 | 9,040 | 2015 |

In 2015, three buildings totalling approximately 27,000 sqm (Ede, ‘s-Hertogenbosch and Utrecht Central Station) were transformed into HNKs. Furthermore, preparatory work was completed in 2015 for HNK building transformations in Dordrecht, a second site in Rotterdam and in Amsterdam Zuidoost, that are to be completed in the first half year of 2016.

In 2015, NSI invested €9.5 million in HNK. This brings the total cumulative investment in the HNK rollout to €21.8 million since its start in 2014. A €15 million budget is foreseen for the remaining rollouts to 20 HNKs.

The following retail properties were under development or redevelopment by NSI in 2015.

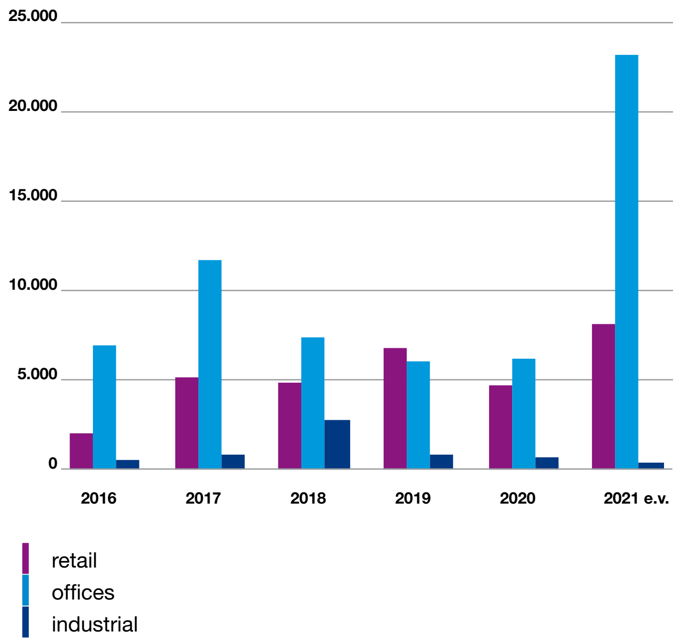
| Retail Portfolio | | Investment x €1,000 | Expansion/Renovation m² | Expected Delivery |
|---|---|---|---|---|
| ’t Loon | Heerlen | 8,000 | 2,400 | 2015 |
| Keizerslanden | Deventer | 11,000 | | 2018 |

*‘t Loon Shopping Centre in Heerlen*
The renovated ‘t Loon shopping centre was opened in a festive atmosphere on 5 March 2015. The work on the C&A retail outlet proceeded in phases. The newly constructed segment was handed over in mid-2014. After that, the existing shop was renovated and then merged with the newly constructed segment. In addition, the routing and the layout of the shopping centre were improved and the entrance was renovated. The reconstruction was completed on schedule and within budget.

*Expansion of Keizerslanden Shopping Centre in Deventer*
NSI N.V. and the municipality of Deventer have agreed on a redevelopment plan for the Keizerslanden shopping centre. The shopping centre will be renovated and approximately 4,000 sqm will be added to the current 7,000 sqm floor area. The Keizerslanden shopping centre will be drastically modernised and adjusted to meet consumer needs. In addition, the number of parking spaces will be expanded and the public spaces will be modernised. Preparatory work will commence at the beginning of 2016. Construction work is expected to start by mid-2016 for completion by mid-2018. The total investment is approximately €11 million.

## Lease Expiry Calendar for the Dutch portfolio

(x €1,000 rental income)



# A day in HNK

There is a lively bustle in HNK throughout the day, boosted by the different types of housing and services provided in HNK. People come to (net)work and to meet, like here in HNK Utrecht Central Station. Café Soof, located in the ‘ social heart’, offers a wide range of tasty food and drinks; like coffee and cake, a healthy lunch, or a drink at the end of the day.


SOOF

# Office Portfolio Trends

## The Office Market

The vacancy rate on the office market decreased slightly for the first time since 2008. Since that time, the vacancy rate displayed a rising trend of 12% in 2008 to a peak of 16% at the end of 2014, dropping to 15.8% of the office supply (49.5 million sqm) in 2015. This means that the vacancy rate declined by 140,000 sqm to 7.8 million m2 (source: DTZ). According to DTZ, this trend originates from the supply, as well as the demand side. In 2015, the take-up level increased by 13% in comparison to 2014, representing 1.2 million sqm. However, the effective take-up nevertheless remains slight due to the fact that the market primarily was a replacement market, whereby office users often vacate more surface area than they take up under their new lease.
On the supply side there is little or no new development. In 2012, 12% of the total supply consisted of new development. This has since dropped to 2% (source: Dynamis). According to Dynamis, the transformation volume reached a record high in 2015. Office buildings are being transformed into (student) residences, hotels, multifunctional complexes or emergency accommodations for refugees. Over 2.1 million sqm in office space has been withdrawn from the market during a five-year period. On balance, the supply has been reduced by 1.9% through transformations and withdrawals in 2015 (source: DTZ).In spite of the fact that the supply of office space is 7 times higher than the take-up in a single year, the demand to supply ratio displayed a positive trend for the first time since 2007.

## Trends in the Office Market

The office market is affected by a number of structural trends that have an even greater impact than the economic trends. The key themes in the changing office landscape are as follows: changing customer requirements and needs; a changed customer profile; and higher geographic concentration. There currently exists a replacement market in which users are using lower rents to move to higher quality office space.

*Changed Needs: Flexibility and Service*
The modern office user is less time and location-bound, and therefore has different property-related demands.
'The New Way of Working', supported by technology results in a decrease in the number of required workplaces and a greater need for flexibility. The office has increasingly become a meeting place in which communication and collaboration are key aspects. Organisations that focus on the New Way of Working facilitate fewer workplaces than the number of employees they employ as a result of which the space allocation per employee decreases. The expectation is that over the coming years, economic growth will not be sufficient to offset this effect. Furthermore, a greater need for flexibility reinforces this effect.
Work is no longer office-bound, which is why an office must deliver value added in terms of experience, productivity and meeting colleagues. The office must offer more than just a desk in order to serve as the central point of exchange within the organisation. The quality of the office as a factor in stimulating productivity and reinforcing the perception and meeting experience is increasing in importance, as a result of which offering the right services has become a success factor.

*Lower Costs for Greater Quality*
The end-user's preference for good flexible facilities combined with a continuous focus on cost savings has reinforced the interest in multi-tenant buildings in recent years. The availability of facilities has become more important than having these facilities in-house. Increasingly the preference is to share catering facilities, meeting facilities and other hospitality services.

*Changed Customer Profile*
In the past 20 years, the number of companies has more than doubled; from 600,000 in 1966 to 1.4 million in 2015. This explosive increase is primarily due to the emergence of self-employed workers without employees. The largest share (96%) of these companies employ a maximum of 9 persons. The number of large enterprises (> 250 persons in employment) as a share of the total number of companies is just 0.2%.
The expectation is that the number of companies will further increase over the next ten years, in part due to the continued growth in the number of self-employed workers without employees. Increasing numbers of Dutch citizens are consciously opting for independent entrepreneurship. This trend is stimulated by: Lower thresholds to starting up one's own company, new technological developments, new earning models and a drive for greater freedom among new generations entering the labour market (source: ING Economic Office).
Self-employed individuals and smaller organisations are increasingly partnering in diverse forms of enterprise. This movement translates into a decreased demand for large office areas and an increased demand for smaller and more flexible office areas with supporting services.

HNK responds to all of the above-referenced trends; a full-service, flexible accommodation concept used by NSI to anticipate the growing need for services and flexibility. In 2015, NSI continued to roll out its HNK concept from 7 locations in 2014 to a total of 10 throughout all of the Netherlands, and is on schedule to achieve its strategic goal of having 20 such locations in 2016. The HNK proposition is further explained on page 42.

*Consolidation and Concentration*
The migration to urban areas is a global trend. In the Netherlands, this urbanisation means a larger migration to the Randstad conurbation. Just like last year, there were clear concentrations: 47% of the national take-up occurs in the four largest cities of the Netherlands compared to 43% last year. Amsterdam is responsible for 23% of the national dynamic, followed by Rotterdam at 10%, The Hague at 7% and Utrecht also at 7%. This trend was also evident in NSI's portfolio.

The increasing urbanisation means that cities continue to grow at the expense of the peripherally situated regions. Furthermore, the office space consolidation trend is also persisting. Organisations are increasingly deciding to concentrate their activities at fewer locations and are choosing the strongest locations for this purpose.

NSI's portfolio is evolving to a higher level of quality through means of its asset rotation strategy. One of the characteristics of this improvement in quality is a higher concentration of office buildings in regions that NSI has identified as structurally healthy office locations. Location consequently is one of the leading criteria in NSI's acquisition and divestment strategy. In 2015, the share of buildings in these selected office locations in the portfolio rose from 70.3% to 79.9%. The share of buildings in the G4 cities (Amsterdam, Rotterdam, The Hague and Utrecht) in the portfolio rose from 41.9% to 51.5% in 2015.

## NSI Office Portfolio Letting Trends

*Take-up in 2015*
The total take-up of office space in the Netherlands amounted to 1.2 million sqm in 2015, representing an increase of 13% in comparison to 2014. However, in terms of the take-up/supply ratio, this represents an increase of only 2% to 14.7%. This can be explained due to the fact that the supply only declined by 1.9%. At 49,145 sqm, NSI's take-up performance was significantly better in comparison to 2014 (23,674 sqm) and in comparison to the market. With a supply of 2.4% of the national supply, NSI accounted for 4.1% of the national take-up, while NSI's portfolio represents 1.2% of the market. The take-up/supply ratio in NSI's portfolio was 24.8%, almost double the national take-up/supply ratio of 14.7% and an increase of 11.5% in comparison to last year (source: DTZ).
The share of the take-up in the G4 cities rose by 19.5% to 57.5% in comparison to 2014. The largest share of the total take-up was in Amsterdam, namely 26%, followed by Utrecht with 16% of the total take-up. In relation to the national office market, NSI performed better in the G4 cities, where 47% of the take-up was realised. In particular Amsterdam (+3%) and Utrecht (+9%) had a larger share. NSI also performed better in Rotterdam (+1%). The market performed somewhat better in The Hague (+2.5%).

*HNK Take-up in 2015*
43% of the take-up of office space at NSI was in HNK. In absolute terms this represents a take-up of 21,139 sqm compared to 4,855 sqm in 2014. In this respect it should be noted that with the further rollout from 7 to 10 locations, the HNK supply has also increased. Nevertheless, the take-up/supply ratio significantly increased to 45.2% (2014: 26.2%). This confirms NSI's focus on its full-service concept and the further development and expansion of this concept.

*Office Take-up exclusive of HNK in 2015*
Exclusive of HNK, the take-up in the office market was 28,006 sqm in comparison to 18,910 sqm in 2014. The take-up/supply ratio was 18.5%. The average size of a transaction in traditional office space was 468 sqm, with a total of 66 transactions. In HNK, the average transaction was 162 sqm, with a total of 150 transaction. Of the total take-up, 18 large transactions of more than 500 sqm were responsible for 63% of the total take-up. This is an increase of 18% compared to 2014. 132 transactions were for 100 sqm or less, and collectively represented 10% of the total take-up. This caused the average transaction size of the total take-up to increase by 55 sqm per transaction to 255 sqm. In addition, the number of transactions increased by almost 60% to a total of 216 transactions in 2015.

*Rent Levels and Lease Terms Trends*
The effective rent level across the entire portfolio as at 31 December 2015 amounted to €161 per sqm compared to €149 per sqm as at 31 December 2014, broken down into €157 per sqm for offices and €188 per sqm for HNK.
Tenants are aware of their favourable position in a market with shrinking demand and increasing supply. In 2015, market rent experienced a slight drop (0.8% according to DTZ). The effective rent of new lettings amounted to €135 per sqm in 2015; this represents an increase in comparison to 2014 (€129 per sqm).

The effective rent level of new lettings in the office portfolio, excluding HNK amounted to €107 per sqm (2014: €113 per sqm) and €165 per sqm in the HNK portfolio (2014: €169 per sqm).

As a result of the acquisitions, the average rent level of the office portfolio rose from €149 per sqm as at 31 December 2014 to €161 sqm as at 31 December 2015 (€157 excl. HNK). In HNK, this was €188 per sqm in comparison to €160 per sqm in 2014, primarily due to the expiry of a number of leases with a relatively low rent per sqm.

*Trend in the Occupancy Rate*
The occupancy rate improved from 71.5% as at 31 December 2014 to 73.6% as at 31 December 2015, in part due to the acquisition of well-leased high quality office space in October 2015.

Exclusive of HNK, the occupancy rate declined slightly from 77.3% as at 31 December 2014 to 76.7% as at 31 December 2015.

*Trend in the HNK Occupancy Rate*

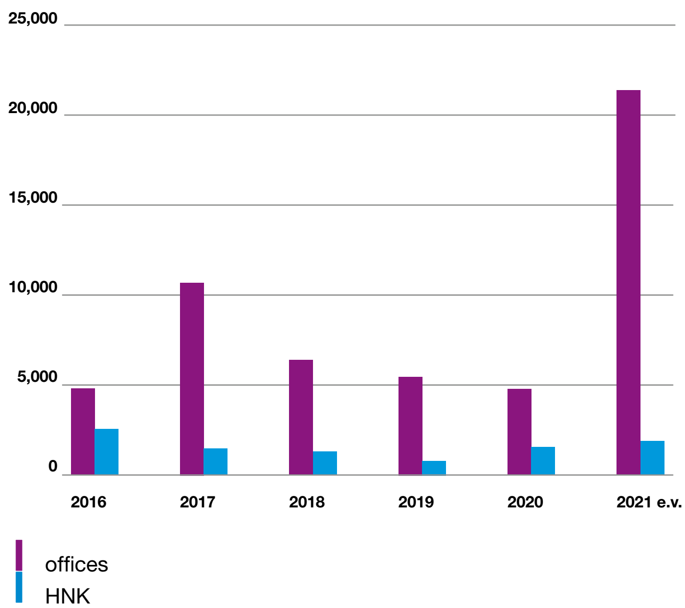
The average occupancy rate rose to 59.6% as at 31 December 2015 compared to 55.6% as at 31 December 2014. The occupancy rate is continuously affected by the addition of new HNKs that initially generally have a low occupancy rate as a result of which the occupancy rate does not show an underlying trend. In addition, in the 4th quarter, the occupancy rate was affected by the departure of 2 major tenants from HNK; due to Imtech's bankruptcy the lease in HNK The Hague (3,695 sqm) was terminated. In addition, a government service contract expired in HNK Rotterdam (3,855 sqm ). This government service was already present in the HNK Rotterdam before the building was transformed and has now been centralised in a newly developed building with other government services. The occupancy rate in all other HNK sites exhibited a rising trend.

In 2015, 9% of the office contracts (exclusive of HNK) expired, while 20% of the HNK contracts expired. In part due to the early renegotiations of leases, well before the expiry date, NSI is generating a better lease expiry spread.

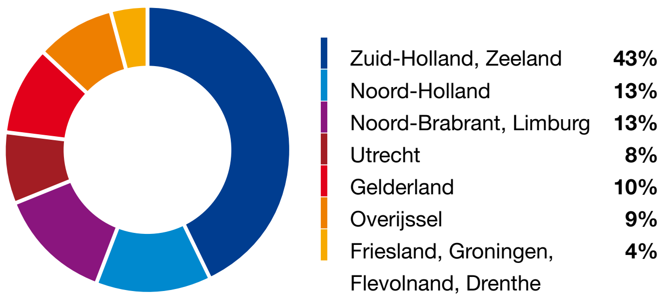
| | Offices (excl. HNK) | | HNK | | Total Offices | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Occupancy Rate | 76.7% | 77.3% | 59.6% | 56.6% | 73.6% | 71.5% |
| Take-up in m² (lettings from vacancies) | 28,006 | 18,910 | 21,139 | 4,855 | 49,145 | 23,764 |
| Take-up/supply ratio | 18.5% | 10.5% | 45.2% | 26.2% | 24.8% | 13.3% |
| Effective rent level per sqm of new lettings (over 12 months) | €107 | €113 | €165 | €169 | €135 | €129 |
| Effective rent level per sqm total portfolio | €157 | €143 | €188 | €160 | €161 | €149 |
| Like-for-like growth in gross rental income | - 11.5% | - 4.0% | 18.6% | 25.5% | -6.9% | -1.7% |
| WAULT (weighted average unexpired lease term in years) | 5.0 | 4.3 | 3.1 | 2.4 | 3.4 | 3.9 |

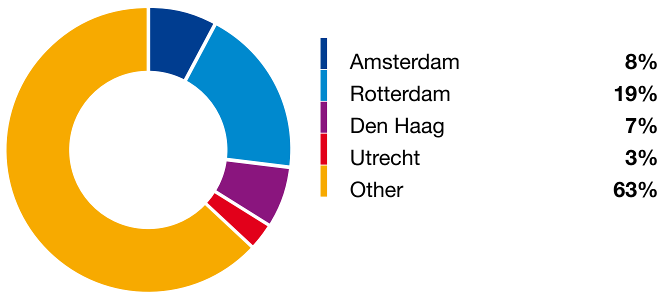
## Termination/expiry dates of office leases in the Netherlands and NHK

(x €1,000 rental income)




*Regional division Dutch office portfolio (in value)*



## Offices Gross Rental Income (x €1,000)

| | Offices (excl. HNK) | HNK | Total Offices |
|---|---|---|---|
| 2014 gross rental income | 45,921 | 8,223 | 54,144 |
| Acquisitions in 2015 and 2014 | 2,591 | - | 2,591 |
| Disposals in 2015 and 2014 | - 1,909 | - | - 1,909 |
| HNK transformations | 1,736 | - 1,736 | - |
| Like-for-like, indexation and other rent movements | - 5,262 | 1,526 | - 3,736 |
| 2015 gross rental income | 43,077 | 8,013 | 51,090 |

The organic (like-for-like) growth in the office portfolio was affected by the expiration of a number of large leases as at 31 December 2014. The impact of the expiration of these leases involving Rijksgebouwendienst (5,000 sqm), ROC Amsterdam (5,000 sqm) and ProRail (9,000 sqm), among others, amounted to €3.2 million in 2015. The property which was vacated by ProRail (Arthur van Schendelstraat in Utrecht) has been successfully transformed in HNK Utrecht Central Station in the meantime. The property which was vacated by ROC Amsterdam (Wilhelminaplein in Amsterdam) has been leased long-term for student-housing. This shows how NSI is able to re-let these larger floorplates with an active strategy.

Furthermore, the asset rotation's on-balance had a positive impact on the occupancy rate and the impact on gross rental income amounted to €0.7 million due to the disposal of 24 non-strategic office buildings and the acquisition of 8 high-quality buildings.

In calculating the like-for-like HNK growth, the rule that applies is that as soon as an HNK is ready following transformation, it is included in the HNK portfolio. If there are any existing tenants that departed prior to the transformation, then this effect is included in the office portfolio. In 2015, HNK Utrecht Central Station, HNK Ede and HNK Den Bosch were transformed. The total rental income represented by existing tenants in these buildings prior to the transformation was €1.7 million.

The 10 largest tenants in the Dutch office portfolio are as follows:

| Name | Annual Rent (€millions) | # of contracts | % of Office Rental Income |
|---|---|---|---|
| Spaces | 6.8 | 3 | 11.0% |
| Crucell Holland B.V. | 1.6 | 1 | 2.6% |
| Stichting de Thuiszorg Icare | 1.5 | 2 | 2.4% |
| Staples International Group Services B.V. | 1.3 | 1 | 2.0% |
| UWV Uitv. Inst. Werken | 1.2 | 1 | 1.9% |
| Rijksgebouwendienst | 1.1 | 1 | 1.7% |
| Gemeente Heerlen | 1.0 | 4 | 1.7% |
| Ziggo B.V. | 0.8 | 1 | 1.3% |
| SDL Netherlands B.V. | 0.8 | 1 | 1.2% |
| Rijksvastgoedbedrijf Eindhoven | 0.7 | 1 | 1.1% |
| Totaal | 16.8 | 16 | 26.9% |

| Offices Overview | Offices (excl. HNK) | HNK | Total Offices |
|---|---|---|---|
| Lettable area ($m^2$) | 486,206 | 100,214 | 586,420 |
| Occupancy rate (%) | 76.7 | 59.6 | 73.6 |
| Portfolio market value (x €1,000) | 590,552 | 123,200 | 713,752 |
| Total theoretical rent (x €1,000) | 69,447 | 15,128 | 84,575 |
| Effective rent per $m^2$ per year (€) | 157 | 188 | 161 |

acquired
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sold
sold
acquired
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acquired
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sold
sold
acquired
sold


# Asset rotation

NSI improves the average quality of the portfolio by means of asset rotation. By disposing buildings that have been optimised and in which the needed investments do not produce the required yield, NSI frees up funds for reinvestment at locations where NSI believes in a fundamentally healthy office market.

In 2015, NSI sold 27 non-strategic buildings, including 24 office buildings, and acquired 8 high-quality office buildings. As a result of these disposals and acquisitions, the share of the Randstad region in NSI's office portfolio increased from 42.5% to 52.5%, and from 11.8% to 24.7% in the Amsterdam region. The average quality of the office portfolio (on the basis of an independent JLL ranking) increased from 49.3% to 57.8% in 2015.

**1 Ypsilon**

| | |
|---|---|
| location | Leiden, Bio Science Park |
| surface | 9.418 $m^2$ |

**2 Alexanderhof**

| | |
|---|---|
| location | Rotterdam Alexander |
| surface | 3.120 $m^2$ |

**3 Alexanderpoort**

| | |
|---|---|
| location | Rotterdam Alexander |
| surface | 9.408 $m^2$ |

**4 Centerpoint 1**

| | |
|---|---|
| location | Amsterdam zuid-oost |
| surface | 9.011 $m^2$ |

**5 Centerpoint 2**

| | |
|---|---|
| location | Amsterdam zuid-oost |
| surface | 6.249 $m^2$ |

**6 Vivaldi 1**

| | |
|---|---|
| location | Amsterdam Zuidas |
| surface | 9.592 $m^2$ |

**7 Vivaldi 2**

| | |
|---|---|
| location | Amsterdam Zuidas |
| surface | 8.687 $m^2$ |

**8 het Binnenhof**

| | |
|---|---|
| location | Den Bosch, Paleiskwartier |
| surface | 10.442 $m^2$ |

# Trends in the Retail Portfolio

## Retail Real Estate Market

*Trends in the Retail Real Estate Market*
In 2015, consumer confidence was once again positive for the first time in 7.5 years. At the same time purchasing power improved as a result of an increase in real income. This has translated into increased consumer spending by approximately 0.9% in 2015. However, sales volumes continue to be 10.5% lower than eight years ago. Consumer spending currently is 2.7% below pre-crisis levels. Furthermore, consumer behaviour has structurally changed. A continuously increasing share of consumer expenditures is now made via the Internet. Online spending more than tripled over the past eight years. Retailers that are unable to successfully adapt to the changed consumer buying behaviour will disappear from the retail landscape. Combined with economic conditions this has a major impact on the retail trade: 5,200 companies have gone bankrupt since the crisis erupted (source: ABN AMRO Research). 2015 was a turbulent year in this respect as well; a number of chains with a long track record went bankrupt.
Consumers have become more price-conscious due to the transparency provided by the Internet. They demand more from retailers. The credo is to stay relevant as retailer.

The key trends in the retail market are as follows:

- *Everyone is online*

Purchases are increasingly made via the Internet and the Internet share is growing in all product categories. The number of consumers making online purchases, as well as expenditures, is increasing. In 2015, 87% of consumers made online purchases compared to 75% in 2014. Expenditures increased by over 18%. Shopping is becoming increasingly independent of time and location. Online and offline sales channels will become increasingly interwoven.

- *Multichannelling: fusion of online and offline*

The consumer focuses on online as well as offline shopping; and vice versa. The need for expertise and a personal approach in physical retail outlets continues to exist in this respect. Retailers that manage to offer the right mix in this regard benefit the most. In 2015, these so-called multichannellers achieved higher growth in revenues than the pure online players.

- *Delivery service as a sales channel*

Delivery services are emerging in increased numbers in the online segment and often involve more direct delivery to consumers. Meal boxes in particular are a strongly emerging phenomenon, which means that for the first time the food category also has a strong online presence. These concepts anticipate the need for convenience and the focus on health and sustainability. However, delivery services are also emerging as a channel in other product categories; for example for flowers whereby deliveries are made directly from the grower.

In addition, there is a trend whereby a number of online retailers are specifically organising themselves into a platform that also makes deliveries on behalf of other retailers. As such, a new phase appears to be dawning in the online shopping domain: the Platform Phase. The battle for the consumer increasingly revolves around logistics strength; which enterprise is able to deliver fastest to the consumer. This is also evident in the changed transport carrier landscape. New providers are entering the market with differentiating services.

- *Urbanisation*

The Randstad conurbation and the large cities traditionally were the most favourite shopping locations. Due to the increased importance of the Internet, the slight economic growth and the increasing urbanisation, whereby younger people are migrating to the city, the gap between attractive and less attractive retail sites is becoming increasingly larger. For many shopping centres, particularly in the peripheral regions, this makes it more difficult to remain attractive and to attract sufficient customers. Towns that are located in the shadow of a large city are also experiencing difficult times.

Research shows that local loyalty for non-everyday goods is declining and that expenditures therefore are increasingly diverted elsewhere. In terms of daily shopping needs, smaller retail areas are also proving to be capable of creating local shopping loyalty.

- *Value added: experience or convenience*

If consumers decide to visit a physical retail outlet, they look for a certain value added. The offer in shopping centres is undergoing a polarisation. Shopping centres in the high-end segment serve customers who want to be inspired and who are looking for an 'experience', with the full range of offer that goes along with a day out. Shopping must be fun.
At the other end of the spectrum is the shopping focused on functionality. The offer is primarily focused on daily shopping needs and facilities are focused on providing convenience. Such as an efficient infrastructure and good parking facilities, as well as online sales opportunities.
In view of these trends, shopping centres in the mid-segment or without an explicit positioning will increasingly experience difficulty.

*Market Trends*

The above-referenced trends, in particular the continued growth in shopping via the Internet and the continued lack of spending, create a surplus of retail areas at less desirable locations.
For the seventh consecutive year in a row, the vacancy rate in the Dutch retail market has increased, from approximately 6.9% to 7.5% (source: Locatus).

*NSI Retail Portfolio Trends*

The changed retail landscape will create a different (future) demand for retail sites. The local type of shopping centre has traditionally been well represented in NSI's portfolio; the type of shopping centre that perfectly fits into the above-referenced 'convenience' spectrum. This is where NSI's strength lies and what gives it a strong foundation to further reinforce its position in this segment. This means a focus on functionality, an effective layout and the right offer primarily focused on everyday shopping needs.
NSI focuses on shopping centres with a strong district or regional function (urban district and district shopping centres). In addition to the high level of diversification, the strength of these centres is their proximity to the consumer, their social function and their convenience.

NSI in its shopping centres focuses on a combination of national retail formulas and local entrepreneurs. The national retail formulas act as crowd pullers and offer stability. The local entrepreneurs give a shopping centre greater identity, stimulate local entrepreneurship and often are a good addition to the diversity of supply.
Supermarkets provide for a daily flow of visitors, which is essential for the dynamics and success of a shopping centre. At the present time, consumers only spend 2% of their expenditures on food online (Thuiswinkel Marktmonitor, GfK). The high retail density and generous opening hours are part of the reason that the online share has remained relatively limited.

The changed consumer behaviour is causing the supermarket segment to be further segmented into discount, full-service and online concepts. NSI strives for a representation of at least 2 supermarkets in its shopping centres, preferably a full-service supermarket and a discount formula. In addition, NSI is using the Easy Shopping concept to research how its shopping centres and retailers can anticipate the online trend.

## Easy Shopping

NSI tested a new retail concept in one of its retail centres in 2015: Easy Shopping. With this concept NSI is aiming to create a brand for convenience shopping centres, physically, as well as online. Easy Shopping offers all characteristics that transform a shopping centre into a convenience centre. Among other things, this implies a comprehensive offer, excellent accessibility, good facilities and supplementary services. Ranging from free parking and WiFi to a webshop available for use by all retailers in the shopping centre. In addition, an active social media strategy is used to create an involved community and to increase the shopping centre's reach. Furthermore, many events are organised in the shopping centre for which a great deal of attention is generated with the help of social media.
In 2015, a pilot was initiated in the Zevenkamp shopping centre in Rotterdam to test and to continue to develop the Easy Shopping concept. For example, the pilot included tests with meal boxes made up of products from different retailers, a home delivery service and a home repair jobs service. The Easy Shopping concept will continue to be rolled out to other shopping centres on the basis of the pilot's results. A clear increase in the number of visitors to the Zevenkamp shopping centre was visible during the period of the pilot. See page 62-63 for more information about Easy Shopping.

The value of NSI's Dutch retail portfolio at 31 December 2015 was €425.2 million (31 December 2014: €431.1 million), further subdivided into €356.9 million retail and €68.2 million large-scale retail trade.

| | Retail | Large-scale retail trade |
|---|---|---|
| Lettable area ($m^2$) | 180,923 | 90,046 |
| Occupancy rate (%) | 84.4 | 90.5 |
| Portfolio market value (x €1,000) | 356,934 | 68,240 |
| Total theoretical rent (x €1,000) | 31,079 | 6,627 |
| Effective rent per $m^2$ per year (€) | 178 | 75 |

*NSI Retail Letting Trends in 2015*

The financial occupancy rate of the retail portfolio declined from 88.4% as at 31 December 2014 to 84.8% as at 31 December 2015, in part due to the expiration of a lease on office space located above a shopping centre and the sale of a fully let shopping centre (Zevenkampse ring). The occupancy rate in the large-scale retail trade significantly improved from 84.5% as at 31 December 2014 to 90.5% as at year-end 2015.

| | Retail | | Large-scale retail trade | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Occupancy Rate | 84.4% | 88.4% | 90.5% | 84.5% |
| Take-up in $m^2$ (lettings from vacancies) | 5,029 | 10,310 | 2,191 | 18,422 |
| Take-up/supply ratio | 14.7% | 41.1% | - | - |
| Effective rent level per sqm of new lettings (over 12 months) | €215 | €135 | €42 | €30 |
| Effective rent level per sqm total portfolio | €178 | €183 | €75 | €81 |
| Wault (weighted average unexpired lease term in years) | 4.6 | 4.5 | 3.7 | 4.3 |

The 10 largest tenants (retail/large-scale retail trade) are:

| Name | Annual Rent (€millions) | Number of Locations | % -of Retail Rental Income |
|---|---|---|---|
| Ahold Vastgoed | 2,9 | 11 | 11.0% |
| Blokker Holding | 1.4 | 16 | 5.4% |
| Lidl Nederland GmbH | 1.2 | 6 | 4.6% |
| Primark Netherlands B.V. | 1.0 | 1 | 3.8% |
| Eijkerkamp Veenendaal B.V. | 0.9 | 1 | 3.6% |
| Jumbo | 0.8 | 5 | 3.1% |
| A.S. Watson Property Continental Europe B.V. | 0.8 | 10 | 3.0% |
| Action Non Food | 0.6 | 7 | 2.4% |
| V.O.F. Wooncentrum | 0.5 | 1 | 1.9% |
| Goedhart Bouwmarkt | 0.5 | 1 | 1.8% |
| Total | 10.6 | 59 | 40.6% |

In 2015, the share of supermarkets of the total rental income decreased from 23% (38,089 sqm) in 2014 to 20% (38,439 sqm), among other things as a result of the disposal of the Zevenkampse ring shopping centre in Rotterdam.

The table below displays the most important tenants in the retail portfolio, the supermarkets.

| Supermarkets | (numbers) | sqm |
|---|---|---|
| Ahold | 10 | 16,234 |
| Aldi | 2 | 1,788 |
| Bas van der Heijden, Dirk van der Broek | 1 | 1,510 |
| Jumbo | 1 | 2,025 |
| Lidl | 6 | 7,749 |
| Plus | 1 | 1,195 |
| Other | 9 | 7,938 |
| Total | 30 | 38,439 |

The gross rental income of the retail portfolio increased from €26.7 million in 2014 to €27.9 million in 2015. The organic (like-for-like) rental trend of 4.3% in the retail portfolio was primarily driven by lettings in the Zuiderterras shopping centre in Rotterdam (Primark, Q-park, Dirk) following the completion of its redevelopment in 2014.

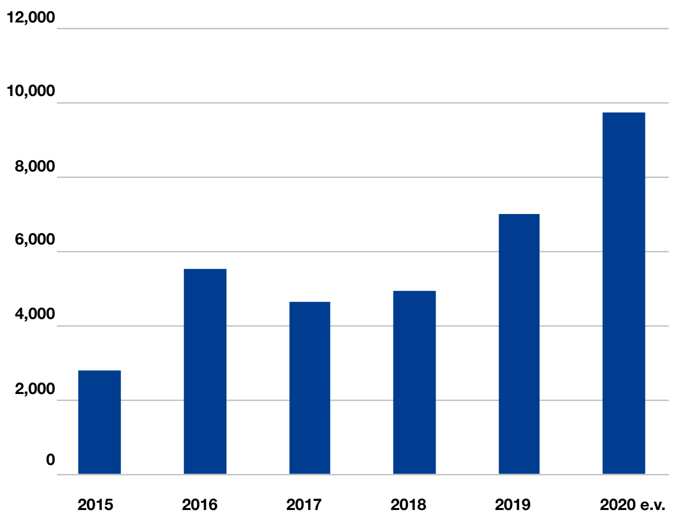
The gross rental income of the large-scale retail portfolio increased from €5.4 million in 2014 to €5.9 million in 2015.

## Retail Gross Rental Income

| (x €1,000) | Retail | Large-scale retail trade |
|---|---|---|
| 2014 gross rental income | 26,772 | 5,366 |
| Acquisitions in 2015 and 2014 | - | - |
| Disposals in 2015 and 2014 | - 67 | - |
| Like-for-like, indexation and other rent movements | 1,150 | 529 |
| 2015 gross rental income | 27,855 | 5,895 |

## Termination/renewal dates of retail leases in the Netherlands

(x €1,000 rental income)



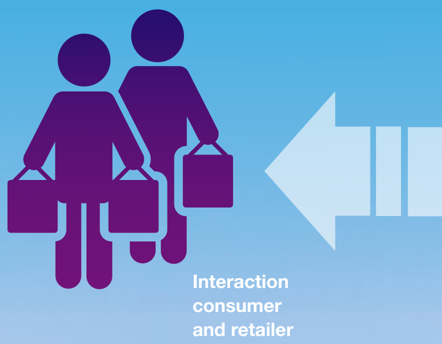
# Easy Shopping

## the district's social (shopping) heart

Easy Shopping is an important marketing tool for shopping centres. The focus on clicks and bricks, the increase in the local commitment and the surprise element reinforce the connection with the service area. This way the shopping centre increasingly becomes the social (shopping) heart; the district's living room. Furthermore, Easy Shopping interconnects the entrepreneurs by jointly initiating or facilitating activities in low-threshold ways.

## Easy Shopping causes more of a stir in the shopping centre

Richard Van Batenburg , Coop Branch Manager in the Zevenkamp Shopping Centre about Easy Shopping. Easy Shopping causes more of a stir in the shopping centre; life has returned to the Zevenkamp Shopping Centre!
As a supermarket it is very important to have a strong connection with the immediate market region. We do this on the basis of our own local promotions that we can reinforce by working together with the Easy Shopping team. By making use of Easy Shopping's online and offline platform, our reach and the effect of our activities is enhanced.


Actieve management NSI


Easy Shopping team

Online shoppng

Online community

Social media

Newsletter

Interaction retailer and consumer

Events

AKTIE

Shopping benefits

## Pilot in Zevenkamp Shopping Centre

The Zevenkamp Shopping Centre in Rotterdam is the pilot site for the Easy Shopping concept. By posting content each day via social media and by publishing a newsletter every month, an online community has emerged around this shopping centre. In addition, there is a webshop for the entire shopping centre, whereby the consumer pays online for the products from the various shops in a single shopping cart, to have it delivered the very same day. Of course, pickup in the shop is also possible.
The consumer's, as well as the retailer's response to the Easy Shopping concept is positive. The number of visitors and the visitors' length of stay has increased since the start of the pilot. This is in turn reflected in the positive development of the retailers' revenues.


## Benefit to the Retailer and the Consumer

Easy Shopping reduces the distance to the shopping centre. And more people are reached via the website and social media, including consumers that did not come here previously. And this works two ways. We are receiving more suggestions from the customer and the insight into what is happening in the district and the shopping centre is increasing. As a result, the customer is served even better!


BLOKKER


easy
shopping


LIDL
BESTE KOOP!
2 STUKS
5.-
VOORDEEL

# Trends in the Portfolio (miscellaneous)

## Industrial Buildings Market

The total stock of industrial space in the Netherlands is 267.5 million m². Although there is growth on the demand side of the industrial space market, the available supply of industrial space is slightly increasing by 1.4% as well. This is because much of the existing industrial space does not comply with the demand of modern, generally logistics, organisations, as a result of which part of the demand is met by new development. Currently the market provides 9.7 million sqm of industrial space, or approximately 3 times as much as the take-up. In 2015, the take-up rose by 18% to 3.2 million sqm, well above (23%) the long-term average (2008 – 2015). Logistics service providers in particular were active on this market (source: DTZ).

*Trends in the Industrial Buildings Market*
The logistics real estate market in the Netherlands benefits from the growth in e-commerce and the emergence of urban depots and consolidation centres at the periphery of towns and cities. Due to the continued growth in online sales, the demand for distribution centres in particular is increasing. These distribution centres generally are built-to-suit developments at strategic locations that are tightly linked to the infrastructure near urban agglomerations. The location is of key importance to ensure that the logistics process is efficient and effective, because consumers are increasingly expecting shorter delivery lead times.
The supply of high-quality industrial space in the Netherlands is low. The existing supply often does not meet modern-day requirements in terms of location and technical characteristics. Because new development locations for logistics purposes are scarce, the focus specifically is on the redevelopment of obsolete industrial parks.

*Trends in NSI's Dutch Industrial Buildings Portfolio*
The occupancy rate of NSI's Dutch industrial buildings portfolio rose from 76.6% as at 31 December 2014 to 77.1% as at 31 December 2015.

The gross rental income of the Dutch industrial buildings portfolio decreased from €6.9 million in 2014 to €6.0 million in 2015, in part due to divestments. The average rent level of the portfolio slightly decreased from €70 per sqm in 2014 to €68 per sqm in 2015.

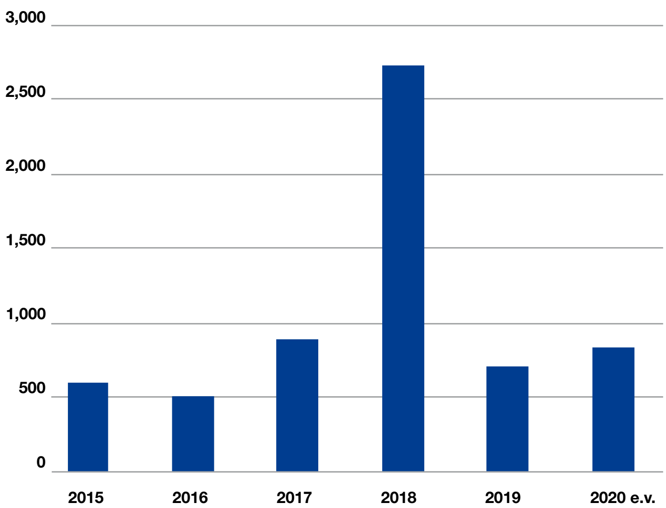
| Overview of Industrial Buildings | |
|---|---|
| Lettable area (m²) | 116,493 |
| Occupancy rate (%) | 77.1 |
| Portfolio market value (x €1,000) | 61,228 |
| Total theoretical rent (x €1,000) | 7,914 |
| Effective rent per m² per year (€) | 68 |

## Gross rental income industrial buildings

| | | (x €1,000) |
|---|---|---|
| 2013 gross rental income | | 6,931 |
| Purchases in 2014 and 2013 | | - |
| Disposals in 2014 and 2013 | - | 372 |
| Like-for-like, indexation and other rent movements | - | 603 |
| 2014 gross rental income | | 5,956 |

## Termination/Expiry Dates of Industrial Building Leases in the Netherlands

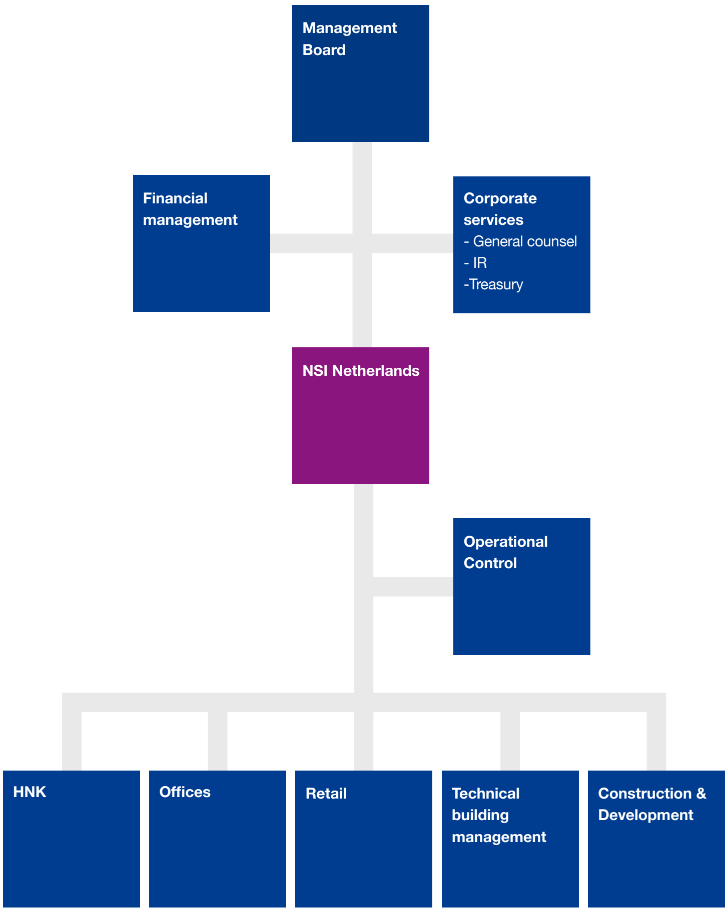
(x €1,000 rental income)



# Management & Organisation

Focusing on the operation and striving for operational excellence are important pillars that support NSI's strategy to be able to optimally serve tenants. NSI chose an operational model for this purpose with all real estate disciplines needed for proactive and integral real estate management available in-house.
In recent years NSI has successfully worked on developing this customer-oriented organisation in various ways, such as by investing in the capacity and specialisation of the letting teams, creating a construction and development team, and by insourcing previously externally outsourced maintenance management. Furthermore, NSI invested in knowledge and capacity in the field of Marketing, Business Intelligence and Innovation.
The aim for operational excellence requires a culture in which the continuous aim for further improvements and professionalisation is anchored. NSI encourages employees to develop themselves by offering training opportunities and by stimulating advancement within the organisation.

*Organisation*




NSI's Management Board comprises three directors appointed by the General Meeting of Shareholders: Mr Johan Buijs is Managing Director (CEO) and Mr Daniël van Dongen is Financial Director (CFO). In 2015, Mr Anne de Jong joined NSI in the position of CIO (Chief Investment Officer). The proposal to appoint Anne de Jong as director will be submitted to the Annual General Meetig of Shareholders on 29 April 2016.

As at year-end 2015, NSI employed 78 employees (71 FTEs), compared to 68 (65.9 FTE) in 2014. Nearly 45% of employees are women (35 women to 43 men). The management team consists of 25% women and 75% men.

# Corporate Social Responsibility

Vision - NSI is in the process of refining its Corporate Social Responsibility (CSR) vision, policy and goals. Further communications on this subject will follow in 2016.

As a real estate investor with an active asset management strategy, NSI implements its CSR policy on the basis of 3 different perspectives, namely in its role as landlord, owner and investor. NSI's responsibility for sustainability is translated as follows:

As landlord, NSI in consultation with tenants strives to optimise energy efficiency. Since NSI has the in-house expertise needed to realise energy label improvements, this aspect is proactively discussed with new as well as existing tenants. This way NSI provides insight to its tenants into how investments pay off in terms of cost savings.
In addition, part of NSI's vision is to link its shops and offices by facilitating the creation of a 'social heart'. The HNK concept in particular is an example of this.

As owner, NSI supports various social goals by making an active contribution to initiatives that increase the attractiveness of the living and working environment, but also by temporarily making space available for social activities, for example.

As investor, NSI aims for optimal investment value, in which the focus on the environment and the surroundings, tenant satisfaction and value development are balanced in responsible ways. NSI actively collaborates with all parties in the real estate market in this respect: tenants, government, market players and sector organisations.

## Focus Points

NSI not only focuses on its own buildings and the surrounding public spaces in relation to sustainability, but also on collaboration with tenants and market players.

NSI's approach is based on a number of pillars:
- *creating a sustainable real estate portfolio*, by increasing the energy performance and user quality of buildings and by lowering their environmental burden;
- *advice and services to tenants,* with a focus on a sustainable relationship with tenants and by providing advice on how to make their business operations sustainable;
- *supply chain collaboration with strategic partners,* as a means of making the entire real estate chain sustainable and encouraging innovation;
- *supporting social projects,* with the objective of making the environment more attractive and increasing local solidarity.

*Objectives for Creating a Sustainable Portfolio*
Making the buildings in the NSI portfolio sustainable demands specific actions in the area of energy efficiency, greening of the energy supply and limiting the environmental burden. NSI's aim is to achieve the following objectives with its property portfolio by 2020:

- 30% in energy savings (on average 3% per year);
- 20% of energy from sustainable sources;
- 30% reduction in $CO_2$ emissions.

*Advice and Services to Tenants*
By informing and advising our tenants, NSI creates greater insight into and awareness of their energy consumption and business operations. NSI's activities are focused on the following:
- *identification* of tenant sustainability-related requirements;
- *informing* tenants in relation to energy saving opportunities and sustainable business operations;
- *monitoring, benchmarking and evaluating* the energy performance of the portfolio and the consumption data of our tenants.

*Chain Collaboration with Strategic Partners*
On the basis of its chain responsibility, NSI as a real estate owner wants to stimulate initiatives that make the total real estate chain sustainable and implement initiatives with other parties by:
- strategic partnering with suppliers, consultants and knowledge institutes in order to develop new services, concepts and products for our tenants;
- knowledge development and exchange with market players and sector organisations in order to conduct research and apply best practices;
- carrying out pilots with sustainable products, concepts and applications in collaboration with tenants and market players focused on energy savings and making (the use of) buildings sustainable.

*Support of Social Projects*
NSI aims to improve the attractiveness of the living and working environment and to contribute to increased local solidarity through various means, such as:
- a continuous dialogue with tenants, municipalities and social organisations;
- social solidarity, by investing in (neighbourhood) shopping centres with a local orientation;
- contributing to local initiatives and activities, focused on stimulating activities and liveliness, and increasing the level of amenities in and around NSI buildings.

## 2015 Progress

*Creating a Sustainable Portfolio and Cooperation with Tenants*
Energy efficiency plans at the building level: energy efficiency plans have been developed for all NSI buildings that are being refined in cooperation with tenants. Specific examples of the cooperation with tenants in the area of building improvements/energy efficiency are the renovations focused on improving technical systems and making them sustainable.
This has produced the following results:
- Portfolio: all offices and shops have an energy label. The majority of the portfolio has a green label.
- All HNKs have a green label, with the aim of having new HNKs classified as Label A;
- In 2015, 10 properties moved up 2 label levels or more.

Due to the above-referenced initiatives, among others, the following results were achieved in 2015:
- a 8% reduction in electricity consumption in comparison to 2014;
- a 6% reduction in $CO_2$ emissions in comparison to 2014.

*Chain Collaboration with Strategic Partners*
Sustainable, local energy generation in cooperation with partners: In 2015, NSI initiated a long-term partnership with partners for the installation of solar panels on the roofs of NSI buildings. In 2016, the expectation is that approximately up to 10% of electricity consumption can be generated locally.

*Sustainable Energy Goals*
Effective from 2017: 100% wind energy for purchased electricity; full compensation of $CO_2$ emissions.

*Support of Social Projects*
In 2015, NSI once again made space available to foundations and organisations with a social purpose, including the echtWaar foundation and De Voedselbank.

# Corporate governance

## Introduction

NSI is a public limited liability company which is listed on Euronext Amsterdam. It has a Management Board and a separate Supervisory Board (two-tier structure). The Company's highest authority is the General Meeting of Shareholders which is held at least once a year. The General Meeting of Shareholders appoints the managing and supervisory directors and sets their remuneration. The Management Board and the Supervisory Board are responsible for NSI's compliance with corporate governance requirements, among other things. As a Dutch public limited liability company, NSI is subject to the Dutch Corporate Governance Code. Corporate governance provides for good business conduct, including transparency in all actions by the Management Board and proper supervision thereof, as well as being accountable for the exercise of this supervision.

## Corporate Governance Code

Aside from the Dutch Corporate Governance Act, the Dutch Corporate Governance Code is the most important source for corporate governance. In accordance with best practice I.1, this section gives a general description of the company's corporate governance structure.

## Management Board

The Management Board is responsible for the management of the company, which includes the strategy and associated risk profile, the realisation of the objectives of the company, the development of the results and the social aspects of operating a business relevant to the company. The Management Board reports to the Supervisory Board and the General Meeting of Shareholders. In the exercise of its duties, the Management Board focuses on the interests of the company and its associated companies, taking the interests of the company's stakeholders into consideration. The Management Board is responsible for compliance with relevant laws and regulations, the management of the risks involved in the company's business and the financing of the company. The Management Board reports on these matters and discusses the internal risk management and control systems with the Supervisory Board and the Audit Committee.

The Management Board is responsible for the quality and completeness of the company's published financial information. The Supervisory Board is responsible for ensuring that the Management Board fulfils these responsibilities. The Management Board has set the company's strategy with the approval of the Supervisory Board.

The Management Board consists of at least two directors under the articles of association, who are appointed by the General Meeting of Shareholders. The Management Board currently comprises two members, a CEO and a CFO. The division of duties of the Management Board as well as its operating procedures are established in the articles of association and the Board's regulations. The articles of association and the regulations are available on NSI's website. A proposal will be submitted to the General Meeting of Shareholders to appoint Mr Anne de Jong, Chief Investment Officer, as the third statutory director, to fill a vacancy.

The remuneration of the members of the Management Board is established in accordance with the policy set out in the 'Remuneration Policy for Members of the Management Board of NSI' document. The remuneration policy regarding the Management Board is submitted to the General Meeting of Shareholders for approval. The Supervisory Board prepared a remuneration policy in 2008, which was adopted by the General Meeting of Shareholders. A revised remuneration policy for the Management Board was adopted by the General Meeting of Shareholders of 27 April 2012. This remuneration policy is still in full force.

A decision by the General Meeting of Shareholders for the dismissal or suspension of a director can be taken by a two-thirds majority of votes in a meeting at which over 50% of the issued capital is represented.

## Supervisory Board

The primary duty of the Supervisory Board is to supervise the management as exercised by the Management Board and the general developments at the company and its associated company, and to advise the Management Board. In the exercise of its duties, the Supervisory Board focuses on the interests of the company, taking the interests of those involved in the company into consideration. The Supervisory Board also involves the social aspects of business operation relevant to the company.

In its monitoring, the Supervisory Board focuses on the achievement of the targets and the strategy which have been established for this purpose. The Supervisory Board also monitors the proper execution of risk management and internal control systems, the real estate and financial reporting process and compliance with laws and regulations. Lastly, the Supervisory Board is involved in preparing the company's remuneration policy and confirms the individual remuneration of individual managing directors within the framework of the remuneration policy approved by the General Meeting of Shareholders.

The Supervisory Board strives to achieve a situation in which the experience and expertise of its members are appropriate to the operations and strategy of NSI. The Supervisory Board is composed such that its members can operate independently and critically with regard to each other, the Management Board and any other interest group. All of the Supervisory Board members are currently independent. A supervisory director is considered to be independent if the dependence criteria stated in the code do not apply. The Supervisory Board has developed a profile for the Board. This profile is available on NSI's website. Currently, the Supervisory Board continually monitors the Board's composition from the perspective of diversity, heterogeneity, competences, qualities and expertise in order to further improve compliance with the Management and Supervision Act.

The Supervisory Board is responsible for the quality of its own functioning.The Supervisory Board consists of at least three members according to the Articles of Association.

The Supervisory Board is also responsible for decision-making regarding actual and potential conflicts of interest of directors, supervisory directors and the external auditor in relation to the company. In accordance with the Financial Supervision Act and the IFRS, the financial statements, under 'affiliated parties', report on transactions between the company and affiliated parties, including the managing directors and supervisory directors, as well as transactions involving one or more affiliated parties. The extent to which the transactions were carried out on an arm's length basis is also reported. No such situations occurred during the 2015 reporting year.

The General Meeting of Shareholders appoints the supervisory directors and sets their remuneration. Proposals to the General Meeting of Shareholders for appointment or reappointment are supported by adequate grounds. In case of a reappointment, account is taken of the performance and operation of the candidate in his or her capacity of supervisory director. The articles of association and the regulations applying to the Supervisory Board state that a supervisory director can be a member of the Supervisory Board for a maximum of twelve years. A decision by the General Meeting of Shareholders for the dismissal or suspension of a supervisory director can be taken by a two-thirds majority of votes in a meeting at which over 50% of the issued capital is represented.

The division of duties of the Supervisory Board as well as its operating procedures are established in the articles of association of the company and the regulations of the Supervisory Board. These are available on the company's website. The Supervisory Board has appointed an Audit Committee, a Remuneration Committee, a Selection and Appointment Committee, and a Real Estate Advisory Committee. The regulations of these committees can also be accessed via the website.

The Supervisory Board meets at least four times a year according to a fixed schedule. Generally there are more than four meetings. There is also a special meeting at which the Supervisory Board discusses its own operation and that of its appointed committees, its relationship with the Management Board and the composition, evaluation and remuneration of the Management Board, without the Management Board being present. The profile which supervisory directors should meet is evaluated annually and amended if necessary.

In view of its size, the company has no internal audit department. The Supervisory Board discusses the findings of the external auditor regarding the company's internal control environment with the Management Board and the external auditor.

The Supervisory Board monitors the internal control structure and procedures and the assessment of the risks faced by the company and its subsidiaries. During the financial year there were no reasons that raised doubt as to whether the operation of the systems and procedures was in accordance with their intended aims.

## Shareholders

General Meetings of Shareholders are convened by the Management Board or the Supervisory Board. The Management Board is obliged to convene a general meeting within six weeks after the shareholders, collectively representing at least 10% of the issued capital, request such a meeting in writing stating the subjects to be dealt with by the meeting.

One shareholders' meeting was held in 2015. This regular Annual General Meeting of Shareholders took place on 30 April 2015. This General Meeting of Shareholders addressed the following topics: the Annual Report, as well as the application of the remuneration policy, adoption of the Financial Statements, the appropriation of the profit, discharge of the Management Board and of the Supervisory Board and various authorities granted by the General Meeting of Shareholders to the Management Board and the Supervisory Board to issue a limited number of shares subject to certain conditions and subject to the restriction or exclusion of pre-emptive rights, and the authorisation, subject to certain conditions, to purchase a limited number of shares.

Shareholders have the right to cast one vote for each ordinary share they hold and may cast their votes by proxy if desired. Decisions of the General Meeting of Shareholders are taken by a simple majority of votes, unless a different majority is required by law or the articles of association. To give shareholders who want to cast their vote remotely sufficient opportunity to complete a thorough analysis, a legal term of at least 42 days applies between the convocation date of a Meeting of Shareholders and the actual date of the meeting.

The draft minutes of the General Meeting of Shareholders will be placed on the company's website within three months after the meeting. Shareholders will be invited to submit comments on the draft minutes during a three-month period. After this period, the minutes will be adopted by the Supervisory Board at its next meeting, taking account of any comments made. The Management Board and the Supervisory Board will provide the General Meeting of Shareholders with all required information, unless compelling company interests oppose this.

## External Auditor

The external auditor is appointed by the General Meeting of Shareholders and attends the meeting of the Supervisory Board with the Management Board at which the financial statements are discussed and adopted. NSI publishes the audited annual and reviewed semi-annual figures that form the basis for establishing the dividend. NSI publishes a trading update for the 1st and 3rd quarters, which are not reviewed or audited by the external auditor.

The General Meeting of Shareholders is entitled to ask questions of the external auditor regarding auditor's report concerning the reliability of the financial statements. The external auditor is entitled to address the shareholders' meeting on this subject.

## Compliance with the Code

In response to and as a result of the Dutch Corporate Governance Code, the company has drawn up various codes and regulations and has implemented these, both for the company and its subsidiaries. The question of whether the company meets the requirements of the Corporate Governance Code is regularly addressed and compliance is then ensured.

The company complies with all best practice provisions of the Code.

## Further information within the meaning of Decision Article 10 Takeover Directive

NSI has an authorised capital consisting of 216,453,385 ordinary shares. On 31 December 2014, as well as at 31 December 2015, 143,201,841 shares with a nominal value of €0.46 were issued and fully paid up. One share gives entitlement to one vote. The company does not apply any limitation to the transfer of its shares.

Notification pursuant to the Dutch Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions Act was received from a holder of ordinary shares representing more than 3% of the company's capital. According to the most recent notification, this interest was as follows:

| | 31-12-2015 | 15-3-2016 |
|---|---:|---:|
| Cohen & Steers Capital Management, Inc. | 12.3% | 8.4% |
| ICAMAP Investments S.à.r.l. | - | 5.0% |
| CBRE Clarion Securities, LLC | 5.0% | 5.0% |
| BNP Paribas Investment Partners SA | 4.9% | 4.6% |
| Phoenix Insurance Company Ltd. | 3.7% | 3.7% |
| BlackRock, Inc. | 3.0% | 3.0% |
| Norges Bank | 3.0% | 3.0% |
| Voya Financial, Inc. | 3.0% | 3.0% |

A resolution to amend the articles of association or to dissolve the company may only be adopted by the General Meeting of Shareholders by a qualified majority.

The agreements that NSI has with its financiers include the provision that, in the event of a change in the control of NSI, the financiers have the possibility of demanding that the loans be redeemed early. This would for instance come into effect after a successful public offer for the NSI shares.

# Risk management

NSI monitors the risks to which it is exposed. These are strategic risks, operational risks, financial risks and compliance risks.

The strategic risks largely pertain to the real estate sector and country allocation, and to the timing of purchases, investments and sales and the corresponding financing arrangements. Operational risks include, amongst other things, the selection of properties and lessees, the technical condition of properties, tax-related risks, as well as the performance of our own organisation and its systems. The financial risks concern interest-rate. liquidity and credit risks, as well as (re)financing risks.

NSI has an adequate risk management and internal control system. An important element of the internal control system is a management structure that can take decisions effectively and on the basis of consultation. Strict procedures are followed for the regular preparation of monthly, quarterly and annual figures based on the company's accounting principles. The internal management reporting system is designed to follow developments in rental income, the value of investments, rent arrears and doubtful accounts, vacancies, the progress of (re)development and expansion projects and the development of the financial results for the review period in comparison with the budget and on a per share basis. These data are generated by means of electronic data processing in an automated information system. There is a back-up and recovery plan to ensure that data is not lost in the event of disaster.

The audit committee discusses the findings of the external auditor regarding the company's internal control environment with the Management Board and the external auditor. The audit committee monitors the internal control structure and procedures and the assessment of the risks faced by the company and its subsidiaries.

## Policy with regard to risk management

NSI has a long-term investment strategy for its real estate investments and monitors the risks that follow from its investment policy. Control measures have been implemented with regard to the implementation of this policy and the monitoring of the consequent results and effects. A system of policy, guidelines, reporting systems and segregation of duties has been set up and put into operation in order to execute the above-mentioned control measures. The organisational structure and corporate strategy are focused on maximum shareholder value at minimal risks.

All important decisions with regard to the acquisition and disposal of properties are discussed and assessed with the Management Board during regular meetings of the Real Estate Advisory Committee. This Committee, which consists of real estate experts, is involved in the assessment of acquisitions, disposals and major expansion investments.

## Strategic Risks

Each year the strategy is evaluated by the management board, adapted where necessary and recorded in a business plan. The strategy considers a period of five years, with detailed budget proposals elaborated in the first year. The strategy is then translated into concrete tasks and actions. During this process, opportunities and important business risks are identified, and the company's objectives and strategy are evaluated and adjusted if appropriate. The strategy is discussed with and approved by the Supervisory Board.

## Portfolio Risk

NSI invests in the Netherlands. The company invests mainly in retail and offices. By restricting the number of sectors in which it invests, the Management Board of NSI has excellent understanding of and insight into the performance of its properties, thereby limiting the risks. Risks are also reduced through diversification, which is achieved by investing within these countries in different cities and sectors, and also through the spread across a large number of lessees, with relatively minor exposure to individual lessees. The largest exposure to a single lessee is 6.8% of total portfolio rentals.

The business plan formulates criteria regarding the investment policy, designed to diversify and manage these risks as effectively as possible:

- Country selection: in principle, it has been decided to invest in a single core country, namely the Netherlands. This country offers political and economic stability.
- Type of real estate: it has been decided to invest in the long term in offices and retail.
- Timing of investments: we will attempt to time the investments as effectively as possible using local and corporate knowledge of economic and real estate cycles, plus market research. This concerns portfolio renewal as well as the growth of the real estate portfolio.

## Operational Risks

Operational risks are involved in asset management, property management and financing, as well as in supporting processes such as information management and tax matters.

## Asset Management

*Purchase and Sales Risk*

NSI applies a thorough selection and decision-making procedure for investments and divestments. All purchases, investments, expansions, (re)developments and disposals are evaluated on the basis of an investment or disinvestment proposal. All investment/disinvestment proposals are discussed with the Real Estate Advisory Committee. NSI uses an internal calculation model to determine the expected return from a property under consideration for acquisition, expansion or (re)development. This expected return is then compared to the return required by the Management Board on the basis of the estimated risk profile. Before making a purchase or initiating an expansion or (re) development project, the Management Board subjects the potential investment to a thorough due diligence investigation that focuses on the technical risks and letting potential. The Management Board may be assisted in this process by external parties such as real estate consultants, lawyers, valuers and tax consultants.

## Valuation Risk

In 2015, NSI had its Dutch portfolio externally appraised on two occasions; 50% at 30 June and 50% at 31 December. Every six months, the valuations of the properties that have not been externally appraised at that point in time are updated on the basis of the net initial yields, taking account of substantial changes in the market and letting situation.

For the external valuations, assignments are given to various expert and reputable valuers. NSI has configured its process on the basis of the good practice provisions of the PTA (Appraisers & Auditors Platform). The external 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.

The risk relating to the development of the value of the real estate is a potential decline in value that would negatively affect the equity position of NSI. A 1% revaluation of the real estate portfolio would have an effect of approximately €12.0 million on the indirect investment result (based on the number of shares outstanding at year-end 2015 approx. €0.08 per share).

## Portfolio Management

*Letting and Debtor Risks*

These risks are managed by timely anticipation of approaching maturities and contract and rent reviews, screening new tenants for creditworthiness and actively monitoring debtor balances and the tenant mix. NSI applies a strict policy with regard to debtor management and payment collection. NSI limits the potentially negative effects of non-compliance by tenants by requiring guarantee deposits, prepayments or bank guarantees to cover the payment of rent over a certain period.

*Technical Risks*

NSI has a technical department which is responsible for the technical and further quality of the properties and the provision of timely maintenance and investments, as well as for complying with changing laws and regulations relating to these properties. The asset manager is responsible for controlling operating and service costs. Maintenance consists of works that are compulsory under legislation or other regulations, measures necessary for security reasons, works that maintain the sustainability and long-term value, and works that are advisable from a commercial point of view and that therefore directly or indirectly lead to a higher operating cash flow.

*Risk of expansion and (re)development of properties*

Expansions and renovations will only take place if a relevant licence has been obtained, appropriate financial arrangements have been made, leases have been concluded for most of the property and major appealing lessees have committed themselves. The Construction & Development department receives assistance and advice from an external project team. Construction work is outsourced to a contractor with a solid reputation. NSI takes out supplementary general and liability insurance policies for the duration of the works.

*Disaster risk*

NSI is insured against damage to its real estate, liability and loss of rent during periods of reconstruction and letting on terms common in the industry. Insurance against terrorism, floods and earthquakes is limited due to the current market situation. The cover of risks is compared against the premium costs on an annual basis.

*Tax*

NSI continually monitors the main risks relating to its tax position. In the Netherlands, NSI has the status of fiscal investment institution on the basis of Dutch legislation. Retaining this status is a continuing focus of attention for the Management Board. The distribution requirement, the composition of the shareholder base and the finance limits are calculated regularly and when refinancing occurs. During 2015, NSI amply complied with the requirements associated with the status of fiscal investment institution.

## Financial risks

*Credit Risk*
NSI minimises the risks associated with possible non-compliance by counterparties by entering into transactions with well-known and reputable banks for its loans and derivative instruments. The counterparty risk arising from these transactions is limited to the costs of replacing these contracts at the current market rate in the event of non-compliance. NSI considers the risk of losses as a result of non-compliance to be extremely low.

*Interest Rate Risk*
In view of NSI's policy to hold investments for the long term, the loans used to finance these investments are also taken with long maturities (preferably three to four years). NSI uses interest-rate swaps to manage its interest-rate risk. NSI's policy regarding the hedging of interest-rate risk is defensive in nature, with the objective of protecting itself against rising interest rates. NSI is hedged at an average rate of 3.7%, while only 13.9% of the existing loans involve variable interest rates. If interest rates rise by 1%, the effect on the direct investment result would be -€0.8 million (€0.01 per share, on the basis of shares outstanding at year-end 2015).

*Liquidity Risk*
To limit its liquidity risks, NSI applies a strategy of diversifying the maturity profile of its loans and the repayment dates. NSI also has access to flexible long-term loans (under which penalty-free redemption and drawdown of funds to agreed amounts are permitted) and committed credit facilities.

An analysis of the risks relating to changes in the fair value of future cash flows of financial instruments due to market movements is given in note 22 (financial instruments) to the consolidated financial statements.

## Compliance Risk

NSI complies with the Dutch Corporate Governance Code and the Financial Supervision Act (Wet op het financieel toezicht). All employees are familiar with the regulations, and procedures have been set up which guarantee that they comply with them. To prevent conflicts of interest and raise appropriate awareness, employees and new managing and supervisory directors are informed on their appointment of the applicable rules, including the Code of Conduct, the Compliance Code and the regulations applying to the Management and Supervisory Boards. This is subsequently monitored.

## Financial Reporting

NSI prepares an annual budget, which is compared with actual results on a quarterly basis. Investment budgets and liquidity forecasts are also prepared. The semi-annual figures are reviewed by the external auditor prior to their publication by means of a press release. The financial statements are audited by the external auditor, and the semi-annual figures are subjected to a limited review by the external auditor.

## International Financial Reporting Standards (IFRS)

In accordance with European and Dutch laws and regulations, NSI has prepared its financial statements for the 2015 financial year on the basis of IFRS. The profit after tax (total investment result) for the 2015 financial year increased from -€136.9 million in 2014 to €63.8 million in 2015. The IFRS profit after tax includes unrealised movements in the value of real estate, as well as changes in the fair value of derivatives.

Aside from the IFRS result, however, NSI has decided to continue to report both the direct and indirect investment results, since it believes that these should be clearly distinguished. In the view of the Management Board, the direct investment result provides a better insight into the structural underlying results of the company than the IFRS result, which also includes non-realised movements. These separate results are included in an overview that does not constitute part of the IFRS statements.

## Statements

*In Control Statement*
In the context of the Dutch Financial Supervision Act and the Conduct Supervision of Financial Institutions Decree (Besluit gedragstoezicht financiële ondernemingen), the company declares that it has a description of its administrative organisation and internal control systems that meets the requirements of the Act and the Decree.

During 2015 NSI reviewed various aspects of its administrative organisation and internal control systems. This review did not lead to any findings that would suggest that the description of the structure of the administrative organisation and internal controls did not meet the requirements as specified in the Decree and related regulations. Also, there have been no indications that the company's administrative organisation and internal control systems failed to operate effectively and in accordance with the description during 2015.
The company declares with a reasonable degree of certainty

that the conduct of business has been effective and in accordance with the description. No significant changes to the structure of the administrative organisation and internal controls of NSI are expected for the 2016 financial year. Because of its nature and limited size, there are limitations inherent in the company's internal controls, including the limited possibility of segregation of duties, disproportionately high costs in relation to the benefits of internal controls, and the risk of disasters, collusion and the like. Although risk management and internal control systems reduce the risks to acceptable levels, no absolute guarantees can be given due to these limitations.
The Management Board is of the opinion that the internal risk management and control systems for financial reporting provide a reasonable degree of certainty that (i) the company's financial statements for 2015, as included in this Annual Report, do not contain any material errors, and that (ii) the internal risk management and control systems as referred to above functioned properly during the year under review. There are no indications that this would be any different in 2016.

*In Control Statement*
With reference to the EU Transparency Directive and the Dutch Financial Supervision Act, the Management Board declares that to the best of its knowledge:
- The consolidated financial statements for the year ended 31 December 2015 fairly reflect the assets, liabilities, financial position and results of NSI and its consolidated subsidiaries;
- The additional management information provided in the annual report fairly reflect the situation on the balance sheet date and the state of affairs at NSI and its consolidated subsidiary companies during the financial year; and
- The significant risks to which NSI is exposed are described in the annual report. For a description of these risks, see the section on risk management.

## Sensitivity analysis

| | Increase | Estimated impact on total investment result | Effect on direct result per share | Effect on indirect result per share |
|---|---|---|---|---|
| Occupancy Rate | 1% | €1.3 million | €0.01 | |
| Interest rate* | 1% | -€0.8 million | €0.01 | |
| Revaluation of investment properties | 1% | €12.0 million | | €0.08 |

* at current level of derivatives and financing

# The NSI share

## Euronext Listing

The NSI share has been listed on the Euronext Amsterdam since 3 April 1998 (registered under code 29232; ISIN code: NL0000292324; Ticker symbol: NSI). In 2013, the NSI share also acquired an option listing on the Euronext Liffe, the derivatives stock exchange of the Euronext (Ticker symbol: NSI).

## The NSI Share

The total number of shares issued at year-end 2015 remained unchanged at 143,201,841 with a nominal value of €0.46 each.

The share price at year-end 2015 closed at €3.98, compared to €3.68 ultimo 2014. The proposed dividend amounts €0.27 per share for 2015 (of which €0.13 has been distributed as an interim dividend, €0.14 per share will be proposed as final dividend in the Annual General Meeting of Shareholders). The dividend yield was 6.3% and the total shareholders return (TSR) 13.8%, based on the closing price on 31 December 2015 and the dividend paid in 2015.

The average turnover of the shares 2015 was 251,506 shares per day (2014: 177,660 shares per day. At year-end 2015, the market capitalisation on the basis of the stock market quotation came to €569.9 million compared to €527.0 million at year-end 2014. The highest closing price in 2015 was €4.56 and the lowest closing price was €3.43.

## Indices

The NSI share is included in the AMX Index (Amsterdam Mid Cap Index). NSI is included in this index with a weight of 1.85%. Inclusion in the mid cap index generally contributes to the share's marketability and liquidity, partly because the share then also becomes accessible to institutional investors who only trade in funds that are included in the NYSE Euronext AMX or AEX indices. In addition, the NSI share is also included in other indices, including the European Public Real Estate Association (EPRA) Index.

## Dividend policy

In accordance with the dividend policy adopted in the Shareholders' Meeting of 25 April 2014, NSI distributes at least 75% of the direct result in cash.

Withholding part of the direct result for reinvestment in the portfolio, combined with a cash dividend will ultimately yield the highest possible return for shareholders.

## Investor relations

NSI strives for a high degree of transparency and continuous communication with existing and potential shareholders, as well as other stakeholders. The Company attaches value to providing information through means of road shows, presentations, press releases, quarterly reports, annual reports and other publications, as well as providing information via the Company's website. The annual reports and all relevant publications are available from the Company in Dutch and English, and are all placed on the website.

## Publication of Price-sensitive Information

It is the policy of NSI to inform all shareholders and other parties in the financial market in an equal manner and at the same time. Price-sensitive information is always disclosed to the general public through press releases as well as being reported to the financial authorities (AFM) and placed on the website www.nsi.nl. This also applies to regular financial reports and other press releases. Only information that has already been made public is commented upon in contacts with the press, individual investors and analysts. When NSI publishes its semi-annual and annual figures, it holds a meeting for analysts. There are no analysts' meetings, presentations to investors or direct meetings with investors in the period immediately preceding the publication of the financial reports.

## Analysts

NSI is currently being followed by (sell-side) analysts of the following banks:
- ABN AMRO, Amsterdam
- ING, Amsterdam
- Kempen & Co, Amsterdam
- Degroof PeterCam, Brussel.

## Major Shareholders

An overview of shareholders holding a stake of more than 3% according to the register of the Netherlands Authority for the Financial Markets (AFM) can be found on page 71 in the Corporate Governance chapter.

# Epra key performance measures

*EPRA best practices-recommendations*

In December 2014, EPRA's Reporting and Accounting Committee published the updated EPRA Best Practices Recommendations (BPR). The BPRs contain recommendations concerning the determination of key performance indicators for measuring the performance of the property portfolio. NSI endorses the importance of standardising the reporting of performance indicators from the perspective of comparability and improving the quality of information provided to investors and other users of the annual report. For this reason, NSI has decided to include the key performance indicators in a separate chapter of the annual report. The statements included in this chapter are presented in euros; amounts are rounded off to thousands of euros, unless stated differently. The EPRA BPR Checklist is available on NSI's website: www.nsi.nl.

*EPRA key performance indicators*

| | | | 2015 | | 2014 |
|---|---|---|---|---|---|
| EPRA performance-indicators 1) | Table | x €1,000 | per share (x €1) | x €1,000 | per share (x €1) |
| EPRA Earnings (direct investment result) | 1 | 50,575 | 0.35 | 48,451 | 0.34 |
| EPRA NAV | 2 | 685,515 | 4.78 | 672,054 | 4.69 |
| EPRA NNNAV | 2 | 661,085 | 4.61 | 640,260 | 4.47 |
| EPRA Gross Initial Yield | 3 | 7.8% | | 8.3% | |
| EPRA Net Initial Yield (NIY) | 3 | 6.3% | | 6.5% | |
| EPRA 'topped-up' NIY | 3 | 6.3% | | 6.7% | |
| EPRA Vacancy Rate | 4 | 23.3% | | 21.4% | |
| EPRA Cost Ratio | 5 | 25.7% | | 23.9% | |

1) *The EPRA performance indicators are calculated on the basis of the definitions published by the EPRA*

## 1. EPRA Earnings

*EPRA Earnings (direct investment result)*

Reported earnings from the core operational activities, being the direct investment result.

*Direct investment result*

The direct investment result consists of rental income minus operating costs, service costs not recharged to tenants, administrative costs, direct financing costs, corporate income tax on the direct result, and the direct investment result attributable to non-controlling interest.

*Indirect investment result*

The indirect investment result consists of revaluations of real estate investments, net result on sales of investments, movements in markt value of financial derivatives, exchange-rate differences, allocated management costs, corporate income tax on the indirect result, and the indirect result attributable to non-controlling interest.

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

| | 2015 | 2014 |
|---|---|---|
| Gross rental income | 113,835 | 133,599 |
| Service costs not recharged to tenants | - 5,796 | - 5,828 |
| Operating costs | - 16,715 | - 18,611 |
| Net rental income | 91,324 | 109,160 |
| Financing income | 2,541 | 176 |
| Financing costs | - 30,777 | - 42,391 |
| Result minority interest | 2,337 | - |
| Administrative costs | - 6,914 | - 7,711 |
| Direct investment result before tax | 58,511 | 59,234 |
| Corporate income tax | - 125 | -111 |
| Direct investment result after tax | 58.386 | 59,123 |
| Direct investment result attributable to non-controlling interest | - 7,811 | - 10,672 |
| Direct investment result | 50,575 | - 48,451 |
| | | |
| Revaluation of real estate investments | 376 | - 183,075 |
| Revaluation other investments | - 2,153 | - |
| Elimination of rental incentives | 921 | -54 |
| Other income | 2,858 | - |
| Minority interest | - 538 | - |
| Net result on sales of real estate investments | 5,225 | - 1,358 |
| Movements in market value of financial derivatives | 7,467 | - 1,842 |
| Exchange-rate differences | 502 | 72 |
| Allocated management costs | - 2,085 | - 2,261 |
| Indirect investment result before tax | 12,573 | -188,518 |
| Corporate income tax | - 116 | -22 |
| Indirect investment result after tax | 12,457 | -188,540 |
| Indirect investment result attributable to non-controlling interest | 762 | 3,192 |
| Indirect investment result | 13,219 | - 185,348 |
| | | |
| Total investment result | 63,794 | - 136,897 |
| | | |
| Data per average outstanding share (x €1) | | |
| Direct investment result | 0.35 | 0.34 |
| Indirect investment result | 0.09 | -1.30 |
| Total investment result | 0.44 | -0.96 |

## 2. EPRA NAV and EPRA NNNAV

The EPRA NAV reflects fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not impacting the company on the long-term, as the fair value of financial derivatives and deferred taxes, are therefore excluded.

EPRA NNNAV is the EPRA NAV adjusted for the inclusion of the fair values of financial instruments, debt and deferred taxes.

| | | 2015 | | 2014 |
|---|---|---|---|---|
| | x €1,000 | per share (x €1) | x €1,000 | per share (x €1) |
| Shareholders' equity attributable to NSI shareholders | 660,748 | 4.62 | 632,758 | 4.42 |
| Fair value of financial derivatives | 24,767 | 0.17 | 39,296 | 0.27 |
| EPRA NAV | 685,515 | 4.78 | 672,054 | 4.69 |
| Fair value of financial derivatives | - 24,767 | - 0.17 | - 39,296 | - 0.27 |
| Change in fair value of debt | 337 | - | 7,502 | 0.05 |
| EPRA NNNAV | 661,085 | 4.61 | 640,260 | 4.47 |

## 3. EPRA Net Initial Yield and EPRA topped-up Net Initial Yield

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

EPRA topped-up Net Initial Yield is calculated as the EPRA NIY adjusted for expiring rent incentives.

| | Netherlands 2015 | Netherlands 2014 |
|---|---|---|
| Real estate investments | 1,200,155 | 1,056,730 |
| Real estate investments under development | - 1,000 | - 17,330 |
| Real estate investments in operation | 1,199,155 | 1,039,400 |
| Estimated transaction costs | 83,941 | 72,758 |
| Investment value of real estate investments in operation (B) | 1,283,096 | 1,112,158 |
| | | |
| Annualised gross rental income | 99,946 | 91,890 |
| Non-recoverable property operating expenses | - 19,491 | - 19,427 |
| Annualised net rental income (A) | 80,455 | 72,463 |
| | | |
| Effect of rent-free periods and other rent incentives | 659 | 1,624 |
| Topped-up annualised net rental income (C) | 81,114 | 74,087 |
| | | |
| EPRA Gross Yield | 7.8% | 8.3% |
| (i) EPRA net initial yield (A/B) | 6.3% | 6.5% |
| (ii) EPRA topped-up net initial yield (C/B) | 6.3% | 6.7% |

## 4. EPRA Vacancy Rate

EPRA vacancy rate is calculated as estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.

| | 2015 | 2014 |
|---|---|---|
| Offices | 28.3 | 29.9 |
| Retail | 14.0 | 12.8 |
| Industrial | 21.3 | 20.9 |
| Total | 23.3 | 23.8 |

## 5. EPRA Cost Ratio

(x €1,000)

| | 2015 | 2014 |
|---|---|---|
| Administrative costs | 6,914 | 7,711 |
| Operating costs | 16,715 | 18,611 |
| Service costs not recharged | 5,796 | 5,828 |
| Ground rent costs | - 183 | - 243 |
| EPRA costs (including direct vacancy costs) (A) | 29,242 | 31,907 |
| Direct vacancy costs | - 133 | - 527 |
| EPRA costs (excluding direct vacancy costs) (B) | 29,109 | 31,380 |
| | | |
| Gross rental income less ground rent costs | 113,652 | 133,356 |
| EPRA gross rental income (C) | 113,652 | 133,356 |
| | | |
| EPRA Cost Ratio (including direct vacancy costs) (A/C) | 25.7% | 23.9% |
| EPRA Cost Ratio (excluding direct vacancy costs) (B/C) | 25.6% | 23.5% |
| | | |
| Overhead and operating costs capitalized | 300 | 300 |

Chapter 4

# Financial statements

# Consolidated statement of comprehensive income

(x €1,000)

| | Notes | | 2015 | | 2014 |
|---|---|---|---|---|---|
| Gross rental income | 2 | | 113,835 | | 133,599 |
| Service costs recharged to tenants | | 19,445 | | 21,104 | |
| Service costs | | - 25,241 | | - 26,932 | |
| Service costs not recharged | 2 | | - 5,796 | | - 5,828 |
| Operating costs | 3 | | - 16,715 | | - 18,611 |
| Net rental income | 2 | | - 91,324 | | 109,160 |
| Revaluation of investments | 4 | | - 856 | | - 183,129 |
| Other income | | | 2,858 | | - |
| Net result on sales of investments | | 52,246 | | 14,876 | |
| Book value at time of sale | | - 47,021 | | - 16,234 | |
| Net result on sales of investments | 6 | | 5,225 | | - 1,358 |
| Total net proceeds from investments | | | 98,551 | | - 75,327 |
| Administrative expenses | 7 | | - 8,999 | | - 9,972 |
| Financing income | 8 | 2,968 | | 244 | |
| Financing expenses | 8 | - 30,295 | | - 42,072 | |
| Movements in market value of financial derivatives | 8 | 7,060 | | - 2,157 | |
| Net financing result | | | - 20,267 | | - 43,985 |
| Share in the result of participations | | | 1,799 | | - |
| Result before tax | | | 71,084 | | - 129,284 |
| Corporate income tax | 9 | | - 241 | | - 133 |
| Result after tax | | | 70,843 | | - 129,417 |
| Exchange-rate differences on foreign participations | | | - 4 | | - |
| Total non-realised result | | | - 4 | | - |
| Total realised and non-realised result | | | 70,839 | | - 129,417 |
| Result after tax attributable to: | | | | | |
| NSI shareholders | | | 63,794 | | - 136,897 |
| Non-controlling interest | | | 7,049 | | 7,480 |
| Result after tax | | | 70,843 | | - 129,417 |
| Total realised and non-realised results attributable to: | | | | | |
| NSI shareholders | | | 63,790 | | - 136,897 |
| Non-controlling interest | | | 7,049 | | 7,480 |
| Total comprehensive income | | | 70,839 | | - 129,417 |
| Data per average outstanding share (x €1) | | | | | |
| Diluted as well as non-diluted result after tax | 10 | | 0.44 | | - 0.96 |

The notes on page 86 - 125, inclusive, form an integral part of these consolidated financial statements.

# Consolidated statement of financial position

## Before proposed profit appropriation 2015

(x €1,000)

| | Notes | 31-12-2015 | 31-12-2014 |
|---|---|---|---|
| Assets | | | |
| Real estate investments | 11 | 1,134,617 | 1,645,271 |
| Financial fixed assets | 12 | 51,405 | - |
| Tangible assets | 13 | 1,692 | 1,952 |
| Intangible fixed assets | 14 | 8,407 | 8,449 |
| Total fixed assets | | 1,196,121 | 1,655,672 |
| | | | |
| Assets held for sale | 15 | 68,848 | 22,905 |
| Debtors and other accounts receivable | 16 | 1,269 | 11,374 |
| Cash | 17 | 22,306 | 10,235 |
| Total current assets | | 92,423 | 44,514 |
| | | | |
| Total assets | | 1,288,544 | 1,700,186 |
| | | | |
| Shareholders' equity | | | |
| Issued share capital | 18 | 65,872 | 65,872 |
| Share premium reserve | 18 | 923,435 | 923,435 |
| Other reserves | 18 | - 392,353 | - 219,652 |
| Retained earnings | | 63,794 | - 136,897 |
| Total shareholders' equity attributable to shareholders | | 660,748 | 632,758 |
| | | | |
| Non-controlling interest | | - 28 | 156,190 |
| Total shareholders' equity | | 660,720 | 788,948 |
| | | | |
| Liabilities | | | |
| Interest-bearing loans | 19 | 517,571 | 492,046 |
| Financial derivatives | 22 | 24,767 | 37,866 |
| Total long-term liabilities | | 542,338 | 529,912 |
| | | | |
| Redemption requirement long-term liabilities | 19 | 47,047 | 300,826 |
| Financial derivatives | 22 | - | 1,430 |
| Debts to credit institutions | 20 | 20 | 32,846 |
| Other accounts payable and deferred income | 21 | 38,419 | 46,224 |
| Total current liabilities | | 85,486 | 381,326 |
| | | | |
| Total liabilities | | 627,824 | 911,238 |
| | | | |
| Total shareholders' equity and liabilities | | 1,288,544 | 1,700,186 |

The notes on page 86 - 125, inclusive, form an integral part of these consolidated financial statements.

# Consolidated cash flow statement

(x €1,000)

| | Notes | | 2015 | | 2014 |
|---|---|---|---|---|---|
| Result after tax | | | 70,843 | | - 129,417 |
| Adjusted for: | | | | | |
| Revaluation of real estate investments | 4 | - 376 | | 183,075 | |
| Net result on sales of investments | 6 | - 5,225 | | 1,358 | |
| Share in the result of participations recognised in accordance with the ‘equity method after tax | 12 | - 1,799 | | - | |
| Other income | 5 | - 2,858 | | - | |
| Book profit on divestment tangible fixed assets | | - | | - 18 | |
| Net financing expenses | 8 | 20,267 | | 43,985 | |
| Deferred tax liabilities | 9 | - 241 | | - 133 | |
| Depreciation | | 280 | | 408 | |
| | | | 10,048 | | 228,675 |
| Movements in debtors and other accounts receivable | | | - 10,405 | | 2,903 |
| Movements in other liabilities, accrued expenses and deferred income | | | 18,367 | | 1,109 |
| Interest received | | | 3,043 | | 244 |
| Interest paid | | | - 35,077 | | - 38.013 |
| Tax paid | | | 1,264 | | 465 |
| Cash flow from operations | | | 58,083 | | 65,966 |
| | | | | | |
| Purchases of real estate and investments in existing properties | 11 | | - 217,659 | | - 58,717 |
| Proceeds of sale of real estate investments | | | 52,246 | | 14,876 |
| Proceeds of sale IOW stake (including sales costs and cash and debt to credit institutions) | 12 | | 139,674 | | - |
| Investments in tangible fixed assets | 13 | | - 167 | | - 185 |
| Divestments of tangible fixed assets | 13 | | - | | 774 |
| Investments in intangible assets | 14 | | - 109 | | - 33 |
| Divestments in intangible assets | 14 | | 50 | | - |
| Cash flow from investments | | | - 25,965 | | - 43,285 |
| | | | | | |
| Dividend paid | | | - 44,270 | | - 38,415 |
| Share issue | 18 | | - | | 23,865 |
| Repurchase of own shares | | | - 3,131 | | - |
| Drawdown of loans | 19 | | 521.337 | | 116,325 |
| Redemption of loans | 19 | | - 457.406 | | - 138,165 |
| Financing costs paid | 19 | | - 3.747 | | - 927 |
| Cash flow from financing activities | | | 12,783 | | - 37,317 |
| | | | | | |
| Net cash flow | | | 44,901 | | 14,636 |
| Exchange-rate differences | | | - 4 | | - |
| Cash and debts to credit institutions as of 1 January | | | - 22,611 | | - 7,975 |
| Cash and debts to credit institutions as of 31 December | | | 22,286 | | - 22,611 |

The notes on page 86 - 125, inclusive, form an integral part of these consolidated financial statements.

# Consolidated statement of movements in shareholders' equity

(x €1,000)

The development of the item shareholders' equity 2015 was as follows:

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

The development of the item shareholders' equity 2014 was as follows:

| | Note | Issued share capital | Share premium reserve | Other reserves | Retained earnings | Total shareholders' equity attributable to shareholders | Controlling interest | Shareholder's equity |
|---|---|---|---|---|---|---|---|---|
| Balance as of 1 Januari 2014 | | 65,872 | 923,435 | - 54,073 | - 134,075 | 801,159 | 131,756 | 932,915 |
| Result after tax book year 2014 | | - | - | | - 136,897 | - 136,897 | 7,480 | - 129,417 |
| Exchange-rate differences on foreign participations | | - | - | - | - | - | - | - |
| Total comprehensive income 2014 | | - | - | - | - 136,897 | - 136,897 | 7,480 | - 129,417 |
| Final cash dividend for 2013 | | - | - | - 12,888 | - | - 12,888 | - 6,911 | - 19,799 |
| 2013 profit appropriation | 18 | - | - | - 134,075 | 134,075 | - | - | - |
| Distributed cash interim-dividend 2014 | 18 | - | - | - 18,616 | - | - 18,616 | - | - 18,616 |
| Issue of shares | | - | - | - | - | - | 23,865 | 23,865 |
| Total contributions by and to shareholders | | - | - | - 165,579 | - 134,075 | - 31,504 | 16,954 | - 14,550 |
| Balance as of 31 December 2014 | | 65,872 | 923,435 | - 219,652 | - 136,897 | 632,758 | 156,190 | 788,948 |

# Notes to the consolidated annual financial statements 2015

## General information

NSI N.V. (hereinafter "NSI", or "the company"), having its office in Hoofddorp and statutory seat in Amsterdam. The consolidated financial statements 2015 refer to the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

The company has a licence based on the Dutch Financial Supervision Act (Wet op het financiële toezicht).
NSI NV is listed on NYSE Euronext in Amsterdam.

## Main principles

The consolidated financial statement are prepared in accordance with the International Reporting Standards (IFRS), as adopted by the European Union, and with Article 2:362 paragraph 9 of the Civil Code.

The annual financial statements have been prepared by the Management Board and approved by the Supervisory Board on 15 March 2016. The financial statements will be submitted to the General Meeting of Shareholders for approval on 29 April 2016.

With reference to NSI's parent company financial statements, use is made of the exemption on the basis of Article 402, Book 2 of the Dutch Civil Code. The financial statements have been prepared in accordance with the Financial Supervision Act (Wet op het financiële toezicht).

The annual financial statements are given in thousands of euros that is used as the functional currency, rounded off to the nearest thousand, unless stated otherwise.

### Valuation principles

The annual financial statements are prepared on the basis of historical cost price, with the exception of the following assets and liabilities, which are valued at fair value through the profit and loss accounts: real estate investments, other investments and derivative instruments.

### Use of estimates and opinions

The preparation of the annual financial statements in accordance with the International Financial Reporting Standards (IFRS) requires that the Management Board forms opinions, estimates and assumptions that affect the application of accounting principles and reported figures for assets, liabilities, income and expenses. The estimates and related assumptions are based on experience and various other factors that are considered appropriate. Actual results could differ from these estimates. The estimates and underlying assumptions are continually assessed.

### Assumptions and estimation uncertainties

*Assumptions with regard to real estate investments*
The assets of the company and its group companies consist almost entirely of real estate investments. No official quotations or price lists are available for the determination of the value of the properties in this portfolio. A valuation on the basis of "fair value" is a time-specific and location-specific estimate.

This estimate is the price at which under normal circumstances two well-informed parties could conclude a transaction for that specific property on the date of valuation. A property's fair value in the market can only be stated with certainty at such time as the property is actually sold.

The external appraiser bases his estimate of fair value on his knowledge of the market and information, supplemented by detailed information from NSI where necessary. The valuation prepared by the external appraiser is verified by NSI and the valuation is established by NSI.

The number of real estate transactions in the market declined significantly since the start of the financial crisis and this resulted in less comparison material for the determination of market circumstances in the valuation of real estate. Therefore, the influence of assumptions has increased in the valuations. Forced sales can never be a basis for comparison of real estate values in a going concern situation. NSI's financial situation is sound and therefore NSI can establish its real estate values on a going concern basis.

*Measurement of fair values*
A number of the accounting policies and disclosure require the measurement of fair values, for both financial as non-financial assets and liabilities.

The company has established a control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Management.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. *In de Nederlandse versie anders*

Significant valuation issues are reported to the audit committee.

When measuring the fair value of an asset or a liability, the company uses observable market data as much as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows: *In de Nederlandse versie anders*

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. *In de Nederlandse versie anders*

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement,

The company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:
Note 1 – Real Estate Investments;
Note 15 – Assets held for sale; and
Note 22 – Financial instruments

# Main principles for financial reporting

## Principles for consolidation

*Subsidiary companies*
Subsidiary companies are companies over which NSI exercises decisive control. There is a situation of decisive control if the company exercises direct or indirect control over the financial and operating policy of the subsidiary. In the determination of the degree of control, potential voting rights that can be exercised as of the balance sheet date are taken into consideration.

The financial figures of subsidiary companies are included in the consolidated financial statements from the date of commencement of a controlling interest until the date on which this ends.

*Controlling interests*
Non-controlling interests are separately classified in the balance sheet and the shareholders ‘equity. Non-controlling interests are also separately classified in the statement of comprehensive income.

Changes in the interest of a subsidiary company that does not lead to loss of control are accounted for as equity transactions.

*Interest in participations recognised in accordance with the equity method*
The Group’s interest in participations recognised in accordance with the equity method consists of interest in associates.

Associates are those entities in which the Group has significant influence on the financial and operating policies, but over which it does not exercise control.

Associates are recognised on the basis of the equity method and are valued at cost on initial recognition. The transaction costs are included in the cost of the participation. After initial recognition, the consolidated financial statements represent the Group’s share in the comprehensive income of the participations recognised in accordance with the equity method, up until the date on which it last had significant influence.

The consolidated financial statements concern NSI N.V., the following subsidiaries and associates (*) are recognised in accordance with the equity method:

| | | Interest 2015 | Interest 2014 |
|---|---|---|---|
| NSI Bedrijfsgebouwen B.V. | Hoofddorp, the Netherlands | 100% | 100% |
| NSI Beheer B.V | Hoofddorp, the Netherlands | 100% | 100% |
| NSI Beheer II B.V. | Hoofddorp, the Netherlands | 100% | 100% |
| NSI Development B.V. | Hoofddorp, the Netherlands | 100% | 100% |
| NSI German Holding B.V. | Hoofddorp, the Netherlands | 100% | 100% |
| NSI International B.V. | Hoofddorp, the Netherlands | 100% | 100% |
| NSI Kantoren B.V. | Hoofddorp, the Netherlands | 100% | 100% |
| NSI Management B.V. | Hoofddorp, the Netherlands | 100% | 100% |
| NSI Monument B.V. | Hoofddorp, the Netherlands | 100% | 100% |
| NSI Volumineuze Detailhandel B.V. | Hoofddorp, the Netherlands | 100% | 100% |
| NSI Winkels B.V. | Hoofddorp, the Netherlands | 100% | 100% |
| NSI Woningen B.V. | Hoofddorp, the Netherlands | 100% | 100% |
| VastNed Offices Benelux Holding B.V. | Rotterdam, the Netherlands | 100% | 100% |
| VastNed Offices Monumenten B.V. | Rotterdam, the Netherlands | 0% | 100% |
| De Rode Olifant B.V. | Rotterdam, the Netherlands | 0% | 100% |
| VastNed Industrial B.V. | Rotterdam, the Netherlands | 0% | 100% |
| VastProduct C.V. | Rotterdam, the Netherlands | 0% | 100% |
| NSI HNK B.V. | Amsterdam, the Netherlands | 100% | 100% |
| NSI Services HNK B.V. | Amsterdam, the Netherlands | 100% | 100% |
| VastNed Offices Belgium Holdings B.V. | Rotterdam, the Netherlands | 100% | 100% |
| | | | |
| NSI Luxembourg Holding S.à.r.l. | Luxembourg, Luxembourg | 100% | 100% |
| NSI Switzerland S.à.r.l. | Luxembourg, Luxembourg | 100% | 100% |
| Hans-Böckler-Straße S.à.r.l. | Luxembourg, Luxembourg | 99.7% | 99.7% |
| | | | |
| Nieuwe Steen Investments (Swiss) II AG | Zug, Switzerland | 100% | 100% |
| Nieuwe Steen Investments (Swiss) III AG | Zug, Switzerland | 100% | 100% |
| Nieuwe Steen Investments (Swiss) IV AG | Zug, Switzerland | 100% | 100% |
| NSI Management Switzerland GmbH | Zug, Switzerland | 100% | 100% |
| | | | |
| Intervest Offices N.V. | Antwerp, Belgium | 15.2%* | 50.2% |
| VastNed Offices Belgium N.V. | Antwerp, Belgium | 100% | 100% |
| Cocoon Offices Park N.V. | Antwerp, Belgium | 100% | 100% |
| Belle Etoile N.V. | Antwerp, Belgium | 100% | 100% |
| Aartselaar Business Center N.V. | Antwerp, Belgium | 1% | 50.2% |
| Mechelen Business Center N.V. | Antwerp, Belgium | 1% | 50.2% |
| Mechelen Research Park N.V. | Antwerp, Belgium | 0.1% | 50.2% |
| | | | |
| Hans-Böckler-Straße GmbH & Co KG | Frankfurt, Germany | 94.9% | 94.9% |

*Elimination of intragroup transactions*

Intragroup balances and transactions as well as any non realised profits and losses on transactions within NSI or assets and liabilities from such transactions have been eliminated in the preparation of the consolidated financial statements. Non realised profits from transactions with investments processed according to the 'equity' method are eliminated in proportion to the interest that NSI holds in the investment. Non realised losses are eliminated in the same way as non realised profits, but only insofar as there is no indication for asset impairment.

## Foreign currency

*Conversion of foreign currency*
Assets and liabilities denominated in foreign currency are converted into euros on the balance sheet date at the exchange rate prevailing on the balance sheet date. Transactions in foreign currency are converted into euros at the exchange rate prevailing on the transaction date. Exchange-rate differences arising from the conversion are recognised in the total result statement.

## Real estate investments

Real estate investments consist of real estate in operation that is held in order to generate rental income or value appreciation, or a combination thereof.

Real estate investments are entered in the accounts at the time of purchase at the full cost price (including all costs involved in the purchase, for example legal costs, transfer tax, estate agent fees, costs of due diligence investigations, capitalized interest and other transaction costs) to the first reporting date (each half year, 30 June and 31 December), from which date the fair value is applied. The value of the real estate investment is supplemented by the investments made, followed by modification of the fair value as of the subsequent reporting date.

Investment properties are stated at fair value at the balance sheet date. The Dutch investments are externally appraised twice a year, 50% on 30 June and 50% at 31 December, by independent professional appraisers. These valuations are compared with the internal valuations and an analysis of the used methods, assumptions and outcomes is made. If there is no external valuation available at balance sheet date, internal valuations are being used.

If an existing real estate investment is renovated and/or expanded for continued use as a real estate investment, valuation is also made at fair value. The renovation costs consist of all the directly attributable costs required to complete the project.

The fair value is based on the market value (with costs to the purchaser, therefore corrected for purchase costs such as real estate transfer tax) which means that the estimated price on the date of valuation at which a property could reasonably be exchanged between a seller and a purchaser willing to enter into an objective, at arm's length transaction preceded by sound negotiations by well informed parties.

There are no write-downs on real estate investments, given that they are entered at the fair value.

Changes to the fair value of the real estate investments are included in the profit and loss accounts in the period in which they are made. Profits or losses in the sale of a real estate investment are entered in the period in which the sale occurs as the difference between the net sale revenue and the fair value most recently determined by NSI.

If the use of the real estate changes and reclassification as tangible fixed assets is necessary, the fair value as of the date of reclassification will become the cost price for administrative processing.

If no current prices on an active market are available, the valuation will be done on the basis of a net initial yield calculation, whereby the net market rents are capitalised. The returns used are specific for the country, property type, location, state of repair and letting potential for each property. The returns are determined on the basis of comparable transactions, in conjunction with knowledge of the market and circumstances specific to the property.

The determination of value also takes account of future (maintenance) investments. Assumptions are made for each tenant and for each vacant unit regarding the probability of (re)letting, letting costs, duration of vacancy and incentives. Corrections are made for the cash value of the differences between the market rents and the contractual rents. Valuation is made after deduction of transaction costs paid by the buyer.

*Appraisal management*
To determine the fair value of its investments, NSI uses an appraisal management system whereby the fair value of all properties is determined internally each quarter in a uniform and consistent way. The main features of the appraisal management system are:

- Once half year, 50% of the portfolio is fully appraised by an independent, external appraiser. This means that the whole portfolio is appraised externally at least once a year. This external appraisal is the basis for the valuation in the half year the appraisal is performed, and is used for comparison and control for the internal valuations during the other quarters.
- The company has developed a model for the internal valuation of all properties. This model is directly linked to real estate and accounting system. These internal valuations are updated semi-annually on the basis of capitalisation. Recent market transactions involving similar properties at similar locations to those held by the group are also taken into consideration. The valuation thus produced is published by the company in its in the annual and semi-annual report.

## Real estate under development

Real estate under development is referred to as “real estate in development” for future rent. Real estate under development of which a substantial part of the project risks are reduced or eliminated and for which the fair value can be reliably established, will be valued at fair value.

Project risks are considered to be reduced if all necessary permissions have been obtained, binding contracts have been concluded with the major contractors and the property is prelet to a substantial extent. In other cases, real estate under development is valued at cost, including capitalised interest, less any cumulative impairment losses. The costs associated with real estate under development consist of all the directly attributable costs required to complete the project.

## Real estate held for sale

Certain real estate investments will be reclassified into real estate held for sale in case it is to be expected that its book value will be recovered by a disposal and not by further use. This is only possible when the real estate asset is available for immediate disposal, but taking into account the common conditions for sale of this type of real estate assets; moreover, the possibility of a sale must be highly likely. This means that it must be actively offered to the market at a price that is in reasonable proportion to the current market price and the sale should be expected to be effectuated within 12 months after 31 December 2014. When reclassified, a real estate investment valued at fair value will be continued to be valued on this basis.

## Tangible fixed assets

Tangible fixed assets consist of the real estate (office building) used by the company, its office equipment and transport fleet. Valuation is made at cost, after application of depreciation and any impairment losses.

If a property used by the company changes into a real estate investment this property is revalued based on fair value and it is reclassified as a real estate investment. Any profit arising from this revaluation is recognised in the result insofar as the profit results in a reversal of an earlier recognised impairment for that specific property. Any residual profit is recognised in the unrealised results and is reported under the revaluation reserve. Any loss is recognised in the result.

Depreciation is applied on a linear basis to profit and loss on the basis of expected length of use and the residual value of the asset concerned. Depreciation is not applied to land.

The estimated length of use is as follows:

- real estate 25 years
- office equipment 3-5 years
- transport fleet 3-4 years

The applied methodology of depreciation, lenght of use and the residual value is assessed at the end of every book year and adapted if necessary.

## Intangible fixed assets and goodwill

*Goodwill*
Goodwill is the difference between the acquisition price of acquired activities and the fair value of the identifiable assets and liabilities of the acquired activity. Negative goodwill is reported in profit and loss. After inclusion in the balance sheet, goodwill is reported as an intangible asset and valued at cost price, less any special impairment losses. Goodwill is assessed for impairment loss annually, or in the interim if there is reason to do so. Special impairment losses are not reversed.

*Capitalised software*
Development and implementation costs relating to purchased and/or developed software are capitalised on the basis of the costs of acquisition of the software and taking it into operation. The capitalised costs are reduced by the cumulative amortisations and the cumulative impairment losses.

The development and implementation costs of the trade mark are valued at cost less cumulative amortisation and impairment losses. Costs after initial recognition are exclusively capitalised when the future economic benefits inherent in the asset increase. All other expenditures, including expenditures for the internally generated trade mark are recognised in the profit and loss account.

Amortisation is calculated to write off the costs of intangible fixed assets minus their estimated residual value on a straight-line basis over their estimated useful life. Amortisation is recognised in the profit and loss account. The estimated useful economic lives are as follows:
- capitalised software 5-10 years
- trade mark 4 years

## Impairments

*Non-financial assets*
At each reporting date, the carrying value of non-financial assets of the group, excluding investment properties and deferred tax assets, are reviewed to determine whether there are indications for impairment. If any such indication exists, an estimate is made of the recoverable amount of the asset. At each reporting date, an estimate of the recoverable amount is made of goodwill and intangible assets with indefinite use.

The recoverable amount of an asset or cash-generating unit is the higher of fair value less costs of disposal and value in use. In assessing value in use, the present value of the estimated future cash flows is calculated using a discount rate pre-tax that reflects both current market assessments of the time value of money and the risks specific to the asset or cash-generating unit .

An impairment loss is recognized if the carrying amount of the asset or cash-generating unit to which the asset belongs, is higher than the estimated recoverable book value.

Impairment losses are recognized in profit or loss. They are first deducted from the carrying amount of any goodwill allocated to the cash generating unit and then deducted from the carrying amount of other assets of the cash-generating unit on a pro rata basis.

Impairment losses on goodwill are not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the book value, net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

*Non-derivative financial assets*
Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:
- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security;
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

*Financial assets measured at amortised costs*
The Group considers evidence of impairment for these assets at both an individualasset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

## Financial instruments

NSI classifies non-derivative financial assets in the following categories: investment property, loans, receivables and cash.

NSI has the following non-derivative financial liabilities: interest-bearing liabilities, bank borrowings and other payables.

*Non-derivative financial assets and financial liabilities*
NSI recognises loans and receivables initially on the date they occur. All other financial assets (including assets designated as at fair value with fair value changes in other comprehensive income) and financial liabilities are initially recognized at the transaction date.

NSI no longer recognizes a financial asset in the balance sheet when the contractual rights to the cash flows from the asset expire, or if NSI transfers the contractual rights to receive cash flows from the financial asset through a transaction in which substantially all the risks and benefits related to the ownership of the asset are transferred, then as NSI neither transfers or retains the risks and benefits related to ownership of the asset, but either has no control over the transferred asset. If NSI does not retain or create an interest in transferred financial assets, it is recognised as a separate asset or liability.

NSI no longer recognises a finanial liability in the balance sheet when the contractual obligations are waived, canceled or expired.

Financial assets and liabilities are only offset and the resulting net amount is only presented in the balance sheet if NSI has a legally enforceable right to offset and if it intends to settle on a net basis or it intends to settle the asset and the liability simultaneously.

*Non-derivative financial assets - valuation*

*Loans and receivables*
Such assets are measured at first recognition at fair value plus any directly attributable transaction charges. After first recognition, loans and receivables are measured at amortised cost using the effective interest method less any impairment losses.

*Cash and cash equivalents*
Cash and cash equivalents consist of cash and bank balances. Current account overdrafts that are payable on demand, and which form an integral part of NSI's cash management, are in the cash flow statement part of the cash and cash equivalents and amounts owed to credit institutions.

*Non-derivative financial liabilities - valuation*

*Interest-bearing debt*
Interest-bearing debt is initially included at fair value, after deduction of attributable transaction costs. After first inclusion, interest-bearing debt is reported at amortised cost, using the effective interest method.

The total interest-bearing debt includes both fixed and variable interest mortgage loans. In principle, the fair value of the variable interest loans is equal to the cost price after amortisation. Part of the interest-rate risk on the variable interest loans can be hedged through interest-rate swaps and interest caps.

In principle, the fair value of the fixed interest loans is not equal to the amortised cost. The fair value of the fixed-interest loans is reported in the note to the item interest-bearing debt. The fair value of the fixed interest loans is calculated using the net cash value method, at the market interest rates prevailing on 31 December 2014 (including margin).

Any redemptions of interest-bearing debt within one year are recognised under current liabilities.

*Other payables and accrued liabilities*
Other payables and accrued liabilities are measured at first recognition at fair value plus any directly attributable transaction charges. After the initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

## Derivative financial instruments

NSI uses derivative financial instruments (derivatives) to wholly or partially hedge the interest-rate risks associated with its operations, finance and investment activities. These derivative financial instruments are not held or granted for trading purposes.

Derivative financial instruments are initially included at cost. After initial inclusion, derivatives are valued at fair value. Profits or losses arising from changes in the fair value of derivative financial instruments are immediately recognised in profit and loss. Hedge accounting is not applied.

The fair value of the financial instruments is the amount the group would expect to pay or receive if the financial derivatives were to be liquidated at balance sheet date, taking account of the market interest rate on the balance sheet date and the current credit risk of the counterparties concerned. The payable interest is incorporated in the item “other payables”. A derivative financial instrument is reported as a current asset or current liability if its remaining term to maturity is less than one year, or it is expected that it will be liquidated or settled within one year.

*Embedded derivatives*
Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

## Equity

Ordinary shares are classified as shareholders' equity. External costs that can be attributed directly to the issuance of new shares are deducted from the earnings reserve.

The increase of the issued share capital related to the stock dividend programme is deducted from the share capital reserve as well as the expenses related to the stock dividend.

When repurchasing NSI shares, the payment for these shares and incurred costs are recorded as mutation in the shareholders' equity.

Cash dividends are deducted from the other reserves in the period in which the dividends are determined.

## Income

*Rental income*
The rental income from property investments let on the basis of actual lease agreements is recognised in the income statement evenly over time over the duration of the lease agreement through profit and loss.

Rent-free periods, rent rebates and other rent incentives are reported as an integral part of the total net rental income, and are amortised over the life of the lease agreement until the first moment on which the lease agreement can be terminated. The accrued balance sheet items that result from this are corrected to the fair value of the real estate investments concerned.

Compensations received for leases ended prematurely are recognised in profit and loss in the period in which the compensation is obtained.

*Net result on sales of investments*
Sales proceeds from real estate investments are recognised when:
a. all important rights and economic benefits as well as all major risks related to the real estate investment have been transferred to the purchaser;
b. there is no continued involvement regarding the real estate investment sold and the real estate investment is not at de facto disposal as to the utilisation of the property;
c. the amount of the proceeds can be reliably determined;
d. it is likely that the economic benefits regarding the transaction will become available to NSI;
e. costs already incurred and future costs related to the transaction can be reliably determined.

The profits or losses on the sale of real estate investments are measured as the difference between the net sale proceeds and the book value of the real estate investments as of the last-published (interim) balance sheet.

## Costs

*Service costs not recharged*
NSI acts as principal in relation to service costs and costs incurred are recharged to tenants.
Service costs relate to the costs of gas, water and electricity, cleaning, security and the like, which on the basis of the lease agreement can be recharged to tenants. The service costs not recharged relate to costs in the event of vacant premises and/or other uncollectible service costs as a result of contractual limitations or service costs not recoverable from tenants.

*Operating costs*
The operating costs consist of costs directly related to the operation of the real estate investments, such as property management, municipal taxes, insurance premiums, maintenance costs, letting costs and other operating costs. These costs are charged to the result when they occur.

*Financing income/expenses*
The financing income and expenses item consists of the interest expenses on loans and debts, and interest income on outstanding loans and receivables allocated to the period, including interest income and expenses based on interest-rate swaps and dividend revenues. As a result of the valuation of interest-bearing debt on the basis of amortised cost, the financing expenses include the interest accrued on the interest-bearing debt on the basis of the effective interest rate for each loan. Financing expenses directly attributable to purchase, renovation or extension of a real estate investment is capitalised as a part of the integral cost price of a property involved. The applied interest rate is the average interest paid by the Group in the currency involved.

Dividend revenues are included in the profit and loss accounts at the time that the right of the entity to payment is established. In the case of listed stocks, this is normally the ex-dividend date.

Financing income and expenses also includes the profits and losses arising from changes in the fair value of the derivative instruments and the other investments. Exchange-rate profits and losses are recognised on a net basis.

*Administrative expenses*
Administrative expenses include advisory costs, office expenses, the remuneration of supervisory directors and the costs of fund management.

Costs relating to the commercial, technical and administrative management of real estate are included in the operating costs. Costs relating to supervision and monitoring of investment projects are capitalised on the basis of hours spent.

## Remuneration

*Committed pension arrangement*
Liabilities regarding pension arrangements of the defined contributions kind are recognised in profit and loss during the period the employees involved are employed by the company. Prepayments are reconignized as an asset to the extent that a cash refund or a reduction in future payments is available. The pension arrangements are insured externally.

## Tax on profits

*Tax status*
NSI N.V. has the status of a fiscal investment institution within the meaning of Article 28 of the 1969 Corporate Income Tax Act (Wet op de Vennootschapsbelasting 1969), also known as Dutch REIT. This means that no corporate income tax is payable, subject to certain conditions. The principal conditions concern the investment requirement, the distribution of the taxable earnings as dividend, limitations on the financing of investments with outside capital and the composition of the shareholder base. Profits from the disposal of investments are not included in the distributable earnings.

As far as the Management Board is aware, the company meets the statutory requirements. As long as the company continues to meet the conditions and therefore maintains the status of fiscal investment institution, tax will not be taken into account in the determination of either the profit or the reserves.

Corporate income tax may be payable on the fiscal results of the Dutch (NSI Development BV and NSI Service HNK BV) and foreign subsidiary companies which do not possess this tax-exempted status of a fiscal investment institution.

*Tax on profits*
Tax on the annual result consists of payable and deferred tax liabilities, and is reported in profit and loss. The tax payable consists of the sum of the expected tax payable or receivable on the taxable results for the year, taking account of earnings elements exempt from tax and non-deductible costs and whereby the tax rates applied are those prevailing on the balance sheet date or changed tax rates already known on the balance sheet date. The tax payable also includes any changes to the tax payments in previous years.

## Cash flow statement

Operating cash flows are reported on the basis of the indirect method.
Cash and debts to credit institutions also include overdraft facilities which are part of NSI's cash management policy.
Exchange-rate differences relating to cash are shown separately.

## Segment information

An operating segment is an entity of NSI that performs operating activities that can result in revenues and costs, including revenues and costs in connection with transactions with other entities of NSI.

All operating results of an operating segment are periodically assessed by the management for the benefit of the decision-making concerning the granting of resources to the segment and for an assessment of the performance, on the basis of available confidential financial information.

## New standards and interpretations not yet applied

A number of new standards, changes to standards and interpretations have only taken effect after 1 January 2014 and therefore have not been applied to this consolidated annual statements. New standards that might be relevant for NSI are described below. NSI does not plan to apply this standard ahead of time. The Group expects that the changes listed below will not have material effect on its results and financial position.

*IFRS 9 Financial Instruments*
IFRS 9, published in July 2014, is intended to replace the existing directive IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and new general hedge accounting requirements. Furthermore, IFRS 9 shall apply the provisions of IAS 39 for recognising and derognising financial instruments. IFRS 9 is effective for fiscal years beginning on or after 1 January 2018. Early application is permitted. However, IFRS 9 has currently not yet been endorsed by the EU.

The group is currently assessing the potential impact of the adoption of IFRS 9 on the consolidated financial statements.

*IFRS 15 Revenue from contracts with customers*
IFRS 15 provides a comprehensive framework to determine whether, how and when revenue should be recognized. The standard is intended to replace the existing provisions for processing yields, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Loyaliteitsporgramma programs. IFRS 15 is effective for fiscal years beginning on or after 1 January 2017. Earlier application is permitted.

The group is currently assessing the potential impact of the adoption of IFRS 15 on the consolidated financial statements.

The following new or amended standards have to expectations no significant effect on the consolidated financial statements of the group.

- IFRS 14 Regulatory Deferral Accounts.
- Accounting for acquisitions of interests in joint operations (Amendments to IFRS 11).
- Explanation acceptable depreciation blemish keep (Amendments to IAS 16 and IAS 38).
- Equity method in the separate financial statements (changes to the IAS 27).
- Sale or contribution between the investor and his associate (changes in IFRS 10 and IAS 28).
- Annual improvements to IFRS.
- Provision of information initiative (changes to IAS 1).

## 1. Segmented information

NSI has three segments for which reports are compiled and which together constitute the strategic business units of NSI. The strategic business units operate in various countries and are separately managed because they demand different market strategies. Management reports are drawn up for all the strategic business units, which are assessed by the management each quarter or more often.

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

| Per country | The Netherlands | | Switzerland | | Belgium | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Gross rental income | 90,796 | 93,333 | - | - | 23,039 | 40,266 | 113,835 | 133,599 |
| Service costs recharged to tenants | 12,344 | 12,422 | - | - | 7,101 | 8,682 | 19,445 | 21,104 |
| Service costs | - 17,560 | - 17,449 | - | - | - 7,681 | - 9,483 | - 25,241 | - 26,932 |
| Operating costs | - 17,377 | - 16,253 | 309 | 40 | 353 | - 2,398 | - 16,715 | - 18,611 |
| Net rental income | 68,203 | 72,053 | 309 | 40 | 22,812 | 37,067 | 91,324 | 109,160 |
| Revaluation result | 136 | - 177,314 | - | - | - 992 | - 5,815 | - 856 | - 183,129 |
| Other income | - | - | - | - | 2,858 | - | 2,858 | - |
| Net result on sales | 5,105 | - 769 | - | - | 120 | - 589 | 5,225 | - 1,358 |
| Segment result | 73,444 | - 106,030 | 309 | 40 | 24,798 | 30,663 | 98,551 | - 75,327 |
| Administrative costs | - 8,019 | - 7,932 | 11 | - 25 | - 991 | - 2,015 | - 8,999 | - 9,972 |
| Net financing costs | - 14,913 | - 32,087 | - | 2 | - 5,354 | - 11,900 | - 20,267 | - 43,985 |
| Share in the result of participations | - | - | - | - | 1,799 | - | 1,799 | - |
| Result before tax | 50,512 | - 146,049 | 320 | 17 | 20,252 | 16,748 | 71,084 | - 129,284 |
| Corporate income tax | - 98 | - 29 | 4 | 26 | - 147 | - 130 | - 241 | - 133 |
| Result after tax | 50,414 | - 146,078 | 324 | 43 | 20,105 | 16.618 | 70,843 | - 129,417 |
| Minority interests | - | - | - | - | - 7,049 | - 7,480 | - 7,049 | - 7,480 |
| Investment income attributable to shareholders NSI | 50,414 | - 146,078 | 324 | 43 | 13,056 | 9,138 | 63,794 | - 136,897 |

| | The Netherlands | | Switzerland | | Belgium | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Real estate investments | 1,200,155 | 1,056,730 | - | - | 3,310 | 611,446 | 1,203,465 | 1,668,176 |
| Other assets | 75,403 | 18,372 | 1,053 | 3,883 | 8,500 | 9,618 | 84,956 | 31,873 |
| Non-allocated assets | | | | | | | 124 | 137 |
| Total assets | | | | | | | 1,288,544 | 1,700,186 |
| Long-term liabilities | 542,338 | 353,747 | - | - | - | 176,165 | 542,338 | 529,912 |
| Current liabilities | 85,177 | 253,073 | 88 | 349 | 143 | 127,904 | 85,408 | 381,326 |
| Non-allocated liabilities | | | | | | | 78 | - |
| Total liabilities | | | | | | | 627,824 | 911,238 |
| Purchases and investments in existing properties | 185,399 | 22,125 | - | - | 32,260 | 36,592 | 217,659 | 58,717 |

## 2. Net rental income

| | Gross rental income | | Service costs not recharged | | Operating costs | | Net rental income | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Retail | 33,750 | 32,258 | 886 | 1,066 | 5,050 | 5,123 | 27,814 | 26,069 |
| Offices | 51,090 | 54,659 | 4,142 | 3,823 | 11,434 | 10,407 | 35,514 | 40,429 |
| Industrials | 5,956 | 6,416 | 188 | 138 | 893 | 723 | 4,875 | 5,555 |
| The Netherlands | 90,796 | 93,333 | 5,216 | 5,027 | 17,377 | 16,253 | 68,203 | 72,053 |
| Switzerland | - | - | - | - | - 309 | - 40 | 309 | 40 |
| Belgium | 23,039 | 40,266 | 580 | 801 | - 353 | 2,398 | 22,812 | 37,067 |
| Total | 113,835 | 133,599 | 5,796 | 5,828 | 16,715 | 18,611 | 91,324 | 109,160 |

The gross rental income 2015 does not include received rental guarantees (2014: non).

Net rental income includes a sum of -€0.4 million (2014: -€1.2 million) in rent guarantees.

NSI leases its real estate investments on the basis of operating leases with various maturities. The lease specifies the space, the rent, the other rights and obligations of the landlord and the tenant, including notice periods, options to extend the rental period and provisions relating to service costs. In general, the rent is indexed during the life of the rental agreement on an annual basis.

The future total minimum annual rent to be received from operating lease agreements is as follows:

| | 2015 | 2014 |
|---|---|---|
| First year | €96.5 million | €129.7 million |
| Second to fourth year | €200.2 million | €248.0 million |
| From the five year | €164.8 million | €136.7 million |

## 3. Operating costs

| | 2015 | 2014 |
|---|---|---|
| Municipal taxes | 3,571 | 4,135 |
| Insurance premiums | 807 | 792 |
| Maintenance costs | 4,703 | 4,175 |
| Contributions to owner associations | 957 | 676 |
| Property management (including attributed administrative expenses) | 3,984 | 4,676 |
| Letting costs | 1,592 | 2,975 |
| Other expenses | 1,101 | 1,182 |
| Total | 16,715 | 18,611 |
| Attributable to leased properties | 16,581 | 18,084 |
| Attributable to vacant properties | 134 | 527 |
| Total | 16,715 | 18,611 |

Other expenses includes write-downs related to debtors.

3,5% of gross rental income, representing external property management costs and administrative expenses are allocated to property management.

## 4. Reclassification of real estate investments

| | positive | negative | 2015 total | positive | Negative | 2014 total |
|---|---|---|---|---|---|---|
| Real estate investments in operation | 49,367 | - 48,991 | 376 | 17,587 | - 200,662 | - 183,075 |
| Elimination of rent incentives | | | 921 | | | - 54 |
| Impairment | | | - 2,153 | | | - |
| Total | 49,367 | - 48,991 | - 856 | 17,587 | - 200,662 | - 183,129 |

Impairments is a one-time item in relation to the historically incurred losses and costs that are part of legal claim proceedings and that previously were reported on the balance sheet. The result of such legal proceedings is inherently uncertain. Based on the relevant IAS regulations and precautionary principles, this asset is converted into an asset not appearing on the balance sheet.

## 5. Other income

Other income concerns a partial divestment of the stake in IOW. With this transaction a total result of €2.9 million from the sale and the revaluation of the remaining stake at €20.02 (cost price/fair value according to IFRS) was realized. The transaction costs amounted to €2.4 million. These were included in the result of this transaction.

## 6. Net result on sales of investments

| | 2015 | 2014 |
|---|---|---|
| Sales of real estate investments | 53,119 | 15,121 |
| Book value at time of sale | 47,021 | 16,234 |
| Total | 6,098 | - 1,113 |
| Sales costs | - 873 | - 245 |
| Total | 5,225 | - 1,358 |

Sales costs include costs of real estate agents and legal costs.

## 7. Administrative costs

| | 2015 | 2014 |
|---|---|---|
| Management costs | 11,993 | 12,599 |
| Audit costs | 293 | 307 |
| Consultancy costs | 467 | 1,268 |
| Appraisal costs | 443 | 539 |
| Compensation of supervisory directors | 247 | 202 |
| Other costs | 638 | 683 |
| Total | 14,081 | 15,598 |
| Allocated to the operating costs | - 4,782 | - 5,326 |
| Allocated to real estate portfolio | - 300 | - 300 |
| Total | 8,999 | 9,972 |

Where management costs are directly related to the operation of the real estate portfolio, they are recharged to the operating costs. Where management costs are directly related to the development of the real estate portfolio, they are capitalised.

The attributed management costs to asset management (=indirect result) amounted to €2.1 million (2014: €2.3 million).

*Notes on the management costs*
These costs relate to:
- management;
- asset management;
- property management;
- administration;
- secretarial services.

The composition of the management costs was as follows:

| | 2015 | 2014 |
|---|---|---|
| Salaries | 7,119 | 7,086 |
| Social insurance costs | 908 | 989 |
| Pension costs | 518 | 551 |
| Other staff costs | 582 | 672 |
| Depreciation of tangible fixed and intangible assets | 280 | 388 |
| Other operating costs | 2,586 | 2,910 |
| Total | 11,993 | 12,599 |

71 employees (in FTE) worked for NSI during the reporting year, including the Management Board (2014: 66). A defined contribution pension scheme is provided for employees.

## 8. Net financing expenses

| | 2015 | 2014 |
|---|---|---|
| Financing income | | |
| Loans and receivables | - 2,541 | - 176 |
| Exchange rate differences | - 427 | - 68 |
| Total | - 2,968 | - 244 |
| Financing expenses | | |
| Interest costs | 30,295 | 42,072 |
| Total | 30,295 | 42,072 |
| Movement in value of financial derivatives | | |
| Non realised movement in fair value of derivatives | - 7,060 | 2,157 |
| Total | - 7,060 | 2,157 |
| Total net financing expenses | 20,267 | 43,985 |

## 9. Corporate income tax

Corporate income tax payable over the reporting period.

| | 2015 | 2014 |
|---|---|---|
| Current book year | 241 | 133 |

NSI qualifies as a fiscal investment institution (fiscale beleggingsinstelling) as referred to in article 28 of the 1969 Corporate Income Tax Act (Wet op de Vennootschapsbelasting 1969), also known as Dutch REIT. This means that its profits in the Netherlands are conditionally exempt from corporate income tax. These conditions primarily concern the investment requirement, the fiscal financing ratios, the composition of the shareholder pool and the timely distribution of the fiscal result as a cash dividend.

The subsidiary company NSI Development BV and NSI HNK Service BV are not part of the fiscal investment institution NSI N.V. for tax purposes, and as such it is liable for corporate income tax.

### Relation to effective tax burden

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Result before tax | | 71,084 | | - 129,284 |
| Tax at the rate in the Netherlands | 25.0% | 17,771 | 25.0% | - 32,321 |
| Exempt due to fiscal status | | - 13,860 | | 36,459 |
| Effect lower tax of subsidiary companies under other tax regimes | | - 3,670 | | - 4,005 |
| Total | | 241 | | 133 |

## 10. Earnings per share

The earnings per share on 31 December 2015 is established on the basis of the profit to be allocated to ordinary shareholders of €63.8million (2014: -€136,9 million) and a weighted average number of outstanding ordinary shares during 2015 of 143,201,841 (2014: 143,201,841).

### Weighted average number of ordinary shares on 31 December

| | 2015 | 2014 |
|---|---|---|
| Weighted average number of ordinary shares | 143,201,841 | 143,201,841 |
| Number of ordinary shares outstanding on 31 December | 143,201,841 | 143,201,841 |

| | | 2015 | | 2014 |
|---|---|---|---|---|
| | earnings | diluted earnings | earnings | diluted earnings |
| Direct investment result | 0.35 | 0.35 | 0.34 | 0.34 |
| Indirect investment result | 0.09 | 0.09 | - 1.30 | - 1.30 |
| Total investments result | 0.44 | 0.44 | - 0.96 | - 0.96 |

## 11. Real estate investments

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

| | 2015 | 2014 |
|---|---|---|
| Real estate investments in operation | 1,133,617 | 1,627,321 |
| Real estate investments under development | 1,000 | 17,950 |
| Total | 1,134,617 | 1,645,271 |

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 of partially on not (external) observable information.

Investment properties are level 3. All real estate investments in Belgium are quarterly appraised by independent appraisers. The fair value of the Dutch real esate investments is appraised externally twice a year; 50% on 30 June and 50% at 31 December by independent professional appraisers. These valuations are compared with the internal valuations and an analysis of the used methods, assumptions and outcomes is made. If external valuations of investment properties are available, these are recorded in the balance sheet.

Per 31 December 2015, 42.7% (30 June 2015: 100% and 2014: 66.5%) of the real estate investments have been externally appraised by an independent, certified appraiser and all other properties have been externally appraised within the year. Possible discrepancies between internal and external appraisals are limited, and are explained and substantiated on a half year basis. 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 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.*<br>*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%)<br>• Periods of vacancy (average 24 months (2014: 15 months) following the termination of a lease.<br>• Improved occupancy rate (gewogen gemiddelde 77.3% (2014: 79.9%)<br>• Rent-free period.<br>• Net theoretical yield (average 8.4% (2014: 8.7%). | The estimated fair value would increase (decrease) if:<br>• The expected growth of market rent were higher (lower)<br>• The periods of vacancy were shorter (longer).<br>• The occupancy rate turn higher (lower)<br>• The rent-free periods were shorter (longer).<br>• Net yield is lower (higher) |

The returns 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 theoretical yields as of 31 December 2015 8.4% (2014: 8.7%). The net theoretical yields were 8.4% for the Netherlands (2014: 9.0%). 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 5.5% and 17.3% for the Netherlands (2014: 5.9% and 14.8%). Comparable transactions in the market were also taken into account in the valuation.

The most important valuation assumptions are:

| | | The Netherlands |
|---|---|---|
| | 2015 | 2014 |
| Average effective contractual rent per m² (in €) | | |
| Offices | 161 | 149 |
| Retail | 142 | 151 |
| Industrial | 68 | 70 |
| Average market rent per m² (in €) | | |
| Offices | 135 | 129 |
| Retail | 136 | 137 |
| Industrial | 61 | 58 |
| Average theoretical gross yield (in %) | 10.9 | 11.7 |
| Average theoretical net yield (in %) | 8.4 | 9.0 |
| Vacancy | 22.7 | 22.9 |

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.

## Real estate investments in operation

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

| | The Netherlands | Belgium | 2015 Total | The Netherlands | Belgium | 2014 Total |
|---|---|---|---|---|---|---|
| Balance on 1 January | 1,016,495 | 610,826 | 1,627,321 | 1,215,519 | 582,059 | 1,797,578 |
| Purchases | 168,833 | 30,107 | 198,940 | - | 33,033 | 33,033 |
| Investments | 13,094 | 2,139 | 15,233 | 22,125 | 3,559 | 25,684 |
| Reclassification into assets under development | 21,980 | - | 21,980 | - 10.515 | - | - 10,515 |
| Reclassification into assets held for sale | - 65,538 | - 1,350 | - 66,888 | - 22,905 | - | - 22,905 |
| Sales | - 19,930 | - 3,666 | - 23,596 | - 12,107 | - 2,627 | - 14,734 |
| Revaluation | - 1,317 | - 2,331 | - 3,648 | - 175,622 | - 5,198 | - 180,820 |
| Deconsolidation IOW stake | - | - 635,725 | - 635,725 | - | - | - |
| Balance on 31 December | 1,133,617 | - | 1,133,617 | 1,016,495 | 610,826 | 1,627,321 |

The following are included in the appraisal value as at 31 December 2015:

| | The Netherlands | Belgium | 2015 Total | The Netherlands | Belgium | 2014 Total |
|---|---|---|---|---|---|---|
| Accrued assets in respect of lease incentives | 5,834 | - | 5,834 | 6,742 | 4,002 | 10,744 |

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

| | Retail | Offices | Industrial | Total 2015 | Retail | Offices | Industrial | Residential | Total 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Balance on 1 January | 431,075 | 855,866 | 340,380 | 1,627,321 | 473,960 | 1,006,707 | 313,161 | 3,750 | 1,797,578 |
| Purchases | - | 168,833 | 30,107 | 198,940 | - | - | 33,033 | - | 33,033 |
| Investments | 3,431 | 11,345 | 457 | 15,233 | 12,364 | 12,024 | 1,296 | - | 25,684 |
| Herclassificatie category | - | - 1,655 | 1,655 | - | - | - | - | - | - |
| Herclassificatie into assets under developments | - | 21,980 | - | 21,980 | - | - 9,995 | - 520 | - | - 10,515 |
| Herclassificatie into assets held for sale | - | - 5,660 | - 61,228 | - 66,888 | - | - 22,905 | - | - | - 22,905 |
| Verkopen | - 4,230 | - 13,830 | - 5,536 | - 23,596 | - | - 2,730 | - 8,254 | 3,750 | - 14,734 |
| Revaluations | - 5,102 | 4,032 | - 2,578 | - 3,648 | - 55,249 | - 127,235 | 1,664 | - | - 180,820 |
| Deconsolidation IOW stake | - | - 332,468 | - 303,257 | - 635,725 | - | - | - | - | - |
| Balance on 31 December | 425,174 | 708,443 | - | 1,133,617 | 431,075 | 855,866 | 340,380 | - | 1,627,321 |

The composition of the real estate portfolio by percentage is as follows:

| Real estate investments in operation | 2015 | 2014 |
|---|---|---|
| The Netherlands | 100% | 64% |
| Belgium | - | 36% |
| Total | 100% | 100% |

| Real estate investments in operationVastgoedbeleggingen in exploitatie | 2015 | 2014 |
|---|---|---|
| Retail and large-scale retail | 38% | 26% |
| Offices | 62% | 53% |
| Industrial | - | 21% |
| Total | 100% | 100% |

## Security

On 31 December 2015, properties with a book value of €1,009.3 million (2014: €1,031.2 million) were mortgaged as security for loans taken out and credit facilities at banks amounting to €604.6 million at the end of 2015 (2014: €572.0 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.

## Estimates

The value of the real estate investments implies a net initial yield of 8.4% (2014: 8.7%). If on 31 December 2015 the returns used for the valuation of the real estate investments had been 100 basis points higher than those currently used, the value of the real estate investments would increase by 13.8% (2014: 13.0%). NSI's equity would in this case be €165 million (2014: €217 million) higher due to a higher positive result. The loan-to-value would then decrease from 43.2% (2014: 48.9%) to 38.3% (2014: 43.3%).

If, on 31 December 2015 the yields that were used in the valuations would have been 100 basis points higher than currently applied, the value of the real estate investments would decrease by 10.4% (2014: 10.3% ). NSI's Equity NSI would in that situation be €125 million (2014: €172 million) lower. The loan-to-value would in that case increase from 43.2% (2014: 48.9%) to 48.1% (2014: 54.5%)

## Real estate investments under development

| | 2015 | 2014 |
|---|---|---|
| Balance on 1 January | 17,950 | 11,190 |
| Reclassification into real estate in operation | - 21,980 | 10,515 |
| Reclassification into real estate for sale | - 620 | - |
| Investments | 3,472 | - |
| Sales | - 520 | - 1,500 |
| Revaluations | 2,698 | - 2,255 |
| Situation on 31 December | 1,000 | 17,950 |

Real estate investments under development includes one land position per 31 December 2015. The value of the land position Cosunpark in Breda, the Netherlands, was determined internally.

## 12. Financial fixed assets

### Participations are recognised in accordance with the equity method

On 18 June 2015, NSI reduced its interest in the Belgian Intervest Offices & Warehouses (IOW) from 50.2% to 15.2%. The effect on the recognition of this interest is as follows:

*Balance Sheet*
Effective from 18 June 2015, IOW is no longer consolidated in NSI's balance sheet.
The remaining 15.2% interest in IOW (2,476,241 shares) was revaluated as at 18 June 2015 in accordance with the fair value per share (IOW share price: €20.02).
Effective from 18 June 2015, IOW is classified as an associate and is valued in accordance with the equity method. This means that the value of the participation will track the fluctuations in IOW's intrinsic value (NAV).
NSI's valuation principles are used with this method.

*Profit and Loss Account*
In the profit and loss account for the first six months of 2015, the 50.2% interest in IOW up to and including 18 June 2015 has contributed to the result (€7.1 million).

*Result on Sales*
NSI sold 5.7 million IOW shares (representing a 35% interest in IOW) at €19.50 per share.
In total, this transaction and the revaluation realised a result of €3.0 million. The selling costs for this transaction were €2.4 million. These costs form part of the realised result.

*Impact of transaction on assets, liabilities, shareholders' equity and the result*
As a result of the transaction cash in mid 2015 increased by €110.8 million. Due to the transaction, the value of the real estate investments declined by €635.7 million, while NSI's balance sheet total declined by €656.1 million. The impact on the debts owed to credit institutions is -€320.4 million. The loan-to-value ratio as at 30 June 2015 decreased to 35.1% in relation to year-end 2014: 48.9%, primarily due to the deconsolidation of IOW. The shareholders' equity declined by €154.8 million.

*Financial Information*
The following table contains a summary of the financial information of Intervest Offices & Warehouses as contained in the financial statements of Intervest Offices & Warehouses. In addition, the table provides a reconciliation of the summarized financial information of the book value of the Group's interest in Intervest Offices & Warehouses. The information on 2015 concerns the results of Intervest Offices & Warehouses over the period 18 June 2015 up to and including 31 December 2015, because Intervest Offices & Warehouses became an associate effective from 18 June 2015. No comparative figures are included. The results of the period 1 January 2015 up to and including 30 June 2015 are recognised in the consolidated statement of comprehensive income for NSI.

| | 2015 |
|---|---|
| Percentage ownership interest | 15.2% |
| Fixed assets | 635,217 |
| Current assets | 13,182 |
| Long-term liabilities | - 231,467 |
| Current liabilities | - 95,196 |
| Non-controlling interest | - 32 |
| Net assets (100%) | 321,704 |
| Share in the net assets of Intervest Offices & Warehouses (15.2%) | 49,055 |
| Other non-material associates | 32 |
| Revaluation | 2,318 |
| Book value of interest in associates | 51.405 |
| Gross rental income | 23,125 |
| Profit from continued operations (100%) | 11,792 |
| Unrealised gains and losses (100%) | - |
| Non-controlling interest | 1 |
| Total comprehensive income (100%) | 11,793 |
| Share in the comprehensive income of Intervest Offices & Warehouses (15.2%) | 1,798 |
| Share in other non-material associates | 1 |
| Share of the Group in the total comprehensive income | 1,799 |

## 13. Tangible fixed assets

Tangible fixed assets relate to the transport fleet, office equipment and inventory, as well as the offices of the company at Antareslaan 69-75, Hoofddorp.

| | 2015 | 2014 |
|---|---|---|
| Book value on 1 January | 1,952 | 2,865 |
| Investments | 167 | 185 |
| Divestments | - | - 755 |
| Depreciation | - 187 | - 343 |
| Deconsolidation IOW stake | - 240 | - |
| Book value on 31 December | 1,692 | 1,952 |

## 14. Intangible assets

### Goodwill

| | 2015 | 2014 |
|---|---|---|
| Balance on 1 January | 8,205 | 8,205 |
| Impairment losses | - | - |
| Balance on 31 December | 8,205 | 8,205 |

The goodwill exists due to the acquisition of the external property management organisation in 2007 and mainly relates to cost savings in relation to external property management as a result of the acquisition.

The company reviews the goodwill for impairment loss annually by evaluating the relevant cash-flow generating business element. The impairment test of the cash-flow generating business element is based on the savings realised on external property management.

The discount rate applied amounted to 12.0% at the end of 2015 (2014: 12.0%). A growth factor has been included implicitly in the discount rate. No final date has been determined for the cash flow.

### Capitalised software

| | 2015 | 2014 |
|---|---|---|
| Balance on 1 January | 244 | 276 |
| Investments | 109 | 33 |
| Divestments | - 50 | - |
| Depreciation | - 93 | - 65 |
| Deconsolidation stake IOW | - 8 | - |
| Balance on 31 December | 202 | 244 |

External implementation costs related to a new management information system were capitalised in 2009 and 2010. The management information system came in operation in 2010 and will be further developed in the years to come.

## 15. Real estate investments held for sale

Real esate investments held for sale include four offices, one land position and a industrial portfolio ast at per 31 December 2015.

The focus of NSI is on improving the operational performance and transforming the current portfolio into a high quality core portfolio and a ‘value add’ portfolio. The core portfolio ensures a solid cash flow (and dividends), enabling the group to invest in the ‘value add’ portfolio. In combination with the stable performance of the core portfolio, utilising the potential value in the ‘value add’ portfolio ultimately delivers the highest total return.

This includes that no management time and capital will be spent properties where the group cannot add value. These properties are classified under “real estate investments held for sale” and are expected to be sold within a year.

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

| | 2015 | 2014 |
|---|---|---|
| Balance on 1 January | 22,905 | - |
| Reclassification of real estate in operation and development | 67,508 | 22,905 |
| Investments | 14 | - |
| Sales | - 22,905 | - |
| Revaluation | 1,326 | - |
| Balance on 31 December | 68,848 | 22,905 |

## 16. Debtors and other accounts receivable

| | 2015 | 2014 |
|---|---|---|
| Total debtors | 3,724 | 8,526 |
| Provision for doubtful debts | - 3,083 | - 3,325 |
| Debtors | 641 | 5,201 |
| Prepayments for extensions and purchases | - | 153 |
| Corporate income tax | 28 | 1,610 |
| Value added tax (VAT) | - | 8 |
| Tenant loans | 196 | 448 |
| Other accounts receivable and accrued income | 404 | 3,954 |
| Total | 1,269 | 11,374 |
| | | |
| Fixed | 196 | 3,997 |
| Variable | 1,073 | 7,377 |
| Total | 1,269 | 11,374 |

The ‘debtors’ item concerns receivables from tenants which are overdue and is reported after deduction of a provision for special impairments.

Information about the Group’s credit risks related to debtors and other receivables, as well as the impairment losses is contained in Note 22.

## 17. Cash

| | 2015 | 2014 |
|---|---|---|
| Bank balances | 22,305 | 10,232 |
| Cash | 1 | 3 |
| Total | 22,306 | 10,235 |

The bank balance refers to moneys that are freely available.

## 18. Equity attributable to shareholders

### Issued capital

The authorised share capital is divided into 216,453,385 ordinary shares with a nominal value of €0.46, of which 143,201,841 shares were placed and fully paid up on 31 December 2015 (2013: 143,201,841).

| | 2015 | 2014 |
|---|---|---|
| Balannce at on 31 December | 65,872 | 65,872 |

Number of shares placed:

| | 2015 | 2014 |
|---|---|---|
| Balannce at 31 December | 143,201,841 | 143,201,841 |

The holders of ordinary shares are entitled to receive the quarterly dividend distributed by the company and to exercise one vote per share at the General Meeting of Shareholders. All rights related to company shares held by the Group are suspended until such time as the shares are reissued.

### Share premium reserve

| | 2015 | 2014 |
|---|---|---|
| Balannce at 31 December | 923,435 | 923,435 |

The share premium reserve consists of the capital paid-up for ordinary shares in excess of the nominal value. The share premium reserve qualifies as fiscally recognised paid-up capital for Dutch tax purposes.

### Other reserves

| | 2015 | 2014 |
|---|---|---|
| Balannce at 1 January | - 219,652 | - 54,073 |
| Profit appropriation for 2014 and 2013 respectively | - 136,897 | - 134,075 |
| Cash final dividend 2014 and 2013 respectively | - 17,184 | - 12,888 |
| Cash interim dividend 2015 and 2014 respectively | - 18,616 | - 18,616 |
| Exchange-rate differences | - 4 | - |
| Situation on 31 December | - 392,353 | - 219,652 |

### Dividend

The following final dividend to be distributed as cash, stock or a combination of both, was proposed by the Management Board after the balance sheet date, subject to approval by the General Meeting of Shareholders on 29 April 2016. This proposal is not included as a liability in the balance sheet on 31 December 2015.

| | Per share | Total 2015 | Per share | Total 2014 |
|---|---|---|---|---|
| Interim dividend paid | €0.13 | 18,616 | €0.13 | 18,616 |
| Proposed final dividend | €0.14 | 20,048 | €0.12 | 17,184 |
| Total | €0.27 | 38,664 | €0.25 | 35,800 |

The 2015 distribution requirement amounts to €38 million (2014: €36 million).

## Capital management

NSI's objective in relation to the management of its capital (as presented in the financial statements) is to secure the group's continuity, to provide a return to shareholders, to add value for other stakeholders and to maintain a capital structure that will optimise the total costs of capital. NSI moreover monitors its fiscal capital to ensure that fiscal legislation and regulations are complied with. NSI has the option of adjusting the amount of dividend, repaying capital to shareholders, issuing new shares or disposing of assets in order to maintain or adjust the company's capital structure.

The management monitors the return on equity, which is defined by NSI as the direct investment result divided by the equity. The management also monitors the level of dividend to be paid to ordinary shareholders.

The management strives for a balance between a higher return that could be achieved through a higher level of borrowed capital on the one hand, and the benefits and security of a healthy financial position on the other. In addition, the management monitors the capital by watching the relationship between loans and real estate values and the proportion of debts owed to credit institutions and equity.

The proportion of debts to credit institutions and equity on 31 December 2015 was 43.2% (2014: 48.9%). The proportion between debts to credit institutions (minus other investments) and equity on 31 December 2015 was: 45%-55% (2014: 49%-51%).

All bank covenants are monitored periodically. The most common ratios that are used in the loan agreements are:
- Loan-to-Value
- the interest coverage ratio
- Solvency

Futhermore loans after regarding securities provided, (public) transferability and possible other charaterics like conversion, likes to indexes and inflation.

In NSI's case it is relevant that NSI NV as well as her Belgian non-controlling stake participation IOW are stock exchange listed. Therefore, IOW publishes interim statements in which it gives an account of convenants relevant to IOW.

## Loan-to-Value

In relation to LtV, NSI has two types of covenants:
1. LtV regarding self-reliant financing arrangements with specific collateral. The maximal individual LtVs are related to this specific collateral and must be in a range between 60% - 62.5%;
2. LtV regarding NSI's total portfolio. This amounts to 60% at max.

The following table provides a split of LtVs per country and on group level:

| Country | | LtV in % | Individual LtVs are compliant? | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Belgium | - | 46.6 | - | Yes |
| The Netherlands | 43.2 | 50.9 | Yes | Yes |
| NSI group level | 43.2 | 48.9 | Yes | Yes |

NSI and its subsidiaries were in compliance with both individual as well as LtV requirements on consolidated level agreed in 2015.

## LtV and Dutch REIT status

The Dutch Real Estate Investment Trust regime has a number of requirements. One of these is a maximum LtV ratio (≤ 60%).

The basic for calculation this LtV differs fundamentely from the way LtV is calculated by banks which is based on commercial figures and reorting. Fiscal LtV is based on fiscal figures.

## Interest coverage ratio

In relation to ICR, NSI has two convenants:
1. The interest coverag ration regarding self-reliant financing arrangements should be at least 2,00;
2. The interest coverage ratio for NSI's whole portfolio. This should be at least 2,00.

The table below provides a split between ICRs on country level:

| Country | | ICR in % | Individual ICR are compliant? | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Belgium | - | 3.1 | - | Yes |
| The Netherlands | 3.2 | 2.4 | Yes | Yes |
| NSI group level | 3.2 | 2.6 | Yes | Yes |

NSI and its subsidiaries were in compliance with both individual as well as LtV requirements on consolidated level agreed in 2015.

## Solvency

The adjusted shareholders' equity at group level based on these covenants should amount to at least 40%. In 2015 this was 53.0% (2014: 48.5%) and is compliant.

No changes have been implemented to NSI's capital management approach.

Apart from the FBI-requirements, NSI nor its subsidiaries are subject to any externally imposed capital requirements.

## 19. Interest-bearing debt

### Loans

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

| | 2015 | 2014 |
|---|---|---|
| Situation on 1 January | 792,872 | 813,879 |
| Drawdowns | 521,337 | 116,325 |
| Redemptions | - 457.406 | - 138,165 |
| Amortisation financing costs | - 3,069 | 833 |
| Deconsolidation IOW stake | - 289,116 | - |
| Situation on 31 December | 564,618 | 792,872 |
| Redemption obligation on long-term debt | 47,047 | 300,826 |
| Situation on 31 December | 517,571 | 492,046 |

The remaining debt on the loans after 5 years is €100.0 million (2014: €18.4 million).

The part of the index-linked loan (in total €54.0 million) that has been designated as amortisation of the Deutsche Bank financing is €0.2 million (2014: €0.6 million).

The remaining maturities of the loans were as follows:

| | Fixed interest | Variable interest | 2015 total | Fixed interest | Variable interest | 2014 total |
|---|---|---|---|---|---|---|
| Up to 1 year | 600 | 46,447 | 47,047 | 75,605 | 225,221 | 300,826 |
| From 1 to 2 years | 17,280 | - | 17,280 | 54,582 | 130,651 | 185,233 |
| From 2 to 5 years | 54,174 | 346,628 | 400,802 | 42,552 | 209,326 | 251,878 |
| From 5 to 10 years | - | 99,489 | 99,489 | 41,474 | 13,461 | 54,936 |
| More than 10 years | - | - | - | - | - | - |
| Total loans | 72,054 | 492,564 | 564,618 | 214,213 | 578,659 | 792,872 |
| | | | | | | |
| Average interest rate (excluding interest-rate swaps) | 3.8% | 2.0% | | 4.3% | 2.3% | |

| | Secured loans | Unsecured loans | 2015 total | Secured loans | Unsecured loans | 2014 total |
|---|---|---|---|---|---|---|
| Loans with variable interest | 495,376 | - | 495,376 | 451,171 | 127,717 | 578,888 |
| Loans with fixed interest | 72,055 | - | 72,055 | 73,162 | 142,000 | 215,162 |
| Costs of loans | - 2,813 | - | - 2,813 | - | - 1,178 | - 1,178 |
| Total loans | 564,618 | - | 564,618 | 524,333 | 268,539 | 792,872 |

In 2016 financing the amount of €44.1 million (2015: €300.8 million) expired. The financing, which in 2016 expired, are covered in the available loan facility.

The mortgage loans are loans from banks with an average remaining maturity of 3.9 years (2014: 2.0 years). The weighted average interest on outstanding mortgages and interest-rate swaps at the end of 2015 was 3.7% per annum including margin (end 2014: 4.6%).

During the financial year 2015 €3.7 million financing costs are capitalized (2014: €0.9 million). The financing costs are recognized in the profit and loss account on a straight-line basis over the term of the financing.

As collateral for loans (€564.6 million) and the current account facilities (€40.0 million), mortgages are registered on real estate with a value of €1,009.3 million (2014: €1,031.2 million) together with possessory liens on the rental income in some cases.

On 31 December 2015 the company's unused available loan facilities amounted to a total of €78.0 million (2014: €201.0 million).

The fair value of the loans on 31 December 2015 was €565 million (2014: €800 million). The fair value is calculated as the cash value of the cash flows discounted by the relevant interest rates including surcharge (0.5%: 2014: 3.5%).

## 20. Debts to credit institutions

The item debts to credit institutions concerns cash loans and current account overdrafts at banks. NSI has concluded credit agreements with a number of banks.  Where te group makes use of cash-pool arrangements, cash and debts to credit institutions are being offset.

The weighted average interest on available credit facilities was 1.5% (2014: 1.7%) per annum including margin.

| | 2015 | 2014 |
|---|---|---|
| Credit facilities | 40,000 | 63,250 |
| Of which unused | 39,980 | 30,404 |
| Situation on 31 December | 20 | 32,846 |

## 21. Other accounts payable and deferred income

| | 2015 | 2014 |
|---|---|---|
| Creditors | 2,043 | 3,410 |
| Tax | 5,510 | 3,211 |
| Dividend | - | 187 |
| Interest | 3,653 | 9,038 |
| Operating costs | 13,848 | 14,256 |
| Deposits | 2,562 | 2,410 |
| Payable on purchases and other investments | 685 | 1,067 |
| Prepaid rent | 7,962 | 10,394 |
| Other accounts payable | 2,156 | 2,251 |
| Total | 38,419 | 46,224 |

## 22. Financial instruments – fair values and risk management

### Applicable categories and fair value

The table below summarizes the book values and fair values of financial assets and liabilities, including the applicable level within the fair value hierarchy. The table does not include the fair value of financial assets and liabilities not being measured at fair value if the book value is a reasonable reflection of the fair value.

| | | | 31-12-2015 | | 31-12-2014 |
|---|---|---|---|---|---|
| | Note | Fair value level | Fair value total | Fair value level | Fair value total |
| Financial assets not valued at fair value | | | | | |
| Debtors and other accounts receivables | 16 | - | 1,269 | - | 11,374 |
| Cash | 17 | - | 22,306 | - | 10,235 |
| Financial liabilities valued at fair value | | | | | |
| Interest-bearing liabilities | 19 | 2 | 564,956 | 2 | 800,374 |
| Derivative financial instruments | 22 | 2 | 24,767 | 2 | 39,296 |
| Financial liabilities not valued at fair value | | | | | |
| Debts to credit institutions | 20 | - | 20 | - | 32,846 |
| Other accounts payable | 21 | - | 30,457 | - | 35,830 |

### Financial risks

In the normal conduct of its business, the company is subject to credit risk, liquidity risk, interest-rate risk and currency risk. The overall risk management is designed to minimise the potentially negative effects of the unpredictability of the financial markets on the company's business performance.

The company monitors the financial risks associated with its business and the financial instruments it holds closely. The company is a long-term investor in real estate and therefore applies the principle that the financing of the investments should also be long-term in nature in accordance with the risk profile of its business.

For the risks associated with the valuation of real estate investments, please refer to note 11. The policy and monitoring of the risks are regularly being reviewed and adjusted, if required, to reflect changes in the market conditions and the activities of the group.

### Credit risk

Credit risk is defined as the risk of an unforeseen decline in the value of an asset as a result of counterparties failing to meet their obligations.

The book value of the financial assets represents the maximum credit risk. The maximum credit risk on the balance date was as follows:

| | Notes | 2015 | 2014 |
|---|---|---|---|
| Debtors and other accounts receivable | 16 | 1,269 | 11,374 |
| Cash | 17 | 22,306 | 10,235 |
| Total | | 23,575 | 21,609 |

*Banks*
The risks associated with possible non-performance by counterparties are minimised by entering into transactions for loans and derivative instruments with various reputable banks. These banks have credit ratings of at least Moody's BAA2 or Standard & Poor's BBB. The management is actively involved in monitoring the credit ratings.

*Tenants*
The creditworthiness of tenants is closely monitored by careful screening in advance and active monitoring of debtor balances. In addition, rent is generally paid in advance and tenants are required to provide security for rent payments for a limited period in the form of guarantee payments or bank guarantees. Since the tenant base consists of a large number of different parties, there is no concentration of credit risk.

The age structure of the debtors was as follows:

| | 2015 | 2014 |
|---|---|---|
| The Netherlands | 3,724 | 4,129 |
| Switzerland | - | 127 |
| Belgium | - | 4,270 |
| Total | 3,724 | 8,526 |

| | 2015 | 2014 |
|---|---|---|
| Up to 1 month expired | 660 | 3,659 |
| 1 month to 3 months expired | 5 | 1,609 |
| 3 months to 1 year expired | 782 | 1,259 |
| More than 1 year expired | 2,277 | 1,999 |
| Total | 3,724 | 8,526 |

Aside from bank guarantees, security deposits for €2.6 million (2014: €2.4 million) were posted with regard to the debtors.

The change in the provision for asset impairment for debtors is as follows:

| | 2015 | 2014 |
|---|---|---|
| Situation on 1 January | 3,325 | 4,668 |
| Addition to the provision | 540 | 755 |
| Write down of dubious debtors | - 543 | - 2,098 |
| Deconsolidation stake IOW | - 239 | - |
| Situation on 31 December | 3,083 | 3,325 |

The impairment losses on 31 December 2015 are connected to various tenants that have indicated that they do not expect to be able to repay outstanding balances due to the economic circumstances, due to historical payment behaviours and detailed analyses of the assessments of underlying creditworthiness of the tenants. NSI takes the opinion that the amounts that are more than one month expired that have not undergone impairment are still receivable.

## Liquidity risk

Liquidity risk involves the risk that the company runs into problems related to fulfilling its obligations to be settled in cash or other financial assets. The basic principle of liquidity risk management is that sufficient resources should be kept available to be able to fulfil current and future liquidity obligations, this under normal and difficult circumstances and without unacceptable losses to be incurred or the reputation of the company to be harmed.

Management of liquidity risk involves ensuring the availability of adequate credit facilities. To diversify its liquidity risk, the company has funded its operations with various loans and with shareholders' equity. Furthermore, measures have been taken to ensure a higher occupancy rate and to prevent financial losses resulting from bankruptcies of tenants. Fluctuations in the liquidity requirement are absorbed by undrawn, committed credit facilities of €78.0 million (2014: €201.0 million).

Based on these undrawn, committed credit facilities, prologation of loans and lease agreements, interest obligations and redemption requirements are assured for 2016. Maturity dates are spread over time to limit liquidity risk. The average remaining maturity of long-term debt is 3.9 years (2014: 2.0 years).

At year-end 2015, NSI had for €40.0 million credit facilities in overdrafts at banks at its disposal, of which €0.02 million was drawn. The undrawn committed credit facilities of the interest-bearing loans amounted to €78.0 million at 31 December 2015, totalling the total unused credit facilities to €118.0 million at 31 December 2015.

Below are the contractual terms of the financial liabilities, including the estimated interest payments, and excluding the effect of settlement agreements:

| 30-12-2015 | Book value | Contractual cash flow | 6 months or less | 6 to 12 months | 1 to 2 years | 2 to 5 years | >5 years |
|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | |
| Mortgage loans | 564,618 | 612,426 | 7,759 | 50,672 | 27,837 | 422,988 | 103,170 |
| Debts to credit institutions | 20 | 20 | 20 | - | - | - | - |
| Other liabilities | 30,457 | 31,457 | 30,457 | 500 | 500 | - | - |
| Total | 595,095 | 643,903 | 38,236 | 51,172 | 28,337 | 422,988 | 103,170 |
| Derivative financial liabilities | | | | | | | |
| To cover Interest rate swaps | 24,767 | 28,451 | 4,042 | 4,042 | 6,457 | 10,477 | 3,433 |
| Total | 619,862 | 672,354 | 42,278 | 55,214 | 34,794 | 433,465 | 106,603 |

| 30-12-2014 | Book value | Contractual cash flow | 6 months or less | 6 to 12 months | 1 to 2 years | 2 to 5 years | >5 years |
|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | |
| Mortgage loans | 792,872 | 836,655 | 111,998 | 208,636 | 197,310 | 262,063 | 56,648 |
| Debts to credit institutions | 32,846 | 32,846 | 32,846 | - | - | - | - |
| Other liabilities | 35,830 | 36,830 | 35,830 | 500 | 500 | - | - |
| Total | 861,548 | 906,331 | 180,674 | 209,136 | 197,810 | 262,063 | 56,648 |
| Derivative financial liabilities | | | | | | | |
| To cover Interest rate swaps | 39,296 | 40,942 | 6,721 | 6,384 | 10,575 | 11,674 | 5,588 |
| Total | 900,844 | 947,273 | 187,395 | 215,520 | 208,385 | 273,737 | 62,236 |

The gross inflow / (- outflow) shows in the table above show the non-discounted contractual cash flows related to the derivative financial liabilities held for risk management purposes that are generally not terminated before the end of the contractual term. The information shows the net cash flow amounts for derivatives that are net settled in cash and the gross cash inflows and outflows for derivatives that are simultaneously settled in gross cash.

The interest payments in the table above show loans with variable interest rates and interest rate swaps used for hedging purposes, based on market rates at the end of the reporting period of which amounts may change due to change in market interest rates.

It is not expected that the cash flows assumed in the maturity analysis will occur earlier or at significantly different amounts.

## Market risk

Market risk is the risk that changes in rents, number of months of vacancy and incentives affect the income of the group or the value of the investments. The objective of market risk management is to manage and control market risk exposures within acceptable limits in relation to optimizing the returns simultaneously.

The group uses derivatives to control the market risk of interest rates. Such transactions take place within the guidelines laid down in the treasury policy.

## Interest-rate risk

NSI must at all times meet its obligations under the mortgage loans, partly in terms of the interest coverage ratio. The interest coverage ratio is calculated as the net rental income divided by the interest costs, and may not fall below 2.0.

In addition, NSI must comply with the requirements set in terms of its loan-to-value ratio (debts to credit institutions as a proportion of the investments). The total loans drawn may not exceed 65% of the underlying real estate value. If the loan to value ratio becomes under pressure, interest costs will rise. The ratios to which the company has committed itself in the loan agreements are monitored on a regular basis, at least once each quarter.

If NSI would not be able to meet these criteria and does not reach an agreement with the financiers involved it could be in a situation that financing arrangements would have to be renegotiated, terminated or prematurely redeemed.
At the end of 2015, the interest coverage ratio was 3.2 (end of 2014: 2.6), which is higher than the 2.0 level agreed with the banks. At the end of 2015, the loan-to-value was 43.2% (end of 2014: 48.9%), which means that NSI is in compliance with all the covenants in the outstanding loan agreements.

Variable-interest loans expose NSI to uncertainty regarding interest expenses, whereas fixed-interest loans reduce this uncertainty. NSI uses derivative instruments to manage its interest-rate risk. No margin calls were agreed. On 31 December 2015, NSI held financial derivatives with a nominal value of €474.3 million (2014: €500.6 million) for the purpose of managing the interest-rate risk on its loans.

If the variable interest rate as of 31 December 2015 were to rise 1%, the interest expenses for 2014 with no changes to the portfolio or the funding including margins would increase by €0.2 million (2014: €0.9 million) in the result. The financial derivatives are discounted in this calculation, but potential changes to the fair value of the derivatives are not included.

## Analysis of effective interest rate and interest rate revisions

The table below shows the effective interest rate (the variable interest is based on Euribor/Libor on 31 December) of financial assets and liabilities for which interest is payable as of balance sheet date, together with the dates when the rates will be revised.

| 2015 | Effective interest % | Total | < 1 year | 1 to 2 years | 2 to 5 years | >5 years |
|---|---|---|---|---|---|---|
| Fixed interest mortgage loans | 3.8 | 72,054 | 600 | 17,280 | 54,174 | - |
| Variable interest mortgage loans | 2.0 | 18,264 | 18,264 | - | - | - |
| Fixed interest as a result of swaps* | 1.6 | 474,300 | - | 125,000 | 270,000 | 79,300 |
| Total | 3.7 | 564,618 | 18,864 | 142,280 | 324,174 | 79,300 |
| | | | | | | |
| Redemption obligations | | 47,047 | 47,047 | - | - | - |
| Balance on 31 December | | 517,571 | - 28,183 | 142,280 | 324,174 | 79,300 |

*Swap interest excluding margin*

| 2014 | Effective interest % | Total | < 1 year | 1 to 2 years | 2 to 5 years | >5 years |
|---|---|---|---|---|---|---|
| Fixed interest mortgage loans | 4.3 | 214,213 | 75,605 | 54,582 | 42,552 | 41,474 |
| Variable interest mortgage loans | 2.3 | 132,034 | 132,034 | - | - | - |
| Fixed interest as a result of swaps* | 3.1 | 446,625 | 50,000 | 92,325 | 225,000 | 79,300 |
| Total | 4.6 | 792,872 | 257,639 | 146,907 | 267,552 | 120,774 |
| | | | | | | |
| Redemption obligations | | 300,826 | 300,826 | - | - | - |
| Balance on 31 December | | 492,046 | - 43,187 | 146,907 | 267,552 | 120,774 |

*Swap interest excluding margin*

## Fair value of financial instruments

The categories of financial instruments are: A. financial assets at fair value through profit and loss, B. loans and receivables, C. available-for-sale financial assets, D. cash and cash equivalents and E. financial liabilities measured at amortised costs.

The book value of the financial instruments in the balance sheet is as follows:

| | Notes | IAS39 category | Book value | 2015 fair value | Book value | 2014 fair value |
|---|---|---|---|---|---|---|
| Debtors and other accounts | 16 | B | 1,269 | 1,269 | 11,374 | 11,374 |
| Cash | 17 | D | 22,306 | 22,306 | 10,235 | 10,235 |
| Total | | | 23,575 | 23,575 | 21,609 | 21,609 |
| | | | | | | |
| Financial liabilities | | | | | | |
| Interest-bearing debt | 19 | E | 564,618 | 564,955 | 792,872 | 800,374 |
| Financial derivatives | 22 | A | 24,767 | 24,767 | 39,296 | 39,296 |
| Current liabilities | 20, 21 | E | 38,439 | 38,441 | 79,070 | 79,070 |
| Total | | | 627,824 | 628,163 | 911,238 | 918,740 |

## Fair value hierarchy

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 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 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 had the following terms on the balance sheet date:

| | | | | 2015 | | | | 2014 |
|---|---|---|---|---|---|---|---|---|
| Maturity | Number of contracts | Nominal | Fair value assets | Fair value liabilities | Number of contracts | Nominal | Fair value assets | Fair value liabilities |
| Up to 1 year | - | - | - | - | 5 | 50,000 | - | 1,430 |
| From 1 to 5 years | 21 | 395,000 | - | 11,103 | 16 | 317,325 | - | 22,281 |
| From 5 to 10 years | 3 | 79,300 | - | 13,664 | 3 | 79,300 | - | 15,585 |
| Total swaps | 24 | 474,300 | - | 24,767 | 24 | 446,625 | - | 39,296 |
| Total derivatives index-linked loan | 2 | 54,000 | - | - | 2 | 54,000 | - | - |
| Total derivatives | 26 | 528,300 | - | 24,767 | 26 | 500,625 | - | 39,296 |

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 0.182% to 4.445% (2014: 1.2725% to 4.613%) and with maturity dates between 2017 and 2022 (2014: between 2015 and 2022).

The weighted average remaining maturity of the derivatives is 4.0 years (2014: 3.1 years). NSI is hedged at a weighted average interest rate of 1.6% (2014: 3.1%), excluding margin. 13.9% (2014: 5.8%) of the current loans are subject to variable interest and are therefore not hedged.

## 23. Investment obligations

In September 2015, the Municipality of Deventer and NSI agreed on a redevelopment plan for the redevelopment and expansion of the Keizerslanden shopping centre in Deventer. The shopping centre will be renovated and a surface area of approximately 4,000 m² will be added. Preparatory work will commence at the beginning of 2016. Construction work is expected to start by mid-2016 for completion by mid-2018. The implementation of the plan has a phased approach. The total investment is €11.0 million.

## 24. Liabilities not appearing in the balance sheet

### Receivable resulting from claims

Additional transfer tax assessments have been imposed on VastNed Offices/Industrial N.V. ("VNOI") by the Dutch tax authority as well as additional corporate tax assessments concerning supposed tax obligations of companies acquired by VNOI in the past. In the fourth quarter of 2007, a settlement was reached with the tax authority for a total amount of €4.2 million. NSI is endeavouring to recoup this amount from a guarantor and is currently involved in a legal procedure against the seller of the companies involved. In a lawsuit against the guarantor with regard to the transfer tax, the court awarded the claim of a total of €3.3 million to VNOI in full in December 2008.
NSI will attempt to collect the awarded amounts. In the legal proceedings against the seller, the Amsterdam District Court on 22 July 2015 issued its ruling and awarded approximately €3.9 million in principal and approximately €3.6 million in statutory interest. The seller on 22 October 2015, filed an appeal against this ruling with the Court of Appeal in Amsterdam.

### Divestment obligations

In mid-May and Mid-November 2015, purchase agreements were signed for the delivery of two office buildings. The buildings are expected to be delivered at the beginning of January 2016 and no later than mid-October 2016. The total selling price is €2.5 million.

### Shopping centre ’t Loon Heerlen

In the beginning of December 2011 a large local subsidence occurred below shopping centre ‘t Loon. This subsidence has been designated the "sinkhole". As a result of this sinkhole, the municipality of Heerlen ordered the demolition of a part of the shopping centre (5,041 m2 of the original 25,312 m2). After a short phase of reconstructing the facade, the placement of a new entrance and parking deck, and the restoration of the attractiveness for the public, 40 out of 50 shops opened to the public again on 11 February 2012. After this initial and stressful period, the Owners'Association of ‘t Loon, NSI being a member, focussed on discovering the causes for the occurrence of the sinkhole and the redevelopment for the shopping centre.

In November 2012 the Owners'Association presented the results of the investigation. The investigation and all related documents and findings have been published via www.onderzoektloon.nl.

The conclusion is that the sinkhole could occur due to shallow mining activities by Oranje-Nassau mine which resulted in large gaps after mining activities closed down in the 1950s. After the mining activities ended, the roof of the mine was brought to collapse which resulted in vertical and diagonal fractures in the ground below ‘t Loon. That the sinkhole could occur is a result of the displacement of ground material in the vertical fractures.

NSI submitted a request for a building permit to reconstruct the demolished part of the shopping centre in the beginning of 2013. The shopping centre was upgraded simultaneously with the reconstruction activities.

NSI occurred losses due to the occurrence of the sinkhole and the consequential demolition order. The most important part of these losses is related to the real estate value of the demolished part and loss of rental income. The losses resulting from the demolition are currently under determination by experts. The loss of rental income during the period December 2011 and December 2012 amounts to €1.5 million. NSI intends to seek compensation for its losses. Liable parties are the municipality of Heerlen, the insurance companies involved and the former mining company. The winding-up of damage between the parties involved could be a long-lasting process, however, of limited expenses to NSI.

The insurer of one of the tenants has a number of parties, including NSI on January 20, 2016, held responsible for her injury covered turnover amounting to €1.6 million in principal.
NSI has passed the liability claim on February 15, 2016 to its insurer. It has taken a position on the insurance coverage.
In so far shows that NSI is liable for the damage and its insurer does not cover grants NSI intends to recover damages from liable parties mentioned in the previous paragraph.

## 25. Related parties

The following parties qualify as related parties: the company and its group companies, its Supervisory Board, directors and Investment Advisory Board.

### Interests of major investors

Under the Act on the Disclosure of Major Interests in Securities-Issuing Institutions of the Netherlands Authority for the Financial Markets (AFM), notifications of shareholdings more than 3% were disclosed. According to the AFM register the following shareholders hold a stake of more than 3%:

| | by December 31, 2015 | by March 15, 2016 |
|---|---|---|
| Cohen & Steers Capital Management, Inc. | 12.3% | 8.4% |
| ICAMAP Investments S.à.r.l. | - | 5.0% |
| CBRE Clarion Securities, LLC | 5.0% | 5.0% |
| BNP Paribas Investment Partners SA | 4.9% | 4.6% |
| Phoenix Insurance Company Ltd. | 3.7% | 3.7% |
| BlackRock, Inc. | 3.0% | 3.0% |
| Norges Bank | 3.0% | 3.0% |
| Voya Financial, Inc. | 3.0% | 3.0% |

### Supervisory and managing directors

The members of the Supervisory and Management Boards of NSI N.V. have no personal interest in the investments made by NSI N.V., nor did they have such an interest at any time in the past year. The company is not aware of any real estate investment transactions with persons or institutions that could be considered to have a direct relationship with the company in the reporting year.

### Remuneration of the supervisory board

| | 2015 | 2014 |
|---|---|---|
| H.W. Breukink (chairman) | 52 | 53 |
| H.J. van den Bosch | 41 | 41 |
| G.L.B. de Greef | 38 | 38 |
| L.A.S. van der Ploeg | 38 | 28 |
| N. Tates | 41 | 31 |
| Total | 210 | 191 |

The compensation of supervisory directors includes the payment they receive as a  member of the Audit, the Remuneration Committee and the Selection & Appointment Committee.

The supervisory directors did not hold any shares in the company as of the end of 2015 (2014: non).

## Compensation of the Management Board

| 2015 | salary | variable* | pension costs | social security (crisis tax included) | total | equity holding end 2014 in number of shares |
|---|---|---|---|---|---|---|
| J. Buijs | 463 | 148 | 60 | 20 | 691 | 69,423 |
| D.S.M. van Dongen | 303 | 73 | 39 | 15 | 430 | 15,961 |
| Total | 766 | 221 | 99 | 35 | 1,121 | 85,384 |

* Variable terms for variable renumeration for the period 2015-2017.

| 2014 | salary | variable | pension costs | social security (crisis tax included) | total | equity holding end 2014 in number of shares |
|---|---|---|---|---|---|---|
| J. Buijs | 458 | 80 | 60 | 21 | 619 | 63,023 |
| D.S.M. van Dongen | 287 | 49 | 35 | 14 | 385 | 10,061 |
| M.R. Siezen | 225 | - | 27 | 11 | 263 | - |
| Total | 970 | 129 | 122 | 47 | 1,287 | 73,084 |

Mr. M. R. Siezen was appointed at the shareholders' meeting of April 25, 2014 to Operations Officer (COO) and by September 30, 2014 leaving NSI. The remuneration in the table above relates to the period from 1 January 2014 until 30 September 2014.

## Remuneration of the Management Board

The Annual General Meeting of Shareholders (AGM) of 27 April 2012 adopted an amended remuneration policy for the Management Board. The reasons for amending the existing remuneration policy were the strongly increased size and scale of the company and the general notion in society regarding the remuneration of Management Board members, in particular regarding short term variable remuneration. Moreover, there was the need to link the remuneration closer to shareholder return.

The Management Board remuneration will consist of a fixed annual salary, a variable remuneration and secondary conditions of employment.

As of 1 January 2012, the variable part will exclusively consist of a long-term share plan (LTSP).

The LTSP will cover a three year period and is capped: the maximum LTSP-remuneration to be rewarded to the CEO is 120% of the average fixed annual salary during the period of the LTSP and for the CFO this maximum is 90%.

80% of the remuneration achievable under the LTSP is based upon the total shareholder return (TSR).

This TSR takes into account NSI's share price at the beginning and at the end of the period as well as dividends distributed during the period. Then, NSI's TSR is compared with the TSR of a benchmark.

This benchmark consists of Corio, Wereldhave, VastNed Retail, Alstria, Befimmo, Confinimmo and Eurocommercial Properties. The level of the LTSP-remuneration will be determined depending of the relative performance of NSI in relation to the benchmark.

20% of the LTSP-remuneration is based on personal targets to be determined and judged by the Supervisory Board.

Payment of the LTSP-remuneration will be done in cash with the obligation for the Management Board member concerned to buy NSI shares in the market for at least 2/3 of the net amount involved. A lock-up period of three years will be applicable.

The reservation regarding the LTSP for the financial year 2015 has been €221.000 (paid in 2015 over the period 2012-2014: €129,000).

### No share options and no loans

Neither the managing nor the supervisory directors own option rights to shares in NSI. No loans, advances or guarantees have been provided to managing or supervisory directors.

## 26. Cost ratio (previously total expense ratio)

Under the Dutch Financial Supervision Act NSI is required to report the ratio of expenses to its net asset value. This ratio is 4.4% (2014: 4.0%). The total expense ratio is calculated as the total expenses (operational costs, non-recharged service costs, administrative expenses and tax on profits) divided by the weighted average net asset value over the latest book financial year.

# Corporate balance sheet

## before proposed 2015 profit appropriation

(x €1,000)

| | notes | 31-12-2015 | 31-12-2014 |
|---|---|---|---|
| **Assets** | | | |
| Financial fixed assets | 3 | 1,248,637 | 1,064,982 |
| Tangible fixed assets | | 153 | 156 |
| Intangible fixed assets | | 57 | 138 |
| Total fixed assets | | 1,248,847 | 1,056,276 |
| | | | |
| Other investments | | 140 | 148 |
| Cash | | 1,873 | 3,042 |
| Total current assets | | 2,013 | 3,190 |
| | | | |
| Total assets | | 1,250,860 | 1,068,466 |
| | | | |
| **Shareholders' equity** | | | |
| Issued share capital | 4 | 65,872 | 65,872 |
| Share premium reserve | 4 | 923,435 | 923,435 |
| Reserve participations | 4 | 35,021 | 55,704 |
| Reserve for exchange-rate differences | 4 | - 4 | - |
| Earnings reserve | 4 | - 427,370 | - 275,356 |
| Result from financial year | 4 | 63,794 | - 136,897 |
| Total shareholders' equity attributable to shareholders | | 660,748 | 632,758 |
| | | | |
| **Liabilities** | | | |
| Interest-bearing liabilities | | 517,571 | 194,338 |
| Financial derivatives | | 18,266 | 21,831 |
| Total long-term liabilities | | 535,837 | 216,169 |
| | | | |
| Required redemption of long-term debt | | 47,047 | 203,388 |
| Financial derivatives | | - | 414 |
| Debts to credit institutions | | 20 | 9,481 |
| Other accounts payable and deferred income | | 7,208 | 6,256 |
| Total current liabilities | | 54,275 | 219,539 |
| | | | |
| Total liabilities | | 590,112 | 435,708 |
| | | | |
| Total equity and liabilities | | 1,250,860 | 1,068,466 |

# Corporate income statement

(x €1,000)

| | note | 2015 | 2014 |
|---|---|---|---|
| Corporate result after tax | | - 23,642 | - 30,538 |
| Result from investments | 3 | 87,436 | - 106,359 |
| Result after tax | | 63,794 | - 136,897 |

# Notes to the corporate financial statements

## 1. General

NSI NV exclusively performs holding activities. NSI's structure as described in the notes to the consolidated financial statements also applies to the corporate financial statements.

The corporate financial statements have been prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code regarding financial reporting. In accordance with Article 402, Book 2 of the Dutch Civil Code, the company's income statement shows only the results of the subsidiary companies as a separate item.

In the preparation of its financial statements, the company has also applied the provisions for the contents of financial reporting by investment institutions pursuant to the Dutch Financial Supervision Act.

## 2. Principles for valuation and determination of the result

The corporate financial statements have been prepared in accordance with Article 362 Paragraph 8 Book 2 of the Dutch Civil Code. This means that the principles for the processing and valuation of assets and liabilities and the determination of the result as described in the disclosure to the consolidated financial statements also apply to the corporate financial statements, unless stated otherwise. For a description of these principles, reference is made to the pages 86 to 97 If required notes have been incorporated in the consolidated financial statements, these notes have not been incorporated here.

### Financial fixed assets

The investments are valued at net asset value. To determine the net asset value, with the application of the facility in Article 362 Paragraph 8 last sentence in Book 2 of the Dutch Civil Code, all assets, liabilities and profits and losses are subject to accounting principles used for the consolidated financial statements.

## 3. Financial fixed assets

| | 2015 | 2014 |
|---|---|---|
| Net asset value of investments | - 200,873 | - 216,563 |
| Loans to participations | 1,449,510 | 1,281,545 |
| Total | 1,248,637 | 1,064,982 |

The movements in interests in group companies were as follows:

| | investments | receivables | 2015 | investments | receivables | 2014 |
|---|---|---|---|---|---|---|
| Situation on 1 January | - 216,563 | 1,281,545 | 1,064,982 | - 21,042 | 1,284,971 | 1,263,929 |
| Result from investments | 87,436 | - | - 87,436 | - 106,359 | - | - 106,359 |
| Dividend received from investments | - 71,746 | - | - 71,746 | - 89,162 | - | - 89,162 |
| Movements in claims | - | - 167,965 | - 167,965 | - | - 3,426 | - 3,426 |
| Situation on 31 December | - 200,873 | 1,449,510 | 1,248,637 | 216,563 | 1,281,545 | 1,064,982 |

The majority of the loans provided to investments are long term, and the average interest rate is 3.7% (2014: 4.6%).

## Net asset value of investments

| | 2015 | 2014 |
|---|---:|---:|
| Costs on 31 December | 314,411 | 314,411 |
| Cumulative results from investments | - 515,284 | - 530,974 |
| Total | - 200,874 | - 216,563 |

## 4. Equity

The development of the item shareholders’ equity in the financial year under review was as follows:

| | issued share capital | share premium reserve | other reserves | statutory reserve exchange-rate differences | earnings reserve | result year end | total share-holders’-equity |
|---|---:|---:|---:|---:|---:|---:|---:|
| Balance as of 31 December 2014 | 65,872 | 923,435 | 55,704 | - | - 275,356 | - 136,897 | 632,758 |
| Result 2015 | - | - | - | - | - | 63,794 | 63,794 |
| Exchange-rate differences on foreign participaties | - | - | - | - 4 | - | - | - 4 |
| Total comprehensive income 2015 | - | - | - | - 4 | - | 63,794 | 63,790 |
| Final cash dividend for 2014 | - | - | - | - | - 17,184 | - | - 17,184 |
| 2014 profit appropriation | - | - | - 20,683 | - | - 116,214 | 136,897 | - |
| Cash interim dividend paid in 2015 | - | - | - | - | - 18,616 | - | - 18,616 |
| Balance as of 31 December 2015 | 65,872 | 923,435 | 35,021 | 4 | - 427,370 | 63,794 | 660,748 |

The development of the shareholders’ equity entry for the previous fiscal year was as follows:

| | issued share capital | share premium reserve | other reserves | statutory reserve exchange-rate differences | earnings reserve | result year end | total share-holders’-equity |
|---|---:|---:|---:|---:|---:|---:|---:|
| Balance as of 31 December 2013 | 65,872 | 923,435 | 102,145 | 805 | - 157,023 | 134,075 | 801,159 |
| Result 2014 | - | - | - | - | - | - 136,897 | - 136,897 |
| Total comprehensive income 2014 | - | - | - | - | - | - 136,897 | - 136,897 |
| Final cash dividend for 2013 | - | - | - | - | - 12,888 | - | - 12,888 |
| 2013 profit appropriation | - | - | - 46,441 | - 805 | - 86,829 | - 134,075 | - |
| Cash interim dividend paid in 2014 | - | - | - | - | - 18,616 | - | - 18,616 |
| Balance as of 31 December 2014 | 65,872 | 923,435 | 55,704 | - | - 275,356 | - 136,897 | 632,758 |

Both the earnings reserve and the share premium reserve are available for distribution as dividend.

For further details of movements in owners’ equity, please refer to the consolidated financial statements (see disclosure 18 to the consolidated financial statements).

## Statutory reserves

The statutory reserves in the corporate balance sheet are reserves which must be retained pursuant to the Dutch Civil Code and consist of revaluation reserves and the reserve for exchange-rate differences.

## (Statutory) revaluation reserve

The revaluation reserve relates to real estate investments and consists of the cumulative positive (unrealised) revaluations of these investments. The (statutory) revaluation reserve is an undistributable reserve in accordance with the Dutch Civil Code. The revaluation reserve at end 2015 and 2014 was established at property level.

## (Statutory) reserve for exchange-rate differences

The exchange-rate differences item contains all exchange-rate differences as a result of the conversion of the annual financial statements of international activities in Swiss francs and the conversion of liabilities and transactions designated as hedges of exchange-rate differences on the net amounts invested in the investments in Switzerland and the conversion differences on results in foreign currency (difference between year-end rates and average rates).

## Dividend

Taking the previously distributed interim dividend of €0.13 (2014: €0.13) per share into consideration, a final cash dividend of €0.14 (2014: €0.12) per share is proposed in cash, in stock or in a combination of both. €15.9 million (2014: €20.7 million) will be added to the revaluation reserve, which is determined at individual property level. The remainder of the result will be added to the earnings reserve.

# 5. Liabilities not appearing in the balance sheet

## Liability

NSI N.V. has issued guarantees for a number of its 100%-owned subsidiary companies in accordance with Article 403, Book 2 of the Dutch Civil Code.

NSI N.V. is part of a tax group for corporate income tax and Dutch sales tax, and is therefore jointly and severally liable for the tax payable by the tax group as a whole.

# 6. Audit costs

The following honoraria of KPMG Accountants NV are included at the expense of NSI and its subsidiaries:

| | 2015 | 2014 |
|---|---|---|
| Review of financial statements | 207 | 193 |
| Other reviews (review of quarterly figures and prospectus) | 39 | 5 |
| Tax advisory services | - | - |
| Other non-audit services | - | - |
| Total | 246 | 198 |

*Hoofddorp, 15 March 2016*

*The Management Board*
Mr J. Buijs, *CEO*
Mr D.S.M. van Dongen RC, *CFO*

*The Supervisory Board*
H.W. Breukink, *chairman*
H.J. van den Bosch
G.L.B. de Greef
L.A.S. van der Ploeg
N. Tates, *vice chairman*

# Chapter 5

# Other data

# Other data

## Articles of Association rules governing profit appropriation

The profit appropriation is subject to article 21 of the company’s articles of association. The profit is at the disposal of the General Meeting of Shareholders. The company may only make distributions to shareholders to the extent that the owners’ equity exceeds the amount of the company’s paid-up and called-up capital, plus the reserves that must be held in accordance with either statute or the articles of association. To the extent possible and considered justified, the company may distribute interim dividends as proposed by the Management Board, subject to the approval of the Supervisory Board.

## Proposed profit appropriation

The articles of association of NSI N.V. state that the allocation of the result after tax for the financial year is established by the General Meeting of Shareholders. With the approval of the Supervisory Board, the Management Board proposes to distribute a final dividend in cash for the 2015 financial year of €0.14 per share in addition to the interim cash dividends of €0.13 per share, resulting in a total dividend of €0.27 per share for 2015.

The total amount of the final dividend, based on the number of outstanding shares (143,201,841) is €20.0m and will be withdrawn from the earnings reserve.

## The development of the proposed profit appropriation is as follows:

| (x €1,000) | |
|---|---|
| Result 2015 | 63,794 |
| Final dividend 2015 | 20,048 |
| Net addition to the earnings reserve | 43,746 |

NSI will offer shareholders, if they approve this proposal, a final dividend in cash. The non-allocated result after tax over the period under review is accounted for as result in the period under review in equity in anticipation of the decision by the General Meeting.

## Events after the Balance sheet date

On 22 February 2016, NSI sold 1.68 million Intervest Offices & Warehouses (IOW) shares to an institutional investor by means of a private placement. In 2016, NSI has the remaning stake completely sold IOW (15.2%).

## Divestment obligations

Beginning in 2016, NSI agreements for the delivery of 21 Industrials and an office in the Netherlands and ground in Belgium. Delivery is expected to occur in the second quarter of 2016.

# Independent auditor’s report

To: the General Meeting and the Supervisory Board of NSI N.V.

## Report on the audit of the annual financial statements 2015

### Opinion

In our opinion:
- the consolidated financial statements give a true and fair view of the financial position of NSI N.V. as at 31 December 2015, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code;
- the company financial statements give a true and fair view of the financial position of NSI N.V. as at 31 December 2015, and of its result for 2015 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

### What we have audited

We have audited the financial statements 2015 of NSI N.V., based in Hoofddorp (Statutory seat in Amsterdam). The financial statements include the consolidated financial statements and the company financial statements.
The consolidated financial statements comprise:
1 the consolidated statement of financial position as at 31 December 2015,
2 the following consolidated statements for 2015: the statement of comprehensive income, cash flow statement, statement of movements in shareholders’ equity; and
3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The corporate financial statements comprise:
1 the balance sheet as at 31 December 2015;
2 the income statement for 2015; and
3 the notes comprising a summary of the significant accounting policies and other explanatory information.

### Basis for our opinion

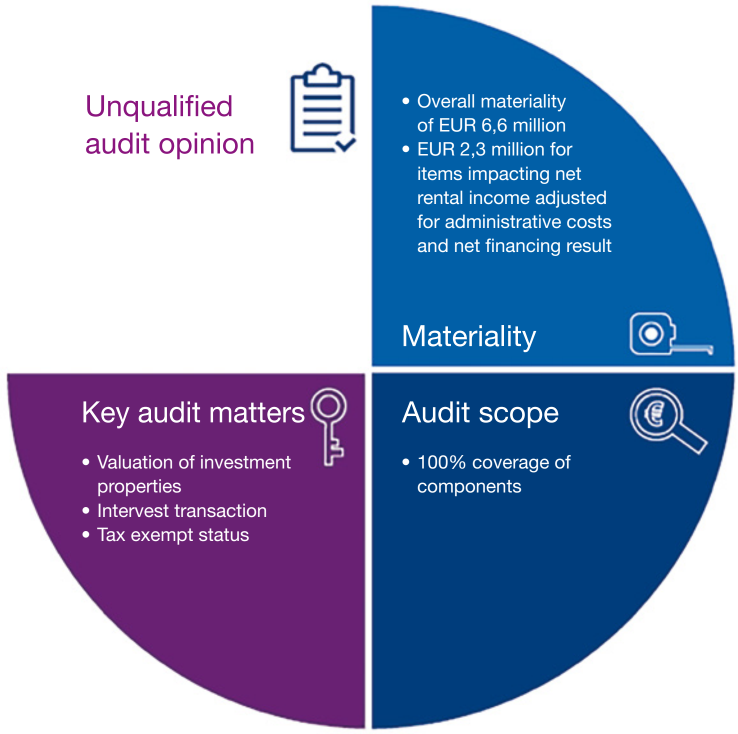
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the ‘Our responsibilities for the audit of the financial statements’ section of our report.

We are independent of NSI N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Audit approach

*Summary*




*Materiality*
Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 6,600,000 (2014: EUR 7,800,000). The materiality is determined with reference to Total Shareholders' Equity (1%). For items impacting net rental income adjusted for administrative expenses and net financing result we determined materiality at EUR 2,300,000 (4% of rental income adjusted for administrative expenses and net financing result).

We consider Total Shareholders' Equity and rental income adjusted for administrative expenses and net financing result as the most appropriate benchmark as these fit best with the nature of NSI N.V.'s operations and the relevance of these benchmarks for the users of the financial statements.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of EUR 330,000 for the financial statements as a whole and EUR 115,000 for items impacting net rental income adjusted for administrative expenses and net financing result, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

*Scope of the group audit*
NSI N.V. is head of a group of entities. The group has activities in The Netherlands and Belgium. The financial information of this group is included in the financial statements of NSI N.V..

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and / or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit is focused on the components that are individually significant for the group. We have performed all audit procedures, except for the audit procedures at the associate Intervest Offices & Warehouses N.V. ('Intervest'). Another auditor has performed the audit procedures at Intervest. We have sent audit instruction to the other auditor. In these instructions we shared the significant risks that are relevant for our audit. The results of the work of the other auditor have been reported directly to us. We have discussed the audit approach and audit findings with the other auditor. In addition, we have performed an analytical review on the audited figures of Intervest. De audited figures for Intervest have been used to substantiate the valuation of the investment in Intervest and the share in the result of Intervest. The audit findings have been discussed with the Board of Management.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements. By performing the audit procedures we achieved a 100% coverage of all group companies.

*Our key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation of investment properties

*Description*

Investment properties are 88.1% of total assets of NSI N.V. per 31 December 2015. Investment properties are valued at fair value; therefore the Management Board has to make estimates and use assumptions to determine those fair values. The fair value is, as explained in note 11 to the 2015 financial statements, based on appraisal reports by independent and external valuators and internal valuations prepared by the Management Board. For the valuations estimates are made of the expected future cash flows and the risks.

Because the valuation of investment property is complex and highly dependent on estimates and assumptions (such as market rent levels, expected vacancy, interest rates and expected maintenance) we consider the valuation of investment properties as a key audit matter in our audit.

*Our response*

We have evaluated the objectivity, independence and expertise of the external appraisal firms. We have evaluated the appropriateness of the information and assumptions used in the valuations. This includes the estimates by the external appraisal firms (such as market rent levels, expected vacancy, interest rates and expected maintenance).

We analysed the results of the valuation process and the abovementioned factors that determine the valuations were discussed with the Management Board and the appraisal firms. In addition we used the expertise of our own internal property valuation experts. These specialists have supported us with our assessment of the assumptions, methods and developments in the valuations.

*Our observation*

Overall we are of the opinion that the methods and assumptions result in a balanced outcome. The disclosures as included in note 11 to the NSI N.V. financial statements 2015 comply with the IFRS requirements.

| Intervest transaction |
|---|
| *Description*<br>On 18 June 2015 NSI N.V. sold part of its investment in Intervest Offices & Warehouses N.V. (Intervest). As a result of this transaction the equity interest decreased from 50.2% to 15.2%. As of 18 June 2015 NSI N.V. no longer has a controlling interest in Intervest and stopped consolidating Intervest in the 2015 consolidated financial statements of NSI N.V. Until 18 June 2015 the results of Intervest are included in the consolidated statement of comprehensive income. Because 18 June 2015 is not a formal reporting date, NSI N.V. used the possibility under IFRS 3 to use, a date sufficiently close to the actual transaction date. Therefore NSI N.V. used 30 June 2015 as the date for the transaction. The transaction is explained in detail in paragraph 12 of the notes to the 2015 financial statements of NSI N.V.<br>Because this is a non-routine transaction and the accounting treatment is complex we consider this a key audit matter for our audit. |
| *Our response*<br>We have analysed the transaction and the loss of control and we discussed this with the Management Board of NSI N.V. To assess whether the accounting treatment complies with the requirements we inspected relevant underlying documents, including the contracts. For the correct treatment of the results of Intervest as included in the consolidated statement of comprehensive income we have made use of the 30 June 2015 figures of Intervest. Additionally we have determined whether the disclosures in the 2015 financial statements of NSI N.V. comply with the IFRS requirements. |
| *Our observation*<br>We concur with the assessment of loss of control and with the resulting accounting treatment. The disclosures in relation to the valuation of the associate and the disclosures about the transaction in note 12 of the 2015 financial statements of NSI N.V. comply with the IFRS requirements. |

| Tax exempt status (FBI-status) |
|---|
| *Description*<br>NSI N.V. has a tax exempt status as per article 28 of the Corporate Income Tax law, 1969. When the conditions are met, NSI N.V. is exempt from corporate income tax. Specific activities such as (re)developments or operational activities in relation to 'Het Nieuwe Kantoor (HNK)', could have an impact on the tax status.<br>From a financial statements perspective and for the users of these financial statements, compliance to the strict rules is essential to maintain the tax exempt status. The tax exempt status is important to our audit as non-compliance with applicable tax laws and regulations could have a material negative impact on the financial position of the group. |
| *Our response*<br>We have analysed the requirements per article 28 of the Corporate Income Tax law, 1969 and we evaluated whether NSI N.V. meets these requirements. We discussed the requirements with the Management Board and the legal officer of NSI N.V. We took into consideration the financing structure, dividend policy and operational activities of NSI N.V. We used the expertise of our own tax specialists. In addition, we inspected correspondence, including the ruling, with the tax authorities, to assess if NSI N.V. meets the requirements for the tax exempt status. |
| *Our observation*<br>We concur with management's position on the tax exempt status as included in the financial statements (see also note 9). |

## Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the Report of the Management Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Board Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

## Our responsibilities for the audit of financial statements

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud. For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/standardtexts-auditorsreport

## **Report on other legal and regulatory requirements**

## Report on the Report of the Management Board and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Report of the Management Board and other information):
- We have no deficiencies to report as a result of our examination whether the Report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Report of the Management Board Report, to the extent we can assess, is consistent with the financial statements.

## Engagement

We were engaged by the General Meeting as auditor of NSI N.V. on 26 March 2009, as of the audit for year 2009 and have operated as statutory auditor since then. Every year our appointment is reconfirmed, for 2015 in our engagement letter dated 6 November 2015.

*Amstelveen, 15 March 2016*

KPMG Accountants N.V.

H.D. Grönloh RA

# Advisors

## Tax

Loyens & Loeff NV
Frederik Roeskestraat 100
1076 ED Amsterdam

## Appraisers

The following independent external appraisers are used for the valuation of the investments:
- CB Richard Ellis, Amsterdam
- Cushman & Wakefield, Amsterdam and Brussels
- Fakton, Rotterdam
- Jones Lang LaSalle, Amsterdam
- Troostwijk, Amsterdam

## Paying agent

ABN AMRO Bank NV
Gustav Mahlerlaan 10
1082 PP Amsterdam

## Liquidity provider

Kempen & Co NV
Beethovenstraat 300
1077 WZ Amsterdam

The shares listed on NYSE Euronext Centrum voor Fondsenadministratie BV under code 2923
ISIN-code: NL0000292324

## Financial information leaflet

A financial information leaflet with information on the product (NSI shares) and its associated costs and risks is available from the company on request.

# List of real estate investments on 1 January 2016

(amounts x €1,000)

| Location | Name | Streetname | Year of construction or renovation | Year of sale | Number of leases | m² | Parking spaces | Occupancy rate (%) | Annual rent |
|---|---|---|---|---|---|---|---|---|---|
| **The Netherlands** | | | | | | | | | |
| **Offices** | | | | | | | | | |
| Amersfoort | Hoefse Wing | Printerweg | 1991 | 1999 | 12 | 9,134 | 141 | 79 | 897 |
| | Orion | Spaceshuttle | 2003 | 2006 | 4 | 3,661 | 87 | 86 | 480 |
| | | Stationsplein | 1980 | 1998 | 1 | 958 | 6 | 100 | 160 |
| Amsterdam | Gebouw Westhaghe | Anthony Fokkerstraat | 1990 | 1997 | 13 | 5,342 | 59 | 78 | 791 |
| | Solaris Eclips | Arlandaweg** | 2001 | 2001 | 2 | 4,257 | 36 | 95 | 459 |
| | Vivaldi I | Barbara Strozzilaan** | 2009 | 2015 | 1 | 9,592 | 124 | 100 | 2,441 |
| | Vivaldi II | Barbara Strozzilaan** | 2009 | 2015 | 1 | 8,687 | 114 | 100 | 2,685 |
| | | Burg.Stramanweg | 1989 | 1997 | 29 | 11,151 | 224 | 58 | 1,730 |
| | | Cruquiusweg | 2006 | 2007 | 7 | 3,276 | 32 | 99 | 543 |
| | | Donauweg ** | 2001 | 2001 | 2 | 4,606 | 119 | 67 | 479 |
| | | Hettenheuvelweg ** | 1988 | 1997 | 3 | 2,530 | 79 | 94 | 390 |
| | | Hettenheuvelweg** | 1987 | 1997 | 3 | 2,485 | 66 | 47 | 356 |
| | | Hogehilweg** | 1985 | 1997 | 1 | 3,128 | 62 | 100 | 642 |
| | Centerpoint I | Hoogoorddreef** | 2007 | 2015 | 6 | 9,011 | 190 | 99 | 1,935 |
| | Centerpoint II | Hoogoorddreef** | 2009 | 2015 | 1 | 6,290 | 98 | 100 | 1,269 |
| | | Koningin Wilhelminaplein** | 1995 | 1997 | 1 | 5,019 | 25 | 100 | 336 |
| | | Osdorperban** | 1990 | 1997 | 12 | 3,462 | 104 | 57 | 455 |
| | | Strekkerweg** | 1990 | 1998 | 1 | 1,255 | 34 | 0 | 0 |
| | HNK | Van Diemenstraat** | 1912 | 1999 | 46 | 10,664 | 5 | 94 | 1,594 |
| Apeldoorn | HNK | Boogschutterstraat | 2003 | 2002 | 33 | 14,115 | 342 | 55 | 1,894 |
| | Le Beaufort | De Linie | 2003 | 2003 | 6 | 3,320 | 59 | 44 | 393 |
| Arnhem | L'Aimant | Delta 1 | 2002 | 2002 | 3 | 5,722 | 102 | 90 | 718 |
| | | Mr. E.N. van Kleffensstraat | 1997 | 1997 | 1 | 2,873 | 75 | 100 | 302 |
| Assen | | Balkendwarsweg | 2001 | 2005 | 2 | 2,116 | 116 | 99 | 289 |
| | Spectrium | Industrieweg | 1999 | 1999 | 2 | 4,515 | 79 | 6 | 336 |

*Continuation offices*

| Location | Name | Streetname | Year of construction or renovation | Year of sale | Number of leases | m² | Parking spaces | Occunpancy rate (%) | Annual rent |
|---|---|---|---|---|---|---|---|---|---|
| Breda | | Cosunpark | 1975 | 2000 | 3 | 5,033 | 88 | 6 | 454 |
| | | Cosunpark | 2002 | 2002 | 4 | 2,244 | 48 | 100 | 275 |
| | Gebouw Londen | Lage Mosten | 2000 | 2000 | 6 | 3,187 | 76 | 93 | 419 |
| | Gebouw Frankfurt | Lage Mosten | 2000 | 2000 | 2 | 3,830 | 75 | 100 | 604 |
| Capelle a/d IJssel | | Rivium Boulevard Rivium Westlaan | 1992 | 1997 | 2 | 4,820 | 90 | 100 | 410 |
| Delft | Delftechpark | Delftechpark | 2001 | 2002 | 2 | 2,819 | 65 | 100 | 487 |
| De Meern | Rijnzathe | Rijnzathe | 1991 | 2000 | 5 | 4,566 | 112 | 82 | 486 |
| Den Bosch | HNK | Europalaan | 1990 | 1997 | 15 | 7,839 | 190 | 53 | 1,104 |
| | Het Binnenhof | Magistratenlaan | 2004 | 2015 | 6 | 10,440 | 116 | 91 | 1,656 |
| | | Pettelaarpark | 1990 | 2001 | 2 | 2,456 | 80 | 100 | 429 |
| Den Haag | | Bezuidenhoutseweg | 1986 | 1996 | 1 | 1,895 | 15 | 100 | 229 |
| | | Koninginnegracht | 1900 | 2008 | 1 | 2,464 | 18 | 1 | 373 |
| | | Neuhuyskade | 1928 | 2008 | 2 | 2,555 | 35 | 100 | 532 |
| | HNK | Oude Middenweg | 2002 | 2008 | 34 | 13,894 | 363 | 35 | 2,129 |
| | | Parkstraat | 1920 | 2007 | 1 | 2,954 | 41 | 29 | 470 |
| | De Rode Olifant | Zuid-Hollandlaan | 1924 | 2007 | 1 | 10,113 | 69 | 100 | 1,716 |
| Deventer | Hanze Staede D | Zutphenseweg | 2004 | 2003 | 1 | 3,427 | 93 | 100 | 351 |
| Doetinchem | | Terborgseweg | 1999 | 1999 | 2 | 2,281 | 54 | 77 | 274 |
| Dordrecht | | Burg. De Raadtsingel | 2004 | 2008 | 1 | 5,705 | 45 | 26 | 767 |
| Ede | HNK | Bennekomseweg | 2002 | 2007 | 20 | 9,628 | 226 | 68 | 1,489 |
| | De Vallei | Copernicuslaan | 2004 | 2004 | 6 | 4,726 | 117 | 53 | 542 |
| | Pallazo Cathedrale, Pallazo Alfa | Horapark | 2003 | 1998 | 12 | 14,010 | 293 | 59 | 1,628 |
| Elst | | Aamsestraat | 1997 | 2000 | 1 | 1,587 | 42 | 100 | 170 |
| Emmen | | Boermarkeweg | 2000 | 2005 | 1 | 1,999 | 48 | 38 | 248 |

*Continuation offices*

| Location | Name | Streetname | Year of construction or renovation | Year of sale | Number of leases | m² | Parking spaces | Occupancy rate (%) | Annual rent |
|---|---|---|---|---|---|---|---|---|---|
| Eindhoven | | Beukenlaan | 1988 | 2008 | 1 | 7,306 | 122 | 1 | 965 |
| | | Hooghuisstraat/ Keizersgracht | 1970 | 2008 | 9 | 10,977 | 256 | 78 | 1,715 |
| | | Fellenoord | 1987 | 1996 | 3 | 4,113 | 75 | 47 | 551 |
| | | Larixplein | 1997 | 1997 | 4 | 3,846 | 97 | 100 | 574 |
| Enschede | | Hoedemakerplein | 1991 | 1991 | 4 | 2,150 | 8 | 79 | 281 |
| Goes | | Stationsplein | 1992 | 1998 | 1 | 5,282 | 91 | 1 | 557 |
| Gouda | Molenwieck | Groningerweg | 1985 | 2001 | 1 | 6,072 | 104 | 8 | 578 |
| | Hanzepoort | Hanzeweg Kampenringweg | 1991 | 1997 | 3 | 3,722 | 101 | 25 | 357 |
| | | Hanzeweg Stavorenweg | 1986 | 2000 | 10 | 5,187 | 78 | 44 | 361 |
| Groningen | HNK | Zernikepark | 2003 | 2002 | 30 | 2,563 | 68 | 73 | 393 |
| | TTR Gebouw | Zernikelaan | 2002 | 2002 | 3 | 1,043 | 0 | 56 | 113 |
| Haarlem | | Leidsevaart | 2010 | 1997 | 1 | 3,430 | 35 | 100 | 501 |
| Heemstede | Berkenhof | Herenweg | 1989 | 1989 | 5 | 1,039 | 20 | 76 | 127 |
| Heerlen | | Geerstraat | 1992 | 1994 | 3 | 3,049 | 46 | 100 | 446 |
| | | Geleenstraat | 1973 | 2001 | 4 | 10,072 | 32 | 100 | 1,049 |
| Hengelo | De Baron | Demmersweg | 2007 | 2007 | 0 | 3,169 | 61 | 0 | 386 |
| Hoevelaken | | De Wel | 2002 | 2006 | 4 | 8,534 | 156 | 100 | 1,306 |
| Hoofddorp | City House II | Antareslaan | 1998 | 1998 | 2 | 3,414 | 93 | 12 | 471 |
| | HNK | Antareslaan | 1998 | 1998 | 9 | 3,414 | 63 | 78 | 611 |
| | | Kruisweg | 1998 | 1998 | 1 | 995 | 36 | 100 | 145 |
| | | Kruisweg | 2000 | 2000 | 1 | 1,621 | 31 | 77 | 181 |
| | Beukenhaghe | Neptunusstraat | 1991 | 1991 | 11 | 4,758 | 169 | 79 | 685 |
| | | Wegalaan | 1997 | 2006 | 1 | 2,972 | 62 | 67 | 408 |
| Hoogeveen | | Dr. G.H. Amshoffweg | 2000 | 2005 | 2 | 2,561 | 0 | 55 | 317 |
| Houten | | De Molen | 1999 | 2000 | 1 | 1,045 | 10 | 100 | 130 |
| | | De Molen | 1992 | 1992 | 2 | 2,259 | 54 | 100 | 304 |
| | | Kokermolen | 1991 | 1997 | 0 | 2,477 | 74 | 0 | 251 |

*Continuation offices*

| Location | Name | Streetname | Year of construction or renovation | Year of sale | Number of leases | m² | Parking spaces | Occunpancy rate (%) | Annual rent |
|---|---|---|---|---|---|---|---|---|---|
| Leiden | Archimedes | Archimedesweg | 2001 | 2001 | 3 | 2,504 | 50 | 100 | 485 |
| | | Haagse Schouwweg | 1989 | 2008 | 4 | 4,244 | 80 | 47 | 621 |
| | | Newtonweg | 1992 | 2015 | 1 | 9,421 | 198 | 100 | 1,596 |
| | Stationade II | Schipholweg | 1991 | 1998 | 4 | 2,294 | 42 | 100 | 413 |
| Lelystad | Veerstaete | Meentweg | 1979 | 1997 | 3 | 1,137 | 0 | 55 | 108 |
| Leusden | | Plesmanstraat | 1997 | 1999 | 2 | 1,350 | 23 | 73 | 173 |
| Maarssen | High Flex Center | Industrieweg | 1989 | 1999 | 3 | 3,284 | 18 | 29 | 242 |
| Meppel | | Blankenstein | 2001 | 2005 | 1 | 6,500 | 100 | 100 | 1,365 |
| Naarden | De Aalscholver | Gooimeer | 1991 | 1996 | 14 | 4,481 | 103 | 67 | 466 |
| Nieuwegein | | Krijtwal | 1990 | 1990 | 2 | 3,960 | 15 | 100 | 408 |
| | La Residence | Weverstede | 2002 | 2002 | 9 | 6,392 | 43 | 44 | 744 |
| Nieuwerkerk a/d IJssel | De Saffier | Kleinpolderlaan | 1997 | 1998 | 2 | 3,531 | 63 | 100 | 515 |
| Ridderkerk | | Nikkelstraat | 1999 | 2000 | 1 | 2,650 | 45 | 100 | 291 |
| Rotterdam | | Albert Plesmanweg ** | 2003 | 1997 | 0 | 2,045 | 63 | 0 | 192 |
| | | Folkert Elsingastraat | 1991 | 1999 | 7 | 1,942 | 14 | 67 | 216 |
| | | Haringvliet | 1999 | 2009 | 1 | 3,440 | 20 | 82 | 508 |
| | Hoofdveste | Hoofdweg ** | 1994 | 1996 | 2 | 2,428 | 47 | 99 | 355 |
| | Port Alexander | Hoofdweg ** | 1994 | 2000 | 3 | 1,981 | 36 | 62 | 269 |
| | Park Office | K.P. van der Mandelelaan ** | 1989 | 2006 | 2 | 7,367 | 162 | 99 | 1,228 |
| | Alexanderpoort | Marten Meesweg | 2010 | 2015 | 11 | 9,409 | 221 | 88 | 1,718 |
| | Alexanderhof | Marten Meesweg | 1987 | 2015 | 5 | 3,120 | 61 | 94 | 540 |
| | | Max Euwelaan ** | 2000 | 2000 | 1 | 2,652 | 62 | 100 | 583 |
| | | Max Euwelaan ** | 1988 | 2006 | 4 | 2,243 | 70 | 100 | 408 |
| | | Vareseweg ** | 2001 | 2001 | 2 | 6,306 | 148 | 45 | 773 |
| | HNK | Vaste Land | 1975 | 2008 | 99 | 25,492 | 135 | 52 | 3,381 |
| | | Veerhaven | 2002 | 1996 | 1 | 1,627 | 9 | 100 | 319 |
| | | Veerkade | 1915 | 2000 | 25 | 5,634 | 85 | 82 | 1,171 |
| | | Westblaak** | 1991 | 2001 | 10 | 8,460 | 110 | 46 | 1,292 |
| Schiedam | | Nieuwpoortweg ** | 1991 | 2000 | 1 | 2,715 | 48 | 78 | 337 |

*Continuation offices*

| Location | Name | Streetname | Year of construction or renovation | Year of sale | Number of leases | m² | Parking spaces | Occupancy rate (%) | Annual rent |
|---|---|---|---|---|---|---|---|---|---|
| Son | | Ekkersrijt | 2000 | 2008 | 3 | 4,368 | 105 | 4 | 463 |
| | | Science Park | 1990 | 1997 | 1 | 2,110 | 101 | 100 | 353 |
| Tilburg | | Dr. Hub van Doorneweg | 2001 | 1997 | 12 | 2,655 | 88 | 28 | 348 |
| Utrecht | HNK | Arthur van Schendelstraat ** | 1995 | 2006 | 21 | 9,549 | 82 | 51 | 1,843 |
| | | Kanaalweg | 1993 | 1998 | 1 | 770 | 39 | 100 | 97 |
| | HNK | Weg der Verenigde Naties ** | 1991 | 2007 | 29 | 3,057 | 68 | 95 | 690 |
| Venlo | Paviljoengebouw | Prinsessingel | 1994 | 1998 | 2 | 1,480 | 0 | 56 | 148 |
| | Kopgebouw | Prinsessingel | 1994 | 1998 | 1 | 2,167 | 0 | 100 | 213 |
| Vianen | Le Marronnier | Lange Dreef | 2004 | 2003 | 1 | 2,355 | 60 | 100 | 399 |
| Vlaardingen | | Churchillsingel ** | 1991 | 1999 | 10 | 2,174 | 0 | 72 | 324 |
| Woerden | | Korenmolenlaan | 1993 | 1993 | 1 | 3,291 | 98 | 100 | 518 |
| | | Pelmolenlaan | 1992 | 1998 | 4 | 2,258 | 56 | 32 | 237 |
| | | Pelmolenlaan | 1995 | 1997 | 4 | 2,276 | 52 | 58 | 244 |
| Zoetermeer | | Eleanor Rooseveltlaan | 1992 | 1997 | 2 | 3,845 | 70 | 52 | 420 |
| | | Eleanor Rooseveltlaan | 1991 | 1997 | 1 | 3,845 | 75 | 100 | 611 |
| | Il Classico | Europaweg | 1991 | 1997 | 1 | 2,945 | 20 | 11 | 333 |
| | | Europaweg | 1991 | 1997 | 1 | 7,172 | 117 | 100 | 1,089 |
| | | Koraalrood | 2002 | 1998 | 1 | 2,438 | 66 | 100 | 317 |
| Zutphen | Vijverstaete | Piet Heinstraat | 1997 | 1997 | 2 | 2,953 | 76 | 67 | 413 |
| Zwaagdijk-Oost | Agri-gebouw | Graanmarkt | 1993 | 1993 | 10 | 2,236 | 57 | 30 | 194 |
| Zwolle | Leickert | Dr. Klinkertweg | 2001 | 2001 | 3 | 3,334 | 80 | 45 | 363 |
| | Monet | Dr. Spanjaardweg | 1998 | 1998 | 2 | 2,304 | 45 | 32 | 262 |
| | Frans Hals | Dr. Van Deenweg | 1995 | 2001 | 3 | 2,262 | 74 | 41 | 266 |
| | Le Verseau | Dr. Van Deenweg | 2004 | 2004 | 13 | 7,256 | 218 | 86 | 1,134 |
| **Total offices** | | | | | **792** | **586,420** | **10,437** | **74** | **84,575** |

| Location | Name | Streetname | Year of construction or renovation | Year of sale | Number of leases | m² | Parking spaces | Occunpancy rate (%) | Annual rent |
|---|---|---|---|---|---|---|---|---|---|
| **Industrial** | | | | | | | | | |
| Almere | | Antenneweg | 1990 | 1995 | 12 | 4,894 | 0 | 96 | 334 |
| | | Palmpolstraat | 2007 | 2007 | 2 | 1,412 | 25 | 100 | 212 |
| Amersfoort | | Beeldschermweg | 1991 | 1998 | 1 | 1,843 | 30 | 100 | 150 |
| Barendrecht | | Zuideinde | 1986 | 1995 | 0 | 1,439 | 16 | 0 | 83 |
| Breda | | Zinkstraat | 1999 | 1992 | 2 | 4,007 | 34 | 32 | 290 |
| Capelle a/d IJssel | | Hoofdweg | 1990 | 1991 | 2 | 4,186 | 62 | 100 | 385 |
| Dedemsvaart | | Marconistraat | 2000 | 2006 | 1 | 6,108 | 22 | 62 | 280 |
| Den Bosch | | Ertveldweg | 1997 | 2000 | 1 | 6,063 | 85 | 9 | 300 |
| | | Ertveldweg | 1997 | 2000 | 0 | 2,180 | 85 | 0 | 262 |
| | | Ertveldweg | 2002 | 2000 | 0 | 2,215 | 0 | 0 | 219 |
| Deventer | | Deventerweg | 2004 | 1997 | 9 | 6,009 | 0 | 84 | 329 |
| | | Roermondstraat | | | | | | | |
| Diemen | | Stammerhove | 1987 | 1997 | 1 | 7,489 | 66 | 100 | 578 |
| | | Stammerkamp | | | | | | | |
| Duiven | TSC Duiven | Impact | 1999 | 1999 | 7 | 8,360 | 84 | 67 | 672 |
| Eersel | | Meerheide | 1998 | 2005 | 6 | 26,242 | 106 | 100 | 1,553 |
| Gorinchem | | Techniekweg | 1982 | 1999 | 0 | 2,143 | 40 | 0 | 150 |
| Hoofddorp | | Kruisweg | 2004 | 1989 | 2 | 1,690 | 22 | 100 | 138 |
| Moordrecht | | Westbaan | 2009 | 2009 | 2 | 4,873 | 95 | 100 | 599 |
| Nieuwegein | | Groningenhaven | 1993 | 1998 | 2 | 5,276 | 59 | 100 | 351 |
| | | Marconibaan | 1990 | 1998 | 11 | 4,776 | 0 | 68 | 313 |
| | | Ravenswade | 1979 | 1988 | 1 | 1,748 | 0 | 100 | 69 |

*Continuation Industrail*

| Location | Name | Streetname | Year of construction or renovation | Year of sale | Number of leases | m² | Parking spaces | Occunpancy rate (%) | Annual rent |
|---|---|---|---|---|---|---|---|---|---|
| Weesp | | Pampuslaan | 1970 | 1997 | 2 | 2,400 | 0 | 54 | 105 |
| Wormerveer | Premium Point | Vrijheidsweg | 2001 | 2004 | 3 | 2,500 | 47 | 55 | 175 |
| Zeewolde | | Edisonweg | 2005 | 2005 | 1 | 8,640 | 65 | 100 | 367 |
| **Total industrials** | | | | | **68** | **116,493** | **943** | **77** | **7,914** |

| Location | Name | Streetname | Year of construction or renovation | Year of sale | Number of leases | m² | Parking spaces | Occunpancy rate (%) | Annual rent |
|---|---|---|---|---|---|---|---|---|---|
| **Large-scale retail** | | | | | | | | | |
| Alphen a/d Rijn | Novicenter | Euromarkt | 1993 | 1997 | 11 | 10,000 | | 100 | 1,150 |
| Apeldoorn | Het Rietveld | Het Rietveld | 2005 | 1994 | 11 | 23,553 | | 89 | 1,529 |
| Leiderdorp | | Meubelplein | 2002 | 2005 | 4 | 6,229 | | 33 | 372 |
| Middelburg | Mortiere | Torenweg | 2006 | 1905 | 12 | 20,363 | | 100 | 1,703 |
| Roosendaal | Oostplein | Oostplein | 1993 | 1996 | 7 | 10,250 | | 74 | 847 |
| Veenendaal | | Einsteinstraat | 2005 | 2007 | 3 | 19,651 | | 100 | 1,026 |
| **Total large-scale retail** | | | | | **48** | **90,046** | | **90** | **6,627** |

| Location | Name | Streetname | Year of construction or renovation | Year of sale | Number of leases | m² | Parking spaces | Occunpancy rate (%) | Annual rent |
|---|---|---|---|---|---|---|---|---|---|
| **Retail** | | | | | | | | | |
| Almelo | Hagenborgh | Hagenborgh | 1990 | 2000 | 8 | 9,230 | | 49 | 849 |
| Amsterdam | Ganzenpoort | Annie Romeinplein* | 2002 | 2004 | 32 | 5,701 | | 96 | 1,223 |
| | | Bijlmerdreef* | | | | | | | |
| | | Harriet Freezerstraat* | | | | | | | |
| Apeldoorn | | Brinklaan | 1991 | 1999 | 2 | 1,033 | | 100 | 104 |
| Beverwijk | | Breestraat | 1985 | 2002 | 7 | 2,054 | | 85 | 399 |
| | | Meerstraat | | | | | | | |
| | | Raadhuisstraat | | | | | | | |
| Capelle a/d IJssel | Oostgaarde | Schermerhoek | 1999 | 1995 | 0 | 1,125 | | 0 | 128 |
| Den Haag | Houtwijk | Hildo Kroplaan | 1985 | 1994 | 7 | 2,488 | | 91 | 484 |
| | Hof ter Haghe | Kerkplein | 1998 | 1998 | 11 | 4,029 | | 96 | 750 |
| | | Nobelstraat | | | | | | | |
| | | Torenstraat | | | | | | | |
| Deventer | Keizerslanden | Karel de Groteplein | 1965 | 1996 | 20 | 6,973 | | 92 | 1,431 |
| | Hardonk | T,G, Gibsonstraat | 1990 | 2000 | 1 | 3,695 | | 2 | 434 |
| Harderwijk | De Bleek | De Bleek | 2002 | 2007 | 6 | 2,345 | | 100 | 348 |
| | | Luttekepoortstraat | | | | | | | |
| Heerlen | | Geleenstaat | 2000 | 2001 | 0 | 1,847 | | 0 | 92 |
| | t Loon | Apollolaan | 2003 | 2002 | 24 | 22,583 | | 71 | 2,331 |
| | | Homeruspassage | | | | | | | |
| | | Homerusplein | | | | | | | |
| Laren | Hamdorff | De Brink | 1998 | 2002 | 23 | 1,979 | | 97 | 651 |
| | | Nieuweweg | | | | | | | |
| | | Zomertuin | | | | | | | |
| Maastricht | De Heeg | Roserije | 1984 | 1999 | 15 | 3,536 | | 98 | 557 |
| Oldenzaal | De Driehoek | De Driehoek | 1999 | 2005 | 32 | 12,176 | | 91 | 2,956 |
| | | Nagelstraat | | | | | | | |
| | | Markt | | | | | | | |

*Continuation retail*

| Location | Name | Streetname | Year of construction or renovation | Year of sale | Number of leases | m² | Parking spaces | Occunpancy rate (%) | Annual rent |
|---|---|---|---|---|---|---|---|---|---|
| Oss | De Wal | De Wal<br>Walstraat | 1996 | 1997 | 4 | 1,653 | | 57 | 241 |
| Raalte | De Wal en Het Schip | De Waag<br>Grote Markt<br>Marktstraat | 2003 | 2002 | 7 | 2,778 | | 89 | 423 |
| Ridderkerk | Jorishof | Sint Jorisplein | 1992 | 2001 | 23 | 7,871 | | 89 | 1,915 |
| Rijswijk | In de Boogaard | Pr. J.F. Promenade<br>Pr. W.A. Promenade<br>Steenvoordelaan | 1994 | 2010 | 28 | 10,543 | | 68 | 2,607 |
| Rotterdam | Beverwaard | Fleringenstraat*<br>Loevesteinsingel*<br>Oude Watering*<br>Rhijnauwensingel* | 2006 | 2006 | 17 | 6,810 | | 60 | 1,124 |
| | Boulevard-Zuid | Beijerlandselaan | 1998 | 2005 | 9 | 4,379 | | 100 | 795 |
| | | Kreeftstraat**<br>Voermanweg** | 1983 | 2000 | 11 | 1,810 | | 100 | 347 |
| | | Mariniersweg ** | 1985 | 1998 | 5 | 825 | | 46 | 132 |
| | Het Lage Land | Samuel Esmeyerplein | 1969 | 1994 | 15 | 2,745 | | 91 | 525 |
| | Zevenkamp | Ambachtsplein**<br>Griendwerkerstraat**<br>Imkerstraat **<br>Spinet**<br>Rietdekkerweg**<br>Zevenkampsering** | 1983 | 2002 | 37 | 10,093 | | 91 | 1,531 |
| | Zuidplein | Zuidplein** | 2001 | 2001 | 63 | 8,275 | | 93 | 2,041 |
| | Zuidplein | Zuidplein Hoog** | 1992 | 2011 | 2 | 2,290 | | 100 | 487 |
| | Zuidplein | Zuidplein Hoog** | 2003 | 2011 | 1 | 180 | | 100 | 72 |
| | Zuiderterras | Zuiderterras | 1995 | 2011 | 8 | 10,879 | | 95 | 1,987 |

*Continuation retail*

| Location | Name | Streetname | Year of construction or renovation | Year of sale | Number of leases | m² | Parking spaces | Occupancy rate (%) | Annual rent |
|---|---|---|---|---|---|---|---|---|---|
| Schiedam | Nieuwland | Mgr. Nolenslaan* | 1962 | 1998 | 22 | 5,637 | | 99 | 700 |
| Spijkenisse | t Plateau | t Plateau | 1995 | 2001 | 22 | 5,483 | | 84 | 778 |
| Ulft | De Issel | Kerkstraat | 1995 | 2000 | 14 | 4,852 | | 96 | 670 |
| | | Middelgraaf | | | | | | | |
| | | Amsterdamse- | | | | | | | |
| Utrecht | De Plantage | straatweg | 1995 | 2000 | 20 | 6,527 | | 89 | 924 |
| | | Minosastraat | | | | | | | |
| | | Ondiep Zuidzijde | | | | | | | |
| | | Plantage | | | | | | | |
| | Vasco da Gama | Columbuslaan | 2009 | 1998 | 11 | 3,294 | | 100 | 495 |
| | | Marco Pololaan | | | | | | | |
| | | Vasco da Gamalaan | | | | | | | |
| Zutphen | De Leesten | Rudolf Steinerlaan | 2007 | 2006 | 8 | 3,205 | | 82 | 548 |
| **Total retail** | | | | | **515** | **180,923** | | **84** | **31,079** |
| **Total the Netherlands** | | | | | | **973,882** | | **77** | **130,195** |

| **Land position** | | |
|---|---|---|
| The Netherlands | Breda | Cosunpark |

* The shops are part of a shopping centre, The shops are 100% owned.
** Leasehold, not owned in perpetuity.

All properties are located on own ground, unless mentioned otherwise.

The annual rent and square metres are based upon ownership of NSI.

The annual rent (turnover of dated rents excluded) reflects the contractual rent effective on 1 January 2016, for vacant space the actual market rent is added.

The occupancy rate is calculated based on financial occupancy and reflects the rental situation per 1 January 2016.

## Colophon

This annual report is a publication by NSI.

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