ANNUAL REPORT 2019

CONTENT
ANNUAL REPORT

* Pursuant to Part 9 of Book 2 of the Dutch Civil Code

NSI HIGHLIGHTS

KEY FINANCIAL METRICS

REVENUES AND EARNINGS

	2019	2018	Change
Gross rental income	82,831	83,721	-1.1%[1]
Net rental income	67,227	69,228	-2.9%[1]
Direct investment result	49,439	48,745	1.4%
Indirect investment result	146,858	42,780	243.3%
Total investment result	196,297	91,525	114.5%
Earnings per share	10.47	4.95	111.3%
EPRA earnings per share	2.64	2.64	-0.1%
Dividend per share	2.16	2.16	0.0%
EPRA cost ratio (incl. direct vacancy costs)	28.4%	26.5%	1.9 pp
EPRA cost ratio (excl. direct vacancy costs)	26.3%	25.0%	1.3 pp

BALANCE SHEET

	31 December 2019	31 December 2018	Change
Investment property	1,263,089	1,202,691	5.0%
Assets held for sale	15,903	3,940	303.6%
Net debt	-352,632	-447,909	-21.3%
Equity	903,308	733,283	23.2%
IFRS equity per share	47.75	39.48	21.0%
EPRA NAV per share	47.97	39.75	20.7%
EPRA NNNAV per share	47.40	39.20	20.9%
Net LTV	27.4%	36.9%	-9.5 pp
Number of ordinary shares outstanding	18,917,764	18,574,298	1.8%
Weighted average number of ordinary shares outstanding	18,751,178	18,473,101	1.5%

KEY PORTFOLIO METRICS

	31 December 2019					
	Offices	HNK	Other	TOTAL	31 December 2018	Change
Number of properties	48	14	3[2]	65	95	-31.6%
Market value (€m)[3]	964	262	61	1,287	1,214	6.0%
Annual contracted rent (€m)[4]	56	20	6	81	87	-6.4%
ERV (€m)[5]	63	23	6	92	102	-9.6%
Lettable area (sqm k)	317	127	47	491	603	-18.5%
Average rent / sqm	191	190	155	188	179	5.1%
EPRA vacancy[6]	4.0%	14.5%	10.1%	7.1%	13.8%	-6.8 pp
EPRA net initial yield	4.5%	4.6%	6.3%	4.6%	5.2%	-0.6 pp
Reversionary yield	6.7%	8.8%	9.8%	7.3%	8.5%	-1.2 pp
Wault (years)	4.5	3.1	5.8	4.2	4.4	-3.2%

1 On a like-for-like basis GRI growth is 7.8% and NRI growth is 5.2%.
2 At the end of 2019 four retail assets, all part of the Zuidplein shopping centre in Rotterdam, were consolidated into one asset.
3 Reported in balance sheet at book value incl. right of use leasehold (IFRS 16), excl. lease incentives and part of NSI HQ (own use).
4 Before free rent and other lease incentives.
5 Excluding ERV for investment properties under construction (Bentinck Huis and Donauweg).
6 In line with EPRA-guidelines EPRA vacancy rate excludes Bentinck Huis and Donauweg, which are currently being redeveloped.

NSI AT A GLANCE

PROFILE

NSI N.V. is a specialist commercial property investor and the only listed real estate investment trust (REIT) focused on the Netherlands. The portfolio was valued at €1.3 billion at 31 December 2019.

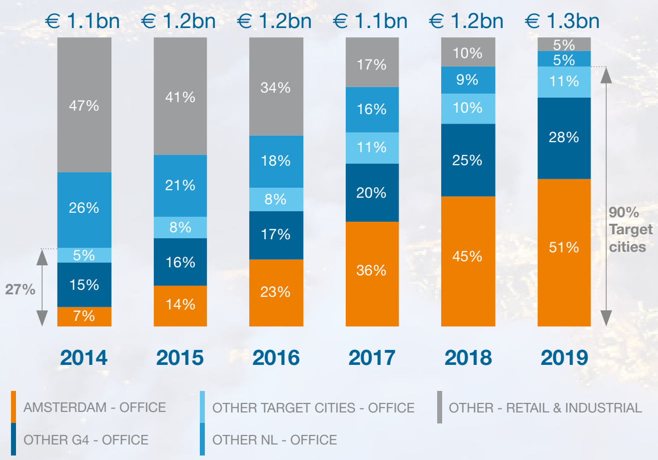
MISSION

NSI enables its customers to achieve maximum productivity and growth, providing best-in-class, flexible, space solutions and an unparalleled level of services in modern, healthy, sustainable buildings in prime locations.

PORTFOLIO BREAKDOWN (YEAR-END 2019)

	# assets	Value €m	Value %
Offices	46	949	74%
HNK	14	262	20%
Other	2	60	5%
Total investment properties	**62**	**1,271**	**99%**
Held for sale	3	16	1%
Total portfolio	**65**	**1,287**	**100%**

DUTCH PORTFOLIO SPLIT



HIGHLIGHTS 2019

(LFL) OCCUPANCY

+ 4.1%

LFL ERV GROWTH

+ 2.9%

AVERAGE MARKET VALUE GROWTH INVESTMENT PROPERTY

+ 11.6%

TOTAL SHAREHOLDERS RETURN

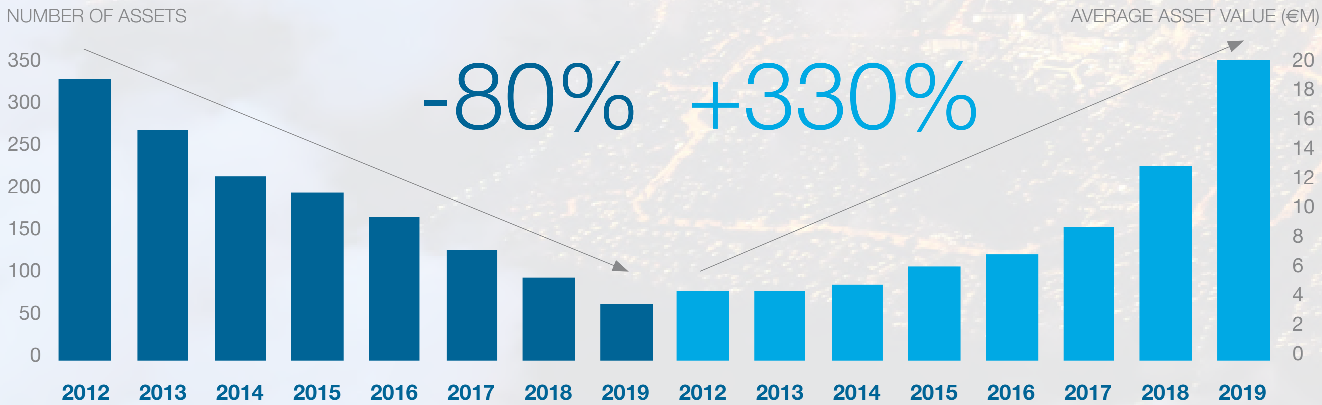
34.8%

GRESB SCORE

71 POINTS

GLOBAL GRESB AVERAGE: 72 POINTS

PORTFOLIO EVOLUTION



AMSTERDAM

51%

of portfolio (in €)

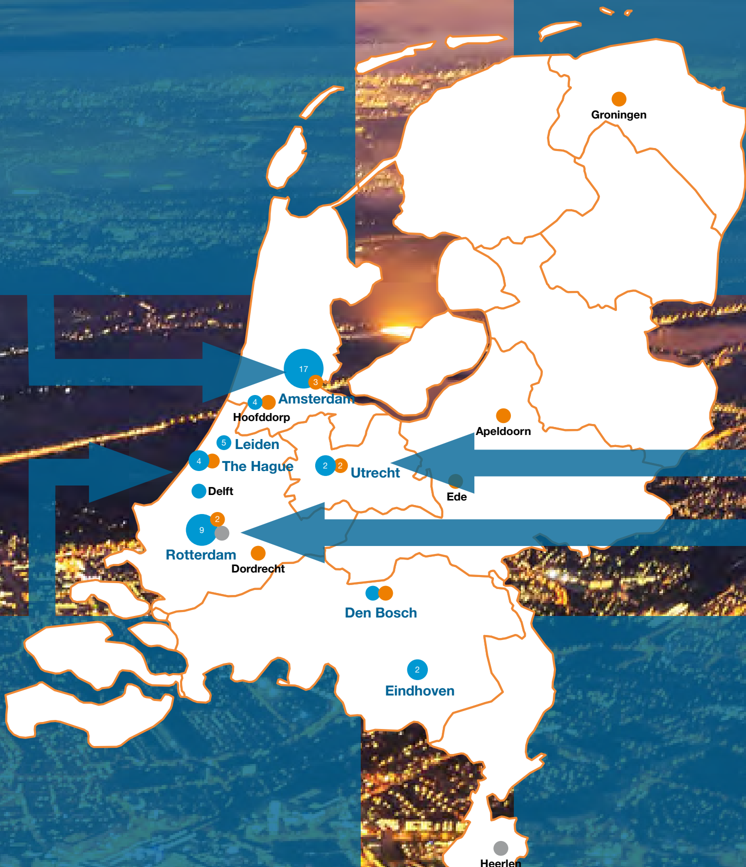
- 17 offices
- 3 HNK

UTRECHT

10%

of portfolio (in €)

- 2 offices
- 2 HNK



DEN HAAG

7%

of portfolio (in €)

- 4 offices
- 1 HNK

ROTTERDAM

10%

of portfolio (in €)

- 9 offices
- 2 HNK

CEO COMMENTS

We are pleased to present the results over the financial year 2019. We are now seeing the full fruits of the team's efforts over the past three years. The portfolio is cleaned up, the balance sheet is in great shape and we have a pipeline of value-add initiatives to drive future returns.

The next phase for NSI, as we explain in our 'Vision NSI 2024' on the following pages, will be about continued portfolio optimisation, property development and expanding our services offering.

Ready for the next phase

It is due to the team's strong commitment to executing the strategy and the favourable economic climate that we have been able to establish a solid foundation for the business. This is most visible in the below market vacancy rate of 7.1% and the low LTV of 27.4%. We have left the restructuring phase firmly behind us and have moved on to a new and exciting phase for the business, the team, our customers and our shareholders.

The key performance indicators below summarise the turnaround over the past three years. The decision to move to a higher quality, more focused, asset portfolio and to a stronger balance sheet has not come at a cost to our cashflow so far. This is almost entirely due to the positive effects of our strong leasing activity, the ability to acquire attractive assets, sell vacant assets at reasonable prices and the improvement in admin and financing costs over this period.

KPI's portfolio turnaround 2016-2019

	31 Dec 2019	31 Dec 2016
Vacancy rate (%)	7.1%	21.4%
Number of Assets (#)	65	165
Average asset Value (€million)	19.8	7.0
% of assets in offices	95%	66%
% of office assets in G4	83%	60%
LTV (%)	27.4	44.1
EPRA EPS (€)	2.64	2.64
DPS (€)	2.16	2.16

Bernd Stahli
CEO

At the end of 2019, adjusted for three assets sold in the fourth quarter which will be delivered in early 2020, we have only two retail assets and five non-HNK offices (one in Delft and four in Hoofddorp) located outside our target markets.

We intend to retain ‘t Loon shopping centre in Heerlen until all legal proceedings related to the 2011 sinkhole issue have come to a final conclusion. We also, at least for now, intend to retain our interest in Zuidplein shopping centre in Rotterdam as we expect to be able to further optimise this asset, whilst at the same time the wider centre is being refurbished.

Going forward we will run our remaining non-target city offices in Delft and Hoofddorp as part of our overall portfolio strategy, with the aim to further prune and strengthen the investment portfolio.

Acquisitions vs developments

The continued strength of the investment market has pushed prices for prime assets to such a level that it is often as attractive, if not more attractive, to selectively pursue new development, even when recognising the higher risk related to development.

The LTV, at 27.4%, is rather conservative and gives capacity to pursue developments and selective acquisitions, even beyond the planned redevelopment projects at Laanderpoort and Vitrum.

In our Q3 report we signalled two potential acquisition opportunities. One of these has fallen away, whilst discussions for the other are ongoing. We continue to see interesting acquisition opportunities and remain as diligent and disciplined as ever in our approach.

EPS/DPS trajectory to 2024

Whilst the operational business is sound and improving, due to our net disposals in late second half of 2019 and the subsequently lower LTV our EPRA EPS will be lower in 2020. Based on the in-place portfolio we forecast a FY 2020 EPRA EPS in the range of € 2.30 - € 2.40.

We are likely to see a further temporary negative effect on EPRA EPS beyond 2020 due to the development pipeline. In 2021 we are set to lose the rental income of Vitrum (€ 3.6 million), as we start an 18-month redevelopment of this asset. In 2022 we expect to lose the rental income from the existing Laanderpoort asset (€ 2.7 million) for a period of around 27 months.

As a result of these two projects and all other things being equal, our internal projections suggest that EPRA EPS could ‘bottom out’ in 2021 or 2022 and rise again in subsequent years as the projects complete and lease up. We are now pencilling in an EPRA EPS of circa € 2.20 for 2021, circa € 2.25 for 2022, circa € 2.55 for 2023 and circa € 2.75 for 2024. It goes without saying that these projections are fluid and are likely to change over time.

We will do our best to mitigate the near term negative effects of our development pipeline, but we believe the pipeline is a necessary step to help drive total shareholder returns and create a better, more sustainable, business in the long run. On completion of both projects we will have a better overall portfolio and a higher level of EPRA EPS. This makes a compelling case for both projects, even before the likely development profits.

We focus on the long term sustainable level of recurring EPRA EPS when determining the appropriate level of dividend. We are as such willing to look beyond the upcoming temporary EPRA EPS decline. As we project a return to a healthy dividend cover for 2024 and beyond, we intend to maintain a dividend of € 2.16 per share during the period of EPRA EPS decline up to 2022, even if this means a temporarily higher pay-out ratio.

Organisation

Anne de Jong, CIO, announced his departure in early December. We would like to thank Anne for the significant contribution to NSI during the successful turnaround in recent years. We wish him well in his future endeavours.

Subsequently, we have decided to change the board structure to a two person board, supported by a management team. This should better accommodate the needs of the business for the period ahead.

Outlook for 2020

We have a solid foundation in place and we have a plan to create further value for our customers and shareholders. The economic outlook is supportive and with signs of supply shortage in many of our markets, we remain confident about the outlook.

We have made considerable progress on our ESG initiatives in 2019, in particular the reduction of energy and water consumption. We were pleased with our first GRESB score of 71 points in 2019 and because of our efforts expect to see a further uplift in 2020.

We are pleased to once again propose a stable final dividend of € 1.12 per share including, as usual, a stock dividend alternative. The full year dividend is therefore maintained at € 2.16.

Bernd Stahli

> “We are now seeing the full fruits of the team’s efforts over the past three years.”

STRATEGY

NSI has a clear strategy. Since early 2017, the company diligently worked on becoming the leading Dutch office investor and operator, driving excess returns through active asset management and disciplined asset rotation. Now the asset rotation programme is virtually completed, NSI is ready for the next phase. It is now time to put the customer front and centre in our strategy and purpose: At NSI we aim to enable our customers to achieve maximum productivity and growth, providing best-in-class, flexible, space solutions and an unparalleled level of services in modern, healthy, sustainable buildings in prime locations.

Having a focused portfolio underpinned by a strong balance sheet with significant capacity to fund both internal and external growth, NSI can generate sustainable and growing revenue to drive long-term shareholder returns by investing in attractive space and a high level of services for its customers. We aim to achieve the highest risk-adjusted return, adding shareholder value through a value-add total return approach supported by an optimal capital structure. NSI strives to constantly improve the portfolio, raise the quality of the platform, optimise its services and lower the cost of capital.

LONG-TERM VALUE CREATION

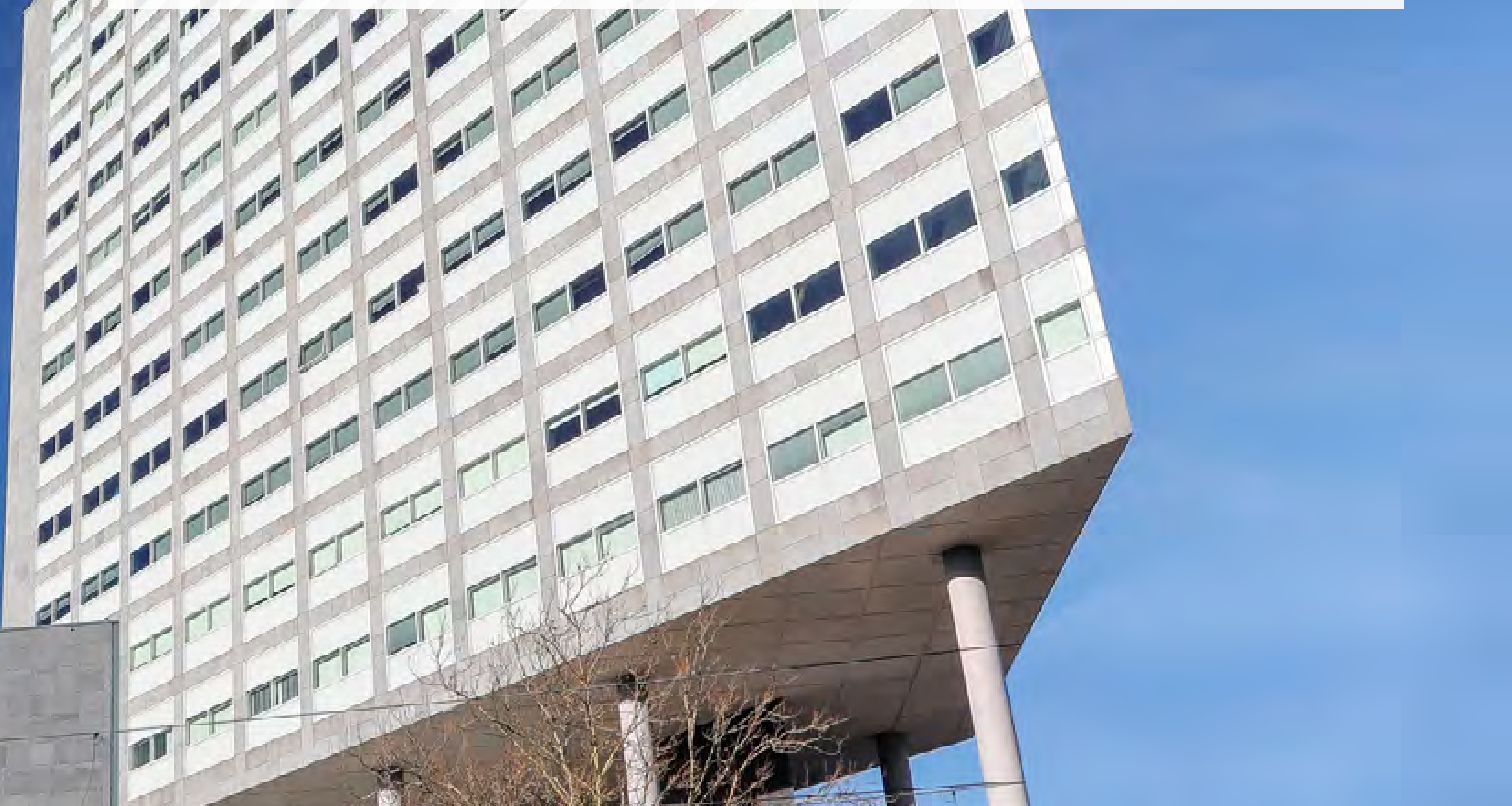
PORTFOLIO OPTIMISATION AND ACCRETIVE INVESTMENTS

NSI focuses on larger office assets in economic growth locations based on the perspective that long-term growth can only be achieved in locations where rents can grow because of economic activity. We see cities grow because of continued urbanisation throughout the world. This means cities will grow. We believe that the only place cities can really grow is around transport hubs, as mobility is and will be an issue in congested metropolitans. We therefore concentrate our acquisitions and developments around train stations in the vicinity of motorway exits.

Furthermore efficiencies can be achieved and margins improved by having fewer, larger assets in a select number of locations. Last but not least we believe that the depth of the investment market in these locations has a genuine positive effect on the risk profile as liquidity is often one of the most underestimated risks in property.

The necessary size, tenant activity and scale of the investment market to drive excess returns is concentrated mostly in the four largest cities in the Netherlands (G4) and some other economically vibrant areas. NSI defines the G4 and Den Bosch, Eindhoven and Leiden as its most important target cities. Future portfolio optimisation will focus on strengthening our exposure and our positioning at or near the major transport hubs in our focus cities. We expect these hubs will turn into locations where 'work, education, healthcare, sleep, eat and play' are being offered on an integrated basis to create new, more vibrant, city districts. We embrace this trend and recognise both the necessity and its potential. Where appropriate and where possible we will take an active role in contributing to this future.

NSI has achieved a massive transformation of its portfolio since its new strategy was set out in early 2017. By rotating out of its retail assets and monetising its smaller, provincial office assets NSI released capital for further expansion into offices through acquisitions or value-add initiatives and (re-) development. This has resulted in a more focused portfolio, primarily located in targeted cities (>90%). NSI actively seeks (re-)development opportunities in its portfolio as an attractive alternative in order to obtain assets in the best locations with better cash flows at lower prices. NSI has managed to put together a considerable development pipeline which will be an attractive source of new assets.



CREATING THE RIGHT PLATFORM

In its quest to be the best NSI needs to have the best operating platform. Only with the best team, culture and processes will NSI be able to deliver leading results in an optimal and cost-efficient way. To attract the best talent a new culture and identity have been set out. With its defined core values, drive, professionalism and the will to push boundaries, NSI aims to maximise the full potential of its employees, the shareholder's investment, its clients and the assets that NSI acquires and operates. NSI is also investing in IT due to its increasing importance in a data-heavy industry, as IT helps to streamline processes and aid data consistency and reliability.

At NSI we are constantly assessing if the organisation and associated costs are justified by the size and performance of the portfolio. It is key to aim for an optimal cost structure and befitting an active manager, and not just focus on achieving the lowest cost possible. For NSI it is not about achieving the lowest running costs but about being efficient. We believe that if we run a structurally efficient, focused business that delivers an attractive return to shareholders, our share price and share rating will reflect this.

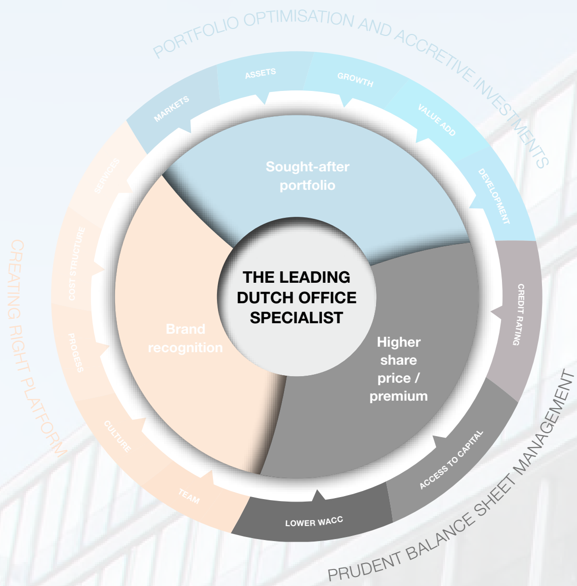
We recognise that customer behaviour and demands are structurally shifting, with flexibility, hospitality, services and amenities are increasingly becoming key considerations. This demand is not only driven by smaller occupiers but also by large corporates. The focus is shifting towards productivity and less on costs, by providing the right mix of quiet space, meeting space, project space and social space, so that businesses can thrive. HNK has been NSI's answer to these trends over the last couple of years. HNK is unique in that it can offer tenants a combination of traditional long-let space and flexible space in a single building. We see this as one of NSI's most important pillars for the next few years. Not only in its HNK assets but also in other multi-tenant assets NSI will improve its service offering and work together with its tenants to make them more productive and let the space be a value creator for their businesses.

PRUDENT BALANCE SHEET MANAGEMENT

Along with obtaining the best portfolio and creating the number one platform, management has another important tool to drive shareholder performance. By constantly optimising the balance sheet structure and capital allocation, management has the levers to minimise its cost of capital.

Having the right capital structure should result in a low cost of capital. Starting with debt, by lowering the LTV we can attract debt at better margins and reduce the cost of financing. A credit rating can further help improve the perspective of a wider range of investors, again lowering the cost of borrowing.

For NSI the capital structure should be entirely supportive of the real estate strategy of the business, and it is not a business in its own right. NSI manages its balance sheet prudently, actively assessing based on a variety of metrics if the combination of operational and financial leverage is appropriate for the business. We believe that by running the business prudently we will be recognised and rewarded by shareholders, which in turn would provide us with access to capital markets if and when the right opportunities emerge.



PROGRESS IN 2019

NSI had another successful year in its asset rotation strategy in 2019. It now holds 65 assets in 17 markets, of which 90% are Offices in target cities. This nearly finishes the asset disposal program as set out in the strategic review announced in February 2017, allowing to shift the focus even more to acquisitions and the development programme going forward.

In 2019 the number of assets fell by 27. The average asset value increased to €19.8 million, up 55% compared to twelve months earlier. NSI's exposure to its target markets increased by 10% to 90%.

Reviewing the full three year period since the start of executing the asset rotation strategy, the number of assets has dropped by 100, increasing the average asset value by 283%.

The new asset management team is now fully contributing to this success, with like-for-like occupancy growth of 4.1% in the year under review and several further leads in the pipeline. HNK continues to perform well with annual occupancy growth of 8.7% on a like-for-like basis.

In late 2017 NSI outlined its ambition to start developing and redeveloping buildings. Over the past two years or so we have managed to put together a considerable development pipeline. The current potential pipeline has circa €700 million of capex to be spend in the years ahead.

This pipeline is a valuable asset at a time when prime investment yields have fallen to record lows. We estimate an average yield on cost for our development programme of 6% to 6.5%. Development, selectively, is therefore one of the better ways to drive further shareholder value, even on a risk-adjusted basis.

We have prepared the balance sheet with a low LTV and with fixed rate debt that extends in duration beyond the expected delivery time table for our projects. This, in combination with having the right organisation and processes, prime locations, sensible pre-letting requirements and reputable partners will help mitigate many of the development risks.

The pipeline includes two near-term projects, Laanderpoort and Vitrum, both in Amsterdam, and numerous other medium-term projects. Laanderpoort (35,000 sqm) involves a development in partnership with ING, with whom a preliminary cooperation and lease agreement is signed for 87.5% of the lettable floor area. Upon completion this would be NSI's largest asset, helping to further focus the portfolio on Amsterdam, increase the average asset size and improve the average quality of the asset base.

After NSI refinanced most of its debt in 2018, it issued €40 million of 12-year unsecured notes to affiliates of Athene Asset Management, a subsidiary of Apollo Global Management. As a result, NSI further extended its average debt maturity while its cost of debt remained flat. If possible further diversification in the debt maturity and investor base will be sought if and when appropriate.

With a structurally sound balance sheet and no significant debt expiries until 2023, the financing strategy going forward is to further improve the diversification of funding sources, extending maturities and preparing for expansion if and when required.

The undrawn RCF provides a €250 million committed debt facility that is sufficient to pay for the capex for both near-term projects and to repay some of the expiring debt.

A CLEAR AMBITION FOR 2024

NSI is ready for the next phase. In early 2017 NSI re-set its strategy and purpose, by aiming to become the leading specialist in the Dutch office market, with a strong and efficient platform and an emphasis on total return through active asset management, value-add initiatives and active capital recycling.

It is now time for an updated strategy and purpose, one that puts the customer front and centre. “We enable our customers to achieve maximum productivity and growth, providing best-in-class, flexible, space solutions and an unparalleled level of services in modern, healthy, sustainable buildings in prime locations.”

This is clearly an ambition, one that will guide us in our activities for the coming years. Going into 2020 we are having multiple sessions with the wider NSI team to fine-tune the strategy and purpose and to set priorities, timelines and deliverables with respect to three key elements: portfolio optimisation, development and services.

The portfolio optimisation for the coming years will focus on further strengthening our exposure and our positioning at or near the major transport hubs in our focus cities. We expect these hubs will turn into locations where ‘work, education, healthcare, sleep, eat and play’ are being offered on an integrated basis to create new, more vibrant, city districts. We embrace this trend and recognise both the necessity and its potential. Where appropriate and where possible we will take an active role in contributing to this future.

An attractive development pipeline

Over the past two years or so we have managed to put together a considerable development pipeline. The current potential pipeline has an all-up cost of circa € 850 million, of which circa € 150 million is the combined book value of existing assets related to this pipeline and € 700 million is the capex to be spend in the years ahead.

This pipeline is a valuable asset at a time when prime investment yields have fallen to record lows. We estimate an average yield on cost for our development programme of 6.0% to 6.5%. Development, selectively, is therefore one of the better ways to drive further shareholder value, even on a risk-adjusted basis.

We recognise that we are at the start of building up a track record. In general we prefer to minimise risks related to development where possible, but this is especially relevant for the first project. We have prepared the balance sheet with a low LTV and with fixed rate debt that extends in duration beyond the expected delivery time table for our projects. This, in combination with having the right organisation and processes, prime locations, sensible pre-letting requirements and reputable partners will help mitigate many of the development risks.

Near-term projects

We have two near-term projects, Laanderpoort and Vitrum, both in Amsterdam. Given the current LTV of 27.4% the balance sheet has capacity to pursue both projects. On a pro-forma basis, taking into account circa €150 million in potential capex for both projects, the LTV will increase to a still modest 34%, before any potential valuation gains on either project.

Laanderpoort, Amsterdam

We have signed a preliminary cooperation and lease agreement with ING for the redevelopment of Laanderpoort. The 35,000 sqm project will see circa 31,000 sqm leased to ING, with the remainder to become a version of our in-house flex office brand HNK.

Demolition of the existing structure is foreseen for the first quarter of 2022, with start of the new development shortly thereafter. The necessary approvals from the municipality of Amsterdam will still have to be obtained. The delivery date is foreseen in the third quarter of 2024.
The lease and development agreement with ING is structured such that the rent ultimately to be paid by ING is a function of building costs, with caps and floors. We have agreed a yield of circa 6%, which based on today’s capex and all-up cost projections equates to a rent level that is in line with market rents for the area.

The capex for the project is circa €120 million and in combination with the current book value of circa € 40 million and the development margin we expect this asset to be NSI’s largest asset on completion.

Vitrum, Amsterdam

We are currently working out detailed plans for this 11,600 sqm asset adjacent to the main South-Axis market. The existing tenant is set to vacate this building end first half-year of 2021. A major refurbishment is foreseen, with total capex of circa € 30 million. Works are expected to take 12 to 18 months.

The asset is a circa 5 minutes walk from the Amsterdam Zuid train station. With prime office rents at €500 sqm for the prime South-Axis market, we expect to achieve a substantial uplift on completion compared to the in-place rent of just € 275 sqm today.

Ongoing smaller projects

At Bentinck Huis in The Hague building works are progressing on schedule, with delivery for this redevelopment project foreseen for early in the second quarter. We are spending circa € 8 million to upgrade this asset to one of the best, most sustainable, assets in The Hague.

At Donauweg in Amsterdam we are spending circa € 3.5 million to upgrade a 4,600 sqm office/industrial asset. This area, adjacent to the upcoming Amsterdam Sloterdijk area, is improving and attracting a wide range of businesses. Completion is foreseen in the second half of 2020.

Medium-term projects

In addition to the two main projects of Laanderpoort and Vitrum we are working on numerous other potential projects. We have so far publicly commented on potential re-developments at Centerpoint and Motion, whilst plans for additional projects are evolving. Some of these potential projects are far away, whilst others are possibly more near to medium term.

The medium term pipeline includes several mixed-use development projects. Centerpoint is a case in point. We fully embrace the trend towards more mixed-use development, as we recognise both the necessity from a city/district planning point of view as well as the long term operational/value-creation potential.

The start dates for the medium-term projects remain unclear and to a large extend will depend on zoning, planning, pre-lets and appropriate levels of de-risking of the more near-term projects, as well as the available balance sheet capacity.

Centerpoint, Amsterdam

We are working on plans to redevelop our existing 15,000 sqm of offices in a central location in the Zuid-Oost district of Amsterdam. At this stage we are investigating the viability of demolishing the existing buildings and working on plans to deliver 60,000 - 90,000 sqm of mixed-use space.

Motion, Amsterdam

We are working on plans to add up to 10,000-25,000 sqm of new office or mixed-use space on the parking lot adjacent to our existing Motion asset in Amsterdam Sloterdijk. At this stage we are working with advisors on the potential viability of a scheme and are in early discussions on zoning plans with the municipality.

Space-as-a-Service

We have made good progress at HNK in recent years in terms of operating performance. Yet, in terms of concept and in number of openings of new HNK's, we recognise there is more work to do.

In 2020 we are stepping up our efforts and will review our concept, product and services. This review will not be limited to HNK and will include the entirety of the NSI portfolio. We fully recognise that customer behaviour and demands are structurally shifting, with flexibility, hospitality, services, amenities and 'unburdening' (Dutch: ontzorgen) increasingly becoming key considerations.

'Corporates do not want an office, they want a productive workforce'. As our asset base is shifting to better locations, we notice that for more of our customers the focus on productivity is becoming less about costs and more about using space differently, by providing the right mix of quiet space, meeting space, project space and social space, so that their businesses can thrive.

We recognise this trend we see it as our role to help our customers, many of which do not have the in-house know-how, time, people or interest to organise space effectively. If we get this right we are likely to be rewarded for it, be it in the form of higher rent levels or a structurally higher level of occupancy.

It is our aim to offer mid-size to larger corporates a rather seamless product with a menu card of potential services. Where necessary and appropriate we will team up with local specialist partners to help provide this offering. We expect all of this will be possible within the existing FBI legislation.

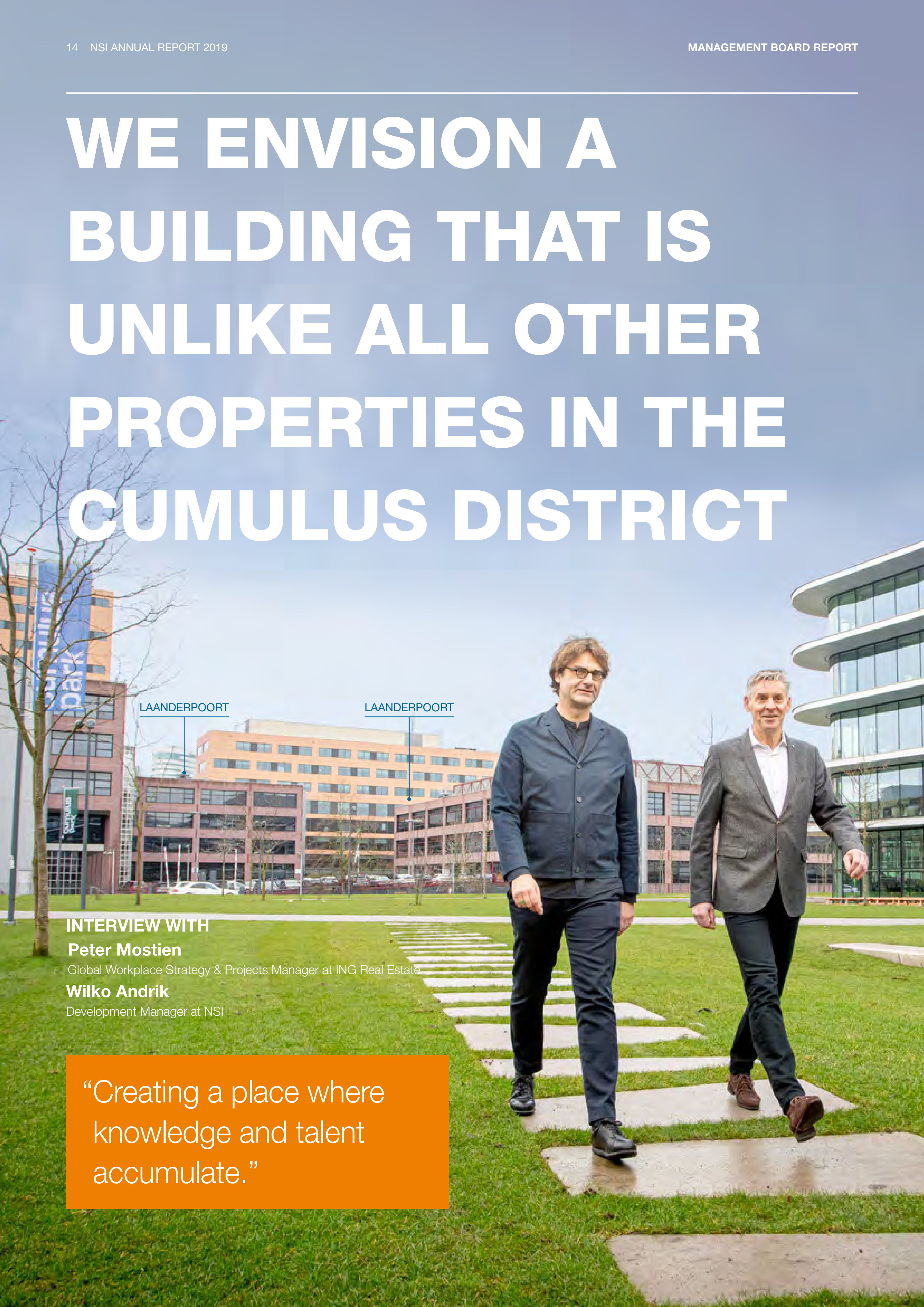
We expect that our review will confirm that not all assets currently owned by NSI or HNK can accommodate the service offering that we believe will be necessary going forward. This will be an input to our portfolio strategy and asset rotation plans for the coming years.

Sustainability

We see ESG as integral to our business and our annual report will include an elaborate section on our initiatives and results.

We are increasingly experimenting with sensors to analyse building usage and monitor energy efficiency, we are placing screens and are introducing portals to engage with our customers on circularity, sustainability, energy usage and building use. We expect to further extend our data collection and to use the data more often to advise our customers.

WE ENVISION A BUILDING THAT IS UNLIKE ALL OTHER PROPERTIES IN THE CUMULUS DISTRICT



INTERVIEW WITH

Peter Mostien
Global Workplace Strategy & Projects Manager at ING Real Estate

Wilko Andrik
Development Manager at NSI

> “Creating a place where knowledge and talent accumulate.”

NSI and ING Real Estate have joined forces on the 35,000 sqm redevelopment at Laanderpoort in Amsterdam Southeast, in the heart of the new Cumulus Park innovation district adjacent to ING's new headquarters.

Cumulus Park aspires to be an incubator for collaborative innovation, attracting and inspiring the brightest minds and talents from all over the world. NSI and ING aim to add a unique building to this upcoming and vibrant district. "We envision a building that is unlike any other property in the Cumulus District," said Wilko Andrik, Development Manager at NSI and Peter Mostien, Global Workplace Strategy & Projects Manager at ING Real Estate.

Ticking the boxes

Development is a new activity for NSI. In the current market with limited supply and rising valuations of prime assets, it gets harder to find existing assets in good locations at reasonable yields. Development projects can offer better prospective returns, also on a risk-adjusted basis, if managed well. NSI has the right balance sheet and financing in place and is keen on mitigating development risks by selecting the right location, securing preletting arrangements and working with reputable partners. Laanderpoort, the first project in NSI's million development pipeline to commence, ticks all the boxes: it is strategically located on the doorstep of Amsterdam Bijlmer Arena train station, it is pre-let to ING, and ING Real Estate is a strong development partner.

Developing in partnership

The aspiration level of this joint development is high in every respect. "It has to be a fusion of a creative breeding ground and an innovative office that appeals to all who visit and use the district," said Peter Mostien. Wilko Andrik, added: "This development goes beyond building an office. It is about creating a place where knowledge and talent accumulate, where innovation is taken to the highest level."

The capex for the project is estimated at around € 120 million, which means that this asset is expected to become NSI's largest asset on completion taking the current book value of around €40 million and the development costs into account.

ING will lease around 31,000 sqm for a period of 15 years and NSI will operate a version of its in-house HNK flex office brand in the remaining 4,000 sqm. This would enable HNK to accommodate fintech and other start-ups and scale-ups that want to be close to ING.

Guiding principles

Peter Mostien and Wilko Andrik explained how they managed to turn their broad vision into a briefing for a design that suits all requirements. "Stakeholder management is key," Wilko said.

The project started off with a profound and comprehensive preparation phase in which the views of all key stakeholders were aligned. This resulted in three guiding principles, helping the team to translate the more abstract higher purpose into practical tactics.

Experience & Connection

The first guiding principle is Experience & Connection. The future building is envisioned to be a ‘district connector’. That means that having a strong connection from the outside to the inside of the building is vital. The entrances should be inviting, warm and publicly accessible, creating a vibrant and lively atmosphere. Peter Mostien explained: “By breaking down traditional barriers between organisations and visitors, we feel we can stimulate collaboration between them.”

Future-proof & Sustainability

The second guiding principle is Future-proof & Sustainability. “This is the most significant challenge of our time,” said Wilko Andrik. “Future proof design does not only refer to using sustainable materials, but also entails creating a building that is capable of coping with future technological developments and changing needs of office users and visitors in the next decades. It should offer flexibility in the broadest sense, in functionality and capacity. In other words, the building needs to be able to host other occupiers in the future if ING were to leave at some point. We therefore look at designs that support multi-tenant occupation and not only the single tenant option in which ING will initially use it.”

Moreover, the municipality of Amsterdam sees the Bijlmerdreef, the street on which Laanderpoort is located, becoming the most sustainable street of the future. So this has been taken into account in the plans for Laanderpoort. “Mobility is a key aspect in this. Cyclists and pedestrians will be well catered for, as will public transport, while cars will be pushed to the periphery,” Peter Mostien said.

Functional & Flexible

The last guiding principle is Functional & Flexible. ING wants to promote flexible ways of working and ensure that employees from different teams and offices as well as external partners can work together easily. “We aim to create enthusiasm and a dynamic between the user groups,” said Peter Mostien.

Delivery in 2024

The architect and design will be selected in the first quarter of 2020, after which an extensive preliminary planning phase will follow which include gaining the necessary approvals from the municipality of Amsterdam. Demolition of the existing structure is foreseen for the first quarter of 2022, with start of the new development scheduled for shortly thereafter. The delivery date is forecasted for the second half of 2024.

CUMULUS PARK

Cumulus Park is a collaborative innovation district in Amsterdam Southeast, a vibrant mixed-use submarket of Amsterdam full of ambition and growth that will develop in the coming years. An initiative of ING, the district is now supported by the municipality of Amsterdam, the Amsterdam University of Applied Sciences and the Amsterdam intermediate education centre (ROC).
Cumulus Park offers a network, inspiration, processes and physical spaces for new generations of students, corporates and mid-corporates, innovators, researchers and local entrepreneurs. From a green park to the faculties of the Amsterdam University of Applied Sciences and the Amsterdam ROC, and from a globally oriented restaurant concept to offices where workspaces are designed to co-create, learn, research and inspire.

INCOME, COSTS AND RESULT

Introduction

EPRA EPS for 2019 is € 2.64, of which € 1.24 in the first half and € 1.40 in second half of 2019. The EPRA EPS is stable compared to last year, despite the net disposals of assets in 2019 and the higher number of weighted average shares outstanding.

The EPRA NAV per share is up € 8.22 or 20.7% per share, primarily driven by a positive revaluation of the portfolio which accounts for € 7.79 per share. Additionally, the NAV is positively impacted by the result on disposals and retained earnings.

Rental income

Gross rental income is down 1.1% in 2019 compared to the prior year. Gross income is positively impacted by acquisitions (€ 6.2 million) and positive like-for-like rental growth (€ 4.7 million), but was negatively impacted by disposals (-€ 12.1 million). On a like-for-like basis gross rents are up 7.8% overall and up 9.5% for the assets in target cities.

The NRI margin, at 81.2%, has deteriorated by 1.5pp compared to last year, as a result of higher maintenance costs in 2019. Net rents are up by €2.6 million or 5.2% on a like-for-like basis, with the target cities up by 7.5%. These results are largely driven by the positive leasing momentum in the portfolio in both 2018 and 2019.

Service costs

Non recoverable service charges are up in 2019 versus 2018, both in absolute terms (€ 0.4 million) and on a like-for-like basis (€ 0.9 million). Asset rotation and lower vacancy had a positive effect on the non-recoverable service charge in 2019, with the negative effect largely due to a one-off service charge reconciliation in the second half of 2018.

Operating costs

Operating costs are 5.6% (€ 0.7 million) higher compared to 2018. This is primarily due to higher maintenance expenses (€ 1.4 million). These higher costs and slightly lower gross rental income explain the increase in the EPRA cost ratio in 2019 (+1.9pp).

Administrative costs

Administrative expenses are stable compared to 2018. Staff costs have slightly increased because of higher provisions for variable compensation for the management board. This is largely offset by a reduction in other administrative costs.

Net financing costs

Financing costs are down € 2.7 million (21.3%) compared to 2018. In 2018 financing costs were negatively impacted by a € 2.1 million one-off related to a debt refinancing. Furthermore, the average amount of debt outstanding was lower in 2019 compared to the previous year.

Indirect costs and results

In 2019 the portfolio is appraised to be 11.6% higher by the external valuers, resulting in a € 144.6 million positive revaluation. This positive trend is also confirmed by our disposals in 2019, which were done at a € 8.7 million or 7.3% premium to book value.

A fall in interest rate swap rates in 2019 has resulted in a € 5.1 million negative mark-to-market effect relating to NSI's interest rate swaps. The total indirect result for 2019 is € 146.9 million or € 7.83 per share.

Post-closing events and contingencies

In January our interest in retail asset 'De Hagenborgh' in Almelo was sold. Furthermore, in two separate transactions, office assets in Zoetermeer (1) and Amersfoort (1) were sold in January and February 2020.

Income segment split 2019 (€'000)

	Offices			HNK					TOTAL	
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	Corporate	2019	2018
Gross rental income	27,471	21,895	6,297	4,755	9,202	3,439	9,773		82,831	83,721
Service costs not recharged	-447	-373	285	-131	-475	-311	-148		-1,601	-1,237
Operating costs	-2,918	-3,939	-963	-819	-2,315	-779	-2,268		-14,003	-13,256
Net rental income	**24,105**	**17,583**	**5,619**	**3,804**	**6,411**	**2,348**	**7,357**		**67,227**	**69,228**
Administrative costs								-7,948	-7,948	-7,950
Earnings before interest and taxes	**24,105**	**17,583**	**5,619**	**3,804**	**6,411**	**2,348**	**7,357**	**-7,948**	**59,279**	**61,279**
Net financing result								-9,840	-9,840	-12,506
Direct investment result before tax	**24,105**	**17,583**	**5,619**	**3,804**	**6,411**	**2,348**	**7,357**	**-17,788**	**49,439**	**48,773**
Corporate income tax								-1	-1	-28
Direct investment result / EPRA earnings	**24,105**	**17,583**	**5,619**	**3,804**	**6,411**	**2,348**	**7,357**	**-17,789**	**49,439**	**48,745**

DUTCH PROPERTY MARKET OVERVIEW

Economic outlook

The Dutch economy continues to perform well relative to the rest of the eurozone. For 2020 economic growth is forecast at 1.5%, versus a 1.0% growth forecast for the wider Eurozone.

The continued strength of the economy has resulted in a low unemployment rate of 3.5% at the end of 2019. Employment growth in the service sector is outpacing wider employment growth, which is having a positive effect on office demand. Not only do we see that corporates require more space, but also that the war for talent has put the focus on high-quality space in prime locations.

Investment market

Investment volumes have been high for several years, but 2019 was a record year with € 20.8 billion of transactions. Residential is the most popular sector, followed by Offices. In the office market an investment volume of € 5.9 billion was recorded, down 2% compared to 2018. The volume decline in Offices is more due to a lack of supply of available investment product than a shortage of investor demand. The data suggests that international investors remain the most active investors in Dutch offices.

In previous years the focus for investors was primarily on the Amsterdam market and selectively on other G4 cities (the four largest cities in The Netherlands). In 2019 the regions gained popularity, with 70% of all transactions taking place outside the traditional G4. This trend also resulted in a substantial increase in the number of smaller deals. No less than 84% of transactions were smaller than € 20m.

The focus on regional markets is in contrast to what we were expecting a year ago. At the end of 2018 we saw Dutch banks retracting from some of the more provincial markets and we were expecting a slowdown in transactions and selectively in pricing. Interestingly, the regional and secondary markets have been supported by the entry of new participants in the Dutch financing market in 2019. International investors and financing platforms have filled the void left by the Dutch banks, albeit at higher interest rates than the traditional banks. Financing is now no major consideration and is generally easy to obtain for the most liquid sectors of Residential, Offices and Industrial.

Office market

According to CBRE the best word to describe the state of the Dutch office market in 2019 is 'scarcity'. This is true both for the occupational side and the investment side. Whereas in previous years the fall in the vacancy rate outside the larger cities was to a large extent driven by change-in-use projects, in 2019 it was mostly net absorption that contributed to lower vacancy.

In many prime locations the vacancy rate is now historically low. These low levels are fuelling rental growth in most markets. In the G4 prime rental levels are equal to or in excess of previous peaks.

Amsterdam

In Amsterdam the vacancy rate is down to 1.5%, compared to an average of 7.6% over the past 10 years. Amsterdam is now starting to see the effect of a local planning environment in which new supply has been limited for years. In combination with a high level of demand, as the city benefits from a continued influx of people, there is a shortage of supply. Rents are going up as a result.

The Netherlands, and in particular Amsterdam, is becoming an increasingly popular destination for expats. The Amsterdam population is forecast to grow by 150,000 in the next 15 years, whilst the highest population growth in the Netherlands (percentage-wise) is expected to be in Utrecht.

Prime Office gross initial yields in Amsterdam are now in line with Paris and Frankfurt at 3.0%, with assets currently on the market at a yield level of under 3%. These levels are substantially lower than the gross initial yield of 5.4% for NSI's Amsterdam portfolio.

In Amsterdam prime rents are now € 500 psm, achieved both in the city centre and the South Axis market, and prime rents are likely to rise above this level in 2020. CBRE is expecting 7% rental growth in 2020.

In search for product we see that investors are bidding up all kinds of office assets, including secondary assets in more peripheral locations and potential redevelopment projects.

Other markets

Utrecht is arguably the second office market after Amsterdam, achieving rents of € 285 psm and yields of 4.5%. This market will see a significant pick up in new supply in the coming years, mostly around the central train station. We do not view this as a threat but consider it to be a positive trend that will help cement Utrecht's position as core office market for investors.

The market in Rotterdam is lagging Amsterdam, but the direction of travel is similar. The vacancy rate at the end of 2019 is 9.7% versus a 10-year average of 17.4%. Prime rents in

Rotterdam are now € 245 psm. CBRE is expecting 2.5% rental growth in 2020.

The Hague, which in terms of stock is the second largest office market in The Netherlands, has benefitted from redundant office space being transformed to residential use and from the government increasing their need for space. The vacancy rate has declined from over 10% in 2016 to below 4% in the CBD and city centre today. There is a shortage of good quality offices and rents are rising. Following a 10% increase in prime rents in 2019 to € 220 psm, further growth is expected in 2020.

Eindhoven's office market is establishing itself as a core office market. Most investors are nowadays referring to the G5 instead of the G4. Eindhoven is the heart of the "Brainport district", attracting (international) high tech businesses dependent on a skilled labour force. The local economy is thriving and demand for office space is strong, resulting in rental growth. A challenge for Eindhoven is the relatively old office stock. Investments to modernise existing stock or to develop new space are slowly picking up. The investment market in Eindhoven is no longer driven by local interest, but has started to attract international capital, resulting in a pick-up in capital values.

FINISHING THE ASSET DISPOSAL PROGRAMME

NSI had another successful year in its asset rotation strategy in 2019. It now holds 65 assets in 17 markets, of which 90% are Offices in target cities. This finishes the asset disposal program as set out in the strategic review announced in February 2017, allowing to shift the focus even more to acquisitions and the development programme going forward.

In 2019, NSI was a net seller of assets, creating € 97 million in capacity to help fund its development pipeline. During the year 30 assets were sold for € 129 million, at on average a 7% premium to book value. These disposals comprised 21 smaller office assets, eight retail assets and one industrial asset. As a result of these disposals NSI has exited a further 14 cities in 2019. Two office assets were acquired during the year, in Amsterdam and Leiden, at a combined cost of €32 million.

TOTAL PORTFOLIO

DISPOSALS 2016-2019

REAL ESTATE PORTFOLIO

NSI sold 30 assets in 2019, eight retail assets, one industrial asset and 21 office assets. The disposal proceeds of € 128.5 million (excluding costs) reflect a 6.8% premium to the most recent book value. Compared to the 31 December 2018 book value, the office assets were sold at a 12.7% and the retail assets at a 1.5% discount, before costs.

Two office assets were acquired in the first quarter of 2019, in Amsterdam and Leiden, for a total of € 30.8 million including acquisition costs. A small retail asset in Leiderdorp, part of a package transaction with Retail Estates in the first half of 2017, was transferred back to NSI in early second half of 2019 and was subsequently sold in December.

Asset rotation[1,2]

	# Assets	Acquisition/ Net sales price	Net result on sale	Contract rent
Offices acquisitions	2	30.8		2.0
Reversed disposal				
Other	1	0.8		
Additions	**3**	**31.5**		**2.0**
Offices	21	76.3	9.5	6.6
Other	9	52.3	-0.8	5.1
Disposals	**30**	**128.5**	**8.7**	**11.7**
Delta	-27	-97.0	8.7	-9.7

NSI was a net seller in 2019, with disposal proceeds exceeding acquisition costs by € 97 million. The number of assets continues to fall. The average asset value at the end of 2019 is up to € 19.8 million.

1 Acquisitions at acquisition price including costs
2 Including sales and acquisition costs

"We successfully finished our asset rotation strategy."

Anne de Jong
CIO

At the end of December 2019 the held for sale portfolio consists of two office assets (Europaweg, Zoetermeer and De Hoefse Wing, Amersfoort) and one retail asset (De Hagenborgh, Almelo), which have been transferred in the first quarter of 2020.

Portfolio breakdown

	# Assets	Market value (€ m)	Market value (%)
Offices	46	949	74%
HNK	14	262	20%
Other	2	60	5%
TOTAL Investment property	**62**	**1,271**	**99%**
Held for sale	3	16	1%
TOTAL Portfolio	**65**	**1,287**	**100%**

Vacancy

EPRA vacancy

	Dec 18	LFL	Non-LFL	Dec 19
Offices	11.1%	-2.6%	-4.6%	4.0%
HNK	23.2%	-8.7%		14.5%
Other	11.2%	-0.8%	-0.3%	10.1%
TOTAL	**13.8%**	**-4.1%**	**-2.7%**	**7.1%**
Target Cities	11.3%	-4.3%	-1.3%	5.6%
Other	21.1%	-2.6%	-3.5%	15.0%

The EPRA vacancy rate is down to 7.1%, a 6.8pp decline throughout the year. On a like-for-like basis the vacancy fell by 4.1pp. Strong net letting in the Offices segment in the fourth quarter is the main contributor. The current vacancy rate includes about 0.3pp of intentional vacancy, related to planned re-developments and other value-add initiatives.

Rents

On a like-for-like basis net rents are up 5.2%. Offices rents are up by 8.4% on a gross basis and 6.2% on a net basis, reflecting the positive impact of both asset rotation and progressive lease up. HNK continues to show strong growth, albeit from a lower base. In the target cities net rents are up strongly, by 7.5%, reflecting the continued strength of these markets.

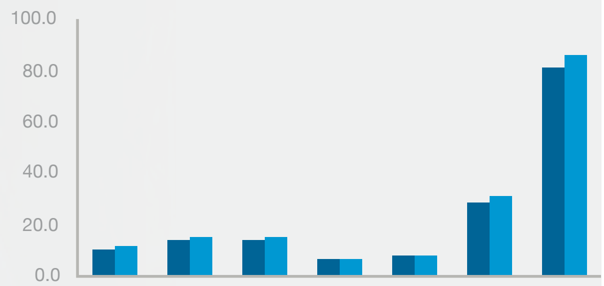
Net rent growth like-for-like (€ million)

	2018	2019	L-f-l
Offices	34.5	36.6	6.2%
HNK	10.5	11.8	11.7%
Other	4.8	4.0	-16.4%
TOTAL	**49.9**	**52.4**	**5.2%**
Target Cities	40.2	43.2	7.5%
Other	9.6	9.2	-4.6%

Reversionary potential / ERV bridge

The portfolio is 5.4% reversionary, up 4.3pp since the end of the previous year. A result of both rising ERVs and asset rotation.

Annual expirations and reversion



	2019	2020	2021	2022	2023	2023+	TOTAL
Contract rent	10.6	13.8	13.6	6.7	7.6	28.8	81.1
ERV	11.1	15.0	14.6	6.5	7.4	30.9	85.4
# Contracts	455	149	141	97	102	126	810
Reversion	4.8%	8.9%	6.9%	-2.4%	-2.6%	7.2%	5.4%

The reversion rate in the Offices segment has increased significantly to 8.6%, partly because the like-for-like ERV growth of 4.4% is outpacing inflation, but mainly due to the disposal of assets outside the target cities, which had negative reversion.

At HNK, with new lease contracts on average being agreed above ERV, contracted rent is up by 16.8% compared to December 2018. ERVs grew by 2.0% over the same period. ERVs for HNK do not reflect the premium generated on "conventional" let space, but show the rental level the valuer expects to achieve if the building is let excluding the HNK services and amenities. We therefore expect to lease space at a higher premium than the reversion ratio is indicating.

Reversion[3]

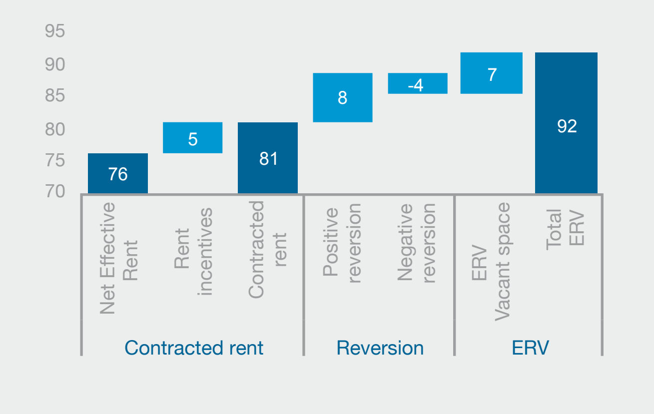
	Dec 18	Dec 19
Offices	2.3%	8.6%
HNK	3.2%	1.1%
Other	-8.4%	-9.7%
TOTAL	**1.1%**	**5.4%**
Target Cities	5.2%	7.6%
Other	-10.2%	-6.5%

ERV like-for-like (€ million)

	Dec 18	Dec 19	L-f-l
Offices	58	60	4.4%
HNK	23	23	2.0%
Other	6	6	-7.1%
TOTAL	**87**	**89**	**2.9%**

3 Reversion = ERV let space / contractual rent

Bridge Contracted Rent to ERV – December 2019 (€million)



EPRA yields

The EPRA net initial yield is down 60 bps to 4.6%, due to the effects of asset rotation and an 11.6% increase in capital values in 2019. The fall in yields is reflective of wider market conditions. Pressure on yield levels remains as investor demand continues to be high. In search for yield and for product investors are increasingly looking beyond Amsterdam to the other G4 markets. This trend is also visible in the NSI portfolio, where the gross yield in Amsterdam fell by 0.4pp to 5.4% and in our other target markets by 0.9pp to 6.4%.

Yields

	EPRA net initial yield		Gross initial yield		Reversionary yield	
	Dec 18	Dec 19	Dec 18	Dec 19	Dec 18	Dec 19
Offices	5.1%	4.5%	6.8%	6.0%	7.8%	6.7%
HNK	4.6%	4.6%	8.0%	7.5%	10.8%	8.8%
Other	6.9%	6.3%	8.9%	9.7%	9.2%	9.8%
TOTAL	**5.2%**	**4.6%**	**7.2%**	**6.4%**	**8.5%**	**7.3%**
Target Cities	4.8%	4.4%	6.6%	6.0%	7.8%	6.9%
Other	7.0%	6.4%	9.8%	9.9%	11.2%	10.9%

Valuations

The portfolio is appraised externally twice a year. Most assets saw a change in external appraiser in the first half year of 2019, in accordance with our standard appraiser rotation process. Colliers has been appointed as valuer in addition to CBRE, JLL and Cushman & Wakefield.

Capital values are up by 11.6% or € 146.3 million. The valuation of Offices is up by 11.9%. HNK values are up by 22.5%, continuing the strong positive trend of recent years, following a 9% uplift in 2018 and 10% rise in 2017. The 'Other' segment is down by 8.8%, as the Dutch retail investment market remains difficult.

Amsterdam has seen the highest increase in capital values of all our markets, up 15.7%, with assets in our other Target Cities up by a very respectable 13.2%. These valuation uplifts are driven by strong occupancy growth, income growth and a fall in yields.

Revaluations (€ million)

	Market value (€ m)	Revaluation Positive	Negative	TOTAL	%
Offices	964	117	-8	109	11.9%
HNK	262	48	0	48	22.5%
Other	61	0	-11	-11	-8.8%
TOTAL Portfolio	**1,287**	**165**	**-19**	**146**	**11.6%**
Target Cities	1,156	156	-6	150	14.6%
Other	131	10	-13	-3	-1.4%

Capital expenditure

Defensive capital expenditure was € 4.2 million in 2019. The largest expenses were € 0.6 million at the Koningin Wilhelminaplein, € 0.5 million at Centerpoint, € 0.6 million at Q-port and € 0.4 million at Zuidplein. Most of the offensive capex is spent on Bentinck Huis (€ 5.8 million) and HNK The Hague (€ 1.1 million) for connecting the E tower to the club space.

Capital expenditure (€ million)

	Offensive	Defensive	TOTAL
Offices	6.0	3.7	9.7
HNK	4.2		4.2
Other		0.5	0.5
TOTAL Portfolio	**10.2**	**4.2**	**14.4**

Development and renovations

At the end of 2019 NSI has two assets classified as development (Investment property under construction), Bentinck Huis in The Hague and Donauweg in Amsterdam.

The redevelopment of Donauweg in Amsterdam is set to complete in second half of 2020, at which time the asset will transfer back to investment property. This asset is already being marketed.

The redevelopment of Bentinck Huis is on track. Building works are likely to run into early in the second quarter instead of late in the first quarter due to an unforeseen issue related to the technical part of the historic building.

The existing Laanderpoort asset will only transfer to Investment Property under Construction in 2022 once all the necessary contracts are in place and demolition works are about to commence. For the period January 2021 (when the current lease expires) to early 2022 (the expected date of demolition) ING will pay half rent for the building, subject to certain conditions related to the development project.

Offices

The Offices portfolio has seen a massive transformation compared to the portfolio NSI had at the end of 2016 when the new strategy was set out. Back in 2016 NSI had 108 offices in

54 cities with an EPRA vacancy rate of 21.3%. Today, excluding assets held for sale, the portfolio consists of 46 assets in 9 cities with a 4.0% vacancy. The majority of these assets are located in economic growth areas in close proximity to public transport hubs with strong accessibility by car. Furthermore, the portfolio offers substantial value-add potential. This is a strong foundatoin to further optimise and grow the portfolio.

The EPRA vacancy rate is down to 4.0% at year end, a fall of 7.1pp compared to the beginning of the year and well below the national average. The biggest drop was realised at the end of the year with strong letting results in the fourth quarter. Amsterdam is the largest contributor as the EPRA vacancy rate fell 6.6% on a like-for-like basis over the quarter to a modest 1.3%.

Strong positive momentum in Amsterdam Sloterdijk was converted with several new lease contracts signed. Q-Port is now fully let and Motion is almost fully let. At Centerpoint in Amsterdam Southeast a three-year lease contract for circa 5,000 sqm was signed in the fourth quarter, offering the team the necessary time and flexibility to prepare the asset for a potential redevelopment.

In the Hooghuisstraat in Eindhoven the government renewed its lease on circa 5,800 sqm of office space and signed a new lease for an additional 1,950 sqm.

Key office metrics - breakdown by segment

	Dec 19				Dec 18
	Amsterdam	Other Target Cities	Other NL	TOTAL	
Number of properties	17	24	7	48	67
Market value (€ m)	563	366	35	964	881
Market value asset (€ m)	33	15	5	20	13
Market value (€ sqm)	3,936	2,530	1,205	3,042	2,233
Ann. contract rent (€ m)	30	22	3	56	59
Average rent / sqm	220	174	125	191	179
Reversion	14.2%	2.3%	-1.3%	8.6%	2.3%
Lettable area (sqm k)	143	145	29	317	394
ERV (€ m)	35	24	4	63	68
EPRA vacancy	1.3%	7.2%	9.3%	4.0%	11.1%
EPRA net initial yield	4.2%	4.6%	7.1%	4.5%	5.1%
Reversionary yield	6.3%	7.1%	10.2%	6.7%	7.8%
Wault (years)	4.3	4.8	3.8	4.5	4.6

At the end of December 2019 Amsterdam makes up 58% of the total office portfolio Of the seven remaining offices in 'Other NL' two are held for sale and will leave the balance sheet in Q1. The other five are located in Delft and Hoofddorp.

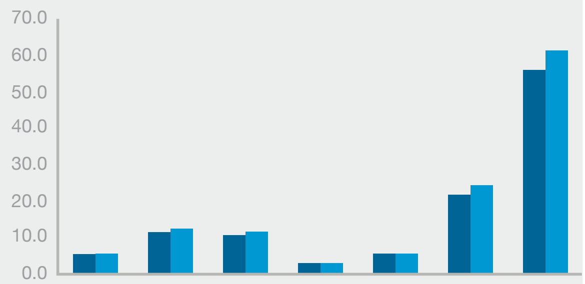
Like-for-like[4]

	NRI growth %	Revaluation %	ERV growth %
Amsterdam	13.8%	14.2%	6.1%
Other Target Cities	-3.4%	12.1%	1.6%
Other Netherlands	6.9%	12.4%	7.6%
Total	**6.2%**	**13.3%**	**4.4%**

Like-for-like GRI is positive at 8.4%. Due to temporarily higher maintenance expenses in Rotterdam, The Hague and Eindhoven the like-for-like NRI is slightly lower, at a positive 6.2%.

Following extensive asset rotation in recent years and strong ERV growth of 4.4% in 2019, the overall office portfolio is now 8.6% reversionary. This is up from 2.3% at the end of 2018.

Offices - Annual expirations and reversion (€million)



	2019	2020	2021	2022	2023	2023+	TOTAL
Contract rent	5.0	11.0	10.4	2.8	4.7	21.7	55.6
ERV	5.3	12.1	11.3	2.8	4.8	24.0	60.3
# Contracts	36	44	36	19	24	40	199
Reversion	5.6%	10.0%	8.5%	1.7%	2.7%	10.7%	8.6%

HNK

The composition of the HNK portfolio has not changed since the opening of HNK Schinkel in 2018. At December 2019 36% of the HNK portfolio by value is located in Amsterdam. We plan to include an HNK in our redevelopment at Laanderpoort, which is set to open in late 2024.

The EPRA vacancy rate at the end of 2019 is 14.5%, down from 23.2% at the end of 2018. The largest contributor to the drop is a 10-year firm lease with BDO for 4,814 sqm at HNK The Hague. Other noticeable letting achievements include a 1,500 sqm in HNK The Hague, 1,600 sqm in HNK Den Bosch and 590 sqm in HNK Utrecht Central.

The majority of the remaining vacancy is now at HNK Rotterdam Scheepsvaartkwartier. Of the 7,000 sqm of vacant space, 2,000 sqm is let and the lease will commence in May 2020. The vacancy rate in the market is falling and we expect this to lead to a further pickup in lettings in Rotterdam. We also have several inquiries in other HNKs which should lead to a further improvement in

4 NRI like-for-like 2019 compared to 2018, only includes assets in portfolio throughout all 12 months 2019 and all 12 months 2018, transformation and development projects are excluded. Revaluation and ERV growth relate to standing investments in portfolio on 31 December 2019 and 31 December 2018.

occupancy. For the end of 2020 the target is to have an EPRA vacancy rate below 10% for the total HNK portfolio.

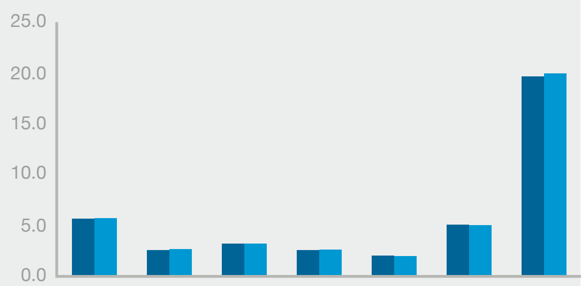
Like-for-like Gross Rental Growth for the HNK portfolio is positive 9.2%. Having said that, polarisation remains high with Amsterdam up 22.1% whilst assets outside of NSI's target markets down 0.4%. NRI growth is 11.7% on a like-for-like basis, with Amsterdam up 19.2% and the HNKs outside target markets up a notable 7.9%. The latter increase is driven by strong results at HNK Ede.

The 22.5% revaluation of the HNK portfolio in 2019 is a result of a € 2.8 million increase in contractual rents and a 50 bps fall in the gross initial yield, driven by our assets in Amsterdam.

Key HNK metrics - breakdown by segment

	Dec 19				Dec 18
	Amsterdam	Other Target Cities	Other NL	TOTAL	
Number of properties	3	6	5	14	14
Market value (€ m)	94	134	34	262	210
Market value asset (€ m)	31	22	7	19	15
Market value (€ sqm)	3,444	2,097	956	2,062	1,650
Ann. contract rent (€ m)	5	10	4	20	17
Average rent / sqm	218	196	150	190	188
Reversion	15.8%	-4.2%	-6.0%	1.1%	3.2%
Lettable area (sqm k)	27	64	36	127	127
ERV (€ m)	7	12	5	23	23
EPRA vacancy	6.7%	14.5%	25.6%	14.5%	23.2%
EPRA net initial yield	4.1%	4.7%	5.8%	4.6%	4.6%
Reversionary yield	7.1%	8.8%	13.7%	8.8%	10.8%
Wault (years)	2.5	3.4	3.6	3.1	3.2

HNK - Annual expirations and reversion (€million)



	2019	2020	2021	2022	2023	2023+	TOTAL
Contract rent	5.3	2.4	2.9	2.4	1.8	4.8	19.5
ERV	5.5	2.6	2.9	2.4	1.7	4.7	19.8
# Contracts	375	51	51	24	24	32	557
Reversion	2.0%	7.4%	1.6%	-0.8%	-3.7%	-0.7%	1.1%

Other

Significant progress is made on the disposal of non-core retail assets. At the end of 2019 only three retail assets remain, of which 'De Hagenborgh' in Almelo is a held-for-sale asset.

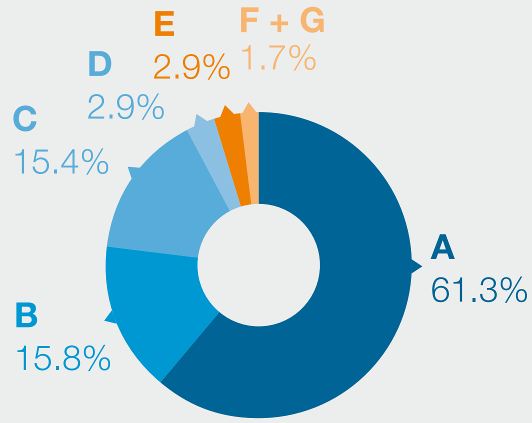
Following the disposal in Almelo only two retail assets remain. The four holdings that form NSI's interest in the Zuidplein shopping centre in Rotterdam have been consolidated into a single asset. Given the quality of the income, current valuations, the low overall portfolio LTV and the need for income to support the cashflow for the upcoming development phase the disposal of this asset has been put on hold. Shopping centre 't Loon in Heerlen will also be retained until all legal proceedings relating to the 2011 sinkhole issue have come to a conclusion

ESG

In September NSI received a GRESB score for the first time. The 71 points received out of 100 is in line with the benchmark average. There are several easy wins and the ambition is to improve the score in 2020.

By value 93% of our total portfolio has an energy label C or better. We have plans in place for all non-conforming assets and expect that by the end of 2020 all but two or three of our assets will have a C label or better. NSI's ambition goes further and this is visible in the HNK portfolio, where 88% of the assets by value have an A label and the remainder a C label.

Portfolio breakdown of energy labels by value



HNK DEN HAAG

Improving performance by better understanding what your clients want. Also in real estate the centre of attention shifts more and more from bricks to tenants. In the case of HNK The Hague it is all about how to bring the two closer together. Literally. NSI has connected two office buildings at one of its larger assets and, in doing so, has quite literally built a bridge between its conventional office space and the HNK flex office concept. With great success. HNK The Hague is now fully occupied after some years of vacancy. "It's buzzing here," said Paul Poort, HNK Manager of The Hague and other HNK assets.

This large 15,000 m² building consisting of three office towers is strategically located along the A4 motorway between Amsterdam and Rotterdam. In 2014, after two large tenants vacated the building, the ground floor and the first floor of the first and second tower were converted into an HNK. The managed offices (turnkey office spaces) quickly became a success. The presence of amenities such as good food and drink establis-hments and meeting rooms also attracted tenants to larger floorplates in the conventional spaces in the two towers which were indoor connected to the HNK club space. The third tower continued to struggle and remained vacant.

A blend of space and services

NSI used its HNK concept to respond to the trend for office space to be more service-oriented. Whereas it used to be that start-ups would occupy trendy, flexible office spaces, these days flexibility, service and the experience are the norm for nearly every office user. Large companies are also increasingly looking for a blend of space, services and the buzz of being located in a lively location. NSI caters to both of these wishes – wishes that can reinforce each other, which is something that NSI wants to do more in the future. "Tenants want to be taken care of, regardless of how small or big they are," Paul said.

> "Tenants are increasingly looking for a blend of space, services and the buzz of being located in a lively location"

INTERVIEW WITH

Paul Poort

HNK Manager of The Hague and other HNK assets

NSI has also brought the HNK and conventional rental concepts closer together. Where previously the larger floorplates were managed by another team, now one team is responsible for the entire building. As a result the same asset manager is responsible for both the HNK part and the conventional office spaces located on the upper floors, as well as for the entire HNK Management. In particular the services. “We now have every discipline combined in one team. This creates more cross-pollination and shorter lines,” Paul explained.

An investment that pays off

Robert Sparreboom, responsible for HNK within NSI and thus the overall performance of all HNK buildings including HNK The Hague, witnessed with concern that the third tower had been vacant for years. The HNK facilities located in the first and second tower were only accessible to the third tower from outside. “The team and I put our heads together to come up with a way to connect with the clubspace.” It sounds easy enough – creating a walkway and an open stairway that takes you to the social heart of HNK – but in reality it was extremely complex. “We did not want to cause any inconvenience to the existing tenants and had to maintain a balance between the general and commercial spaces to make it all profitable. And we wanted to pull HNK up a bit so that the entire space would really flow together,” Robbert continues. “We decided to add more Managed Offices, which are, due to the strong leasing performance of the team, are almost completely occupied by now.”

“The renovation has added much more than just a connection. The stairway is an architectural piece of art, the additional daylight created by adding windows provides a more spacious feeling, and we were able to add a rooftop terrace at the same time,” Paul said. It’s an investment that will pay off soon. “After these modifications we found a new large tenant, so now the entire building is occupied, which also translates into a higher value of the building,” Robert said.

Ultimately the success of the building lies in the services and experience it provides. As the manager of HNK The Hague Paul makes sure that he knows what is happening so that he can proactively take action. “The tenants here feel like they are seen. If we hear that they need something, we look into whether and how we can facilitate it. Like now we are working on giving a space a more ‘living room’ kind of feel. But I am also lobbying the city for a pedestrian crossing to make our building safer to access. This is our mindset: we make it as easy as we can for our tenants.”

A walkway was created to connect the third tower with the rest of the building and the HNK club space.

The open stairway leads to the social heart of the HNK club space.

BALANCE SHEET, NAV AND FINANCING

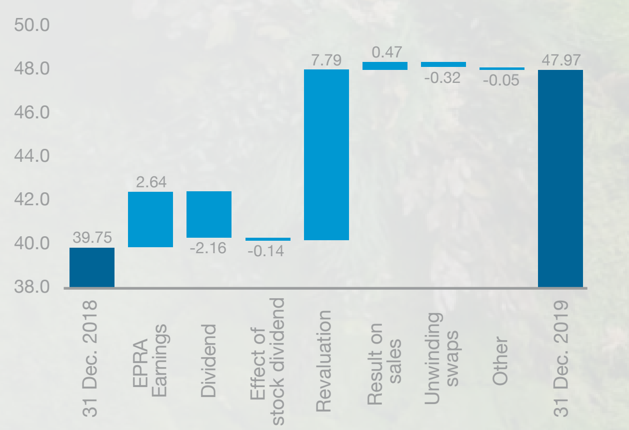
Balance sheet

At 31 December 2019 two office assets and one retail asset with a combined value of € 16 million are classified as held for sale.

Net asset value

The EPRA NAV at the end of December 2019 is € 907 million, an increase of 22.9% over the 12-month period (€ 738 million at year-end 2018). Due to a small rise in the number of shares following the issuance of stock dividend, the EPRA NAV per share increased by 20.7% from € 39.75 at the end of 2018 to € 47.97 at the end of 2019. The change in the NAV is explained in the following bridge.

EPRA NAV per share bridge



> “We have prepared the balance sheet to support our development pipeline and selective acquisitions.”

Alianne de Jong
CFO

The gap between EPRA NAV and EPRA NNNAV of € 0.57 per share reflects the negative fair value of derivatives and the market value of the debt.

The issue price of the stock dividend in May was € 39.20 on an ex-dividend basis, in line with the year-end 2018 NAV. The issue price of the stock dividend in August was € 42.64 on an ex-dividend basis, in line with the June 2019 NAV. The issuance of stock dividend has had a small negative impact of €0.14 per share on 2019 EPRA NAV.

Funding

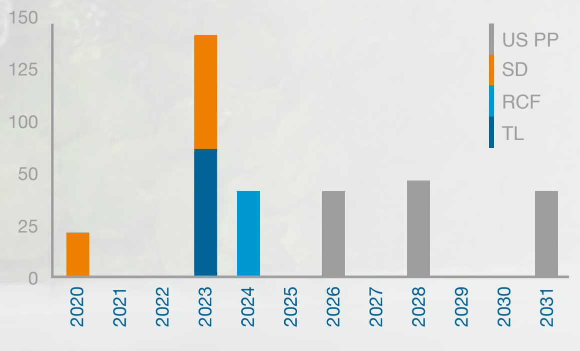
NSI refinanced most of its debt in 2018. The current treasury objectives are 1) to maintain sufficient flexibility and capacity in the debt structure to fund and de-risk both the development pipeline and potential acquisitions, 2) to take advantage of the current relatively flat interest curve by pushing out maturities and diversifying the maturity profile, and 3) to increase funding sources and diversify the investor base.

In line with the strategy, in April NSI agreed to extend the RCF by one year. As a result the € 300 million RCF, of which € 40 million was drawn by December 2019, is now set to mature in April 2024.

In August NSI issued € 40 million of 12-year unsecured notes to affiliates of Athene Asset Management, a subsidiary of Apollo Global Management. The notes are euro denominated and have a fixed coupon of 1.70%.

In December NSI repaid € 100 million of the Term Loan in order to diversify its funding sources and maturity profile, in line with treasury objectives.

Maturity profile of loans (€m million)



At 31 December 2019 the average loan maturity is 5.4 years (31 December 2018: 5.0 years). Of debt drawn 73% is unsecured (85% of available debt) and the cost of debt is 2.1%. The focus in 2020 will be to further extend maturities and further increase the funding diversification to reduce the reliance on bank financing and lower the risk of large maturities during the period of major development activity.

Net debt -2019 (€million)

	YE 19	YE 18	Δ
Debt outstanding	342.8	439.1	-96.3
Amortisation costs	-1.3	-1.4	0.0
Book value of debt	**341.5**	**437.7**	**-96.3**
Cash and cash equivalents	-1.4	-0.2	-1.2
Debts to credit institutions	12.6	10.5	2.1
Net debt	**352.6**	**447.9**	**-95.4**

Net debt is down by € 95.4 million in 2019. This is primarily driven by net disposals and retained earnings over the period. Taking into account debt to credit institutions our remaining committed undrawn credit facilities are circa € 250 million.

Leverage and hedging

The LTV is 27.4% at December 2019, down 9.5pp compared to December 2018 (36.9%). After the transfer of the assets held for sale the pro forma LTV will fall to 26.5%. As a result of lower financing costs the ICR increased to 6.8x at the end of December, well above the 2.0x covenant.

NSI is using swaps to hedge its interest rate risk on variable rate loans. The funds received from the issue of fixed rate notes, in combination with net disposal proceeds, were used to lower the RCF and Term loan, both of which have a variable rate. As a result the volume hedge ratio increased above NSI's internal limit of 100% in the 3rd quarter of 2019. To bring the volume hedge ratio below 100%, in September, € 127.5 million of swaps were broken at a cost of € 6.0 million. The maturity of derivatives and fixed rate debt is 5.2 years at 31 December 2019 and the maturity hedge is 98% (target range: 70-120%). The notional amount of swaps outstanding and fixed rate debt is € 343 million. The volume hedge at the end of the year is 100% (target range: 70-100%).

Covenants

	Covenant	YE 15	YE 16	YE 17	YE 18	YE 19
LTV	≤60%	43.3%	44.1%	36.9%	36.9%	27.4%
ICR	≥ 2.0x	3.2x	3.8x	4.7x	5.5x	6.8x

RISK MANAGEMENT AND INTERNAL CONTROL

The Management Board is responsible for the organisation, implementation and functioning of the internal risk management and control systems that are geared to NSI's business activities. NSI has an adequate risk management and internal control system in place. The Board is however aware that risk management and control systems cannot provide an absolute guarantee with respect to achieving the business objectives and preventing significant errors, losses, fraud or the violation of laws or regulations.

The scope of the Supervisory Board's supervision includes the design and operation of the internal risk management and control systems. The Audit Committee supports the Supervisory Board in the performance of this supervision. The Management Board and the Supervisory Board consider effective risk management to be a critical success factor whereby the 'tone at the top' is crucial.

Strategy

NSI has a long-term investment strategy for its real estate investments and monitors the risks associated with its investment policy. Control measures have been implemented with regard to this policy and the monitoring of the ensuing results and effects. A system safeguarding the policy, guidelines, reporting systems and segregation of duties has been set up and put into operation in order to execute these control measures. The organisational structure and corporate strategy are focused on maximising shareholder returns with a conservative risk appetite.

Risk acceptance and risk appetite

In general, the total risk appetite of NSI is low to medium, in line with the company's objective to generate consistent long-term results for its shareholders and other stakeholders such as its employees, tenants and suppliers.

NSI has a clear strategy aimed at pursuing growth within the Office and HNK segment within its target cities, with a well-defined asset strategy using clear acquisition and divestment criteria. In the past three years NSI sold most of its retail portfolio and office assets in non-core cities. In the coming years NSI plans to increase investments in the development of properties, which will lead to a change in its risk profile.

Inevitably, the implementation of the strategy involves incurring risks.

Within this framework NSI is prepared to accept risks associated with doing business in the currently changing property market environment in a responsible and well-considered way as well as in line with the interests of its stakeholders. Operational risks must be kept to a minimum, and NSI regularly reviews the effectiveness and efficiency of its operational processes for this purpose.

The risk appetite regarding financial risks is low. NSI's financial policy can be described as conservative, as evidenced by the conservative financing objectives stated in the strategy chapter. NSI's policy regarding the hedging of interest rate risk is defensive, resulting in no speculative positions. NSI has set specific hedging ratios to monitor this risk. With regard to the risks associated with its assets and cash flows, NSI aims to be insured in a conservative way and in line with market practice where possible and financially responsible.

The risk appetite in terms of compliance is zero, meaning that all laws and regulations must be adhered to. This is also a required basic principle linked to NSI's status as a Dutch REIT (fiscale beleggingsinstelling or FBI). NSI and its employees must act with integrity, honesty and in compliance with laws and regulations. NSI has also formulated clear principles for this which are laid down in various codes and regulations.

Risk and control framework

NSI has an adequate risk management and internal control system In place. An important element of the internal control system is a management structure that enables effective decision-making. Strict procedures are followed for the preparation of monthly, quarterly and annual reporting of results based on the company's accounting principles. Annual budgets and forecasts are prepared by the Management Board and approved and set by the Supervisory Board. Based on an integrated ERP system combined with a data warehouse, Business Intelligence tools and Excel applications, the internal management reporting system is designed to track developments in all relevant parts of the financial and operational results, as well as monitoring company performance using key performance indicators. A backup and recovery plan is in place, making use of external data centres, to ensure that data is not lost in the event of a calamity or cyberattack.

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, and monitors compliance with recommendations and follow-up action on comments made by the external auditor.

In the year under review all important decisions with regard to the acquisition, redevelopment and divestment of properties were discussed and assessed during regular meetings of the Real Estate Committee. Real estate acquisitions valued below € 3.5 million may be entered into by the Management Board without the prior approval of the Real Estate Committee. Approval of acquisitions valued at between € 3.5 million and € 7.5 million is delegated by the Supervisory Board to the Real Estate Committee, which consists of two members of the Supervisory Board with specific expertise in the field of real estate. Transactions valued above € 7.5 million need approval from the entire Supervisory Board after receiving the advice of the Real Estate Committee.

In the case of divestments in accordance with the asset plan and at a price no lower than 5% below the book value, these amounts are raised to € 10.0 million for the Management Board and € 20.0 million for the Real Estate Committee. For disposals above € 20.0 million approval is required from the entire Supervisory Board.

The NSI risk and control framework is based on the Enterprise Risk Management (ERM) model and the related COSO framework (developed by the Committee of Sponsoring Organizations of the Treadway Commission). The risk and control framework is assessed regularly in consultation with advisors and changes are made if required.

The full risk and control framework was reviewed in 2019. Based on this review the risks related to retail properties were removed from the framework due to the minimal risk exposure after the sale of most of the retail properties. Other risks have been redefined to better reflect the actual risk.

Risk assessment and monitoring

NSI measures and assesses risks using tools including scenario analysis models in which the impact of variables can be set. The outcome of these models results in more awareness of the sensitivity of our business model and strategy. In addition, budgets and forecasts are created several times a year based on the actual state of affairs in order to generate scenarios containing the most up-to-date information. Risks are hedged or minimised where possible. High-impact risks are risks that could have a material impact on NSI's income statement and/or the balance sheet, the company's financing covenants or its reputation. Low-impact risks have a limited impact on the company's results or financial position. Risks that have a medium impact could have a large enough impact to require an explanation should they occur, although not large enough to have a material impact on results. The probability of a risk occurring may be low but the possible impact may be high, as may be the case in the event of a large calamity. For this reason NSI attaches equal importance to risks that are less and more likely to occur. NSI monitors the high-impact risks more frequently. By monitoring throughout the year, NSI assesses whether the estimated impact of all identified risks is still in line with the actual situation.

Improvements in risk management and control systems in 2019

Automation and improvement of internal and external reporting

In 2019 NSI completed its asset rotation programme within the scope of its new strategy. The accuracy and flexibility of available financial and operational data is crucial when executing acquisition and divestment transactions.

In the past year we further improved the quality of data and information as well as the information requirements that apply to decision-making, for example by introducing additional analyses on different business parameters to gain in-depth information on the performance of our properties. The ERP system, which deals with the entire basic administration of both operational and financial information as well as the associated reporting, was further expanded with additional functionality for this reason.

Furthermore, additional steps were taken to further automate reporting processes to reduce sensitivity to human failure and increase reporting possibilities. NSI developed various new reports based on its data warehouse and improved already existing reports to be able to have ad hoc information and instantly perform detailed analysis on specific aspects of the business, such as the performance of the different business segments or individual properties.

Part of the strategy also pertains to the commercial process which has been further supported by the introduction of a CRM system. In 2019 NSI concluded the second phase of the implementation.

Data integrity and cyber security

The digital risks associated with data integrity and data security changed significantly in the past few years. NSI has not suffered any damage to date but preventing incidents is an important area of attention for the company. Management closely monitors developments in the field of information security and adjusts internal procedures if and when necessary.

The company is aware of increasing cybersecurity and privacy risks. Accordingly, NSI's most important software suppliers must have relevant ISAE 3402 or SOC 1, 2 or 3 certification.

In 2018 NSI performed a cybersecurity self-assessment which still serves as a reference point. In addition to this self-assessment a third party performed a penetration test on the IT network and IT landscape of NSI in 2019. Based on the findings from this test, in some cases NSI sharpened or changed specific measures to further secure data integrity. This will be a continuous process going forward. Examples of the changes include an improved password policy for all users and extra security in the area of Internet ports. In addition extra email security software has been installed to stop and actively report spam and phishing emails. As part of this programme another third party performed unannounced phishing events as a learning tool. At the end of 2019 an information security programme was launched to create awareness within the organisation. In addition NSI has started to devise a security policy focused on crucial data from a business perspective within the organisation. This policy will pursue the following steps: first determining the most crucial data and then classifying, localising and securing it.

Internal audit

The company has not appointed an internal auditor as specified in best practice provision 1.3.1, of the Dutch Corporate Governance Code.

In 2019 an internal audit plan was drawn up for the 2019-2021 period. NSI appointed a third party for a three-year period to assist (co-sourcing) in fulfilling the internal audit function.
The plan is based on a high-level risk assessment of NSI's primary and supporting processes. The applicable risk factors are based on qualitative factors such as sensitivity to fraud, manual input, nature of the process, possible impact and number of transactions. This audit plan was discussed with and approved by the Audit Committee.

During the three-year period all processes will be reviewed by the external party and the effectiveness of the internal controls will be assessed. Based on the outcome an action plan will be made to make any necessary adjustments or improvements to the internal control procedures. Follow-up audits will be performed on an annual basis to review whether management actions were indeed taken in the previous year.

In 2019 the acquisition and disposal process (full-scope audit) and the technical property management and accounts receivable processes (limited scope) were reviewed. Overall, no significant findings were found in the audit of the design and operation of the internal controls of these processes. Furthermore, a review of fraud risks in relation to the above mentioned processes was performed. Also no significant findings came out of the review.The results and findings of the audit were discussed with the Audit Committee, after which the outcome was assessed and shared with the external auditor.

Integrity code and rules

In December 2018 the existing Code of Conduct was updated. The code of conduct is based on the model Code of Conduct published by the IVBN (the Dutch Association of Institutional Property Investors in the Netherlands). All new employees receive the Code of Conduct and have to agree to adhere to it.

Also in 2019, NSI continued the program to increase awareness for fraud risks and the measures taken already by the company, based on the IVBN publication "Beheersing van fraude risico's in de institutionele vastgoedsector". Meetings have beenheld with the heads of staff in the course of Q4 2018 and 2019. Furthermore, in December a workshop on integrity was held by an external party for all employees.

The conclusion can be drawn that NSI is actively managing and regularly reviewing the risks inherent in its business activities and adjusting the relevant processes and procedures to the organisational and strategic changes within the company.

STRATEGIC AND BUSINESS RISK

Appetite:	NSI aims to establish asset clusters near transport hubs in growth locations. NSI is prepared to take risks to achieve this goal and applies clear acquisition and divestment criteria in line with the interests of its shareholders and other stakeholders.

Risk category	Description of risk	Mitigating measure	Assessment	
			Impact	Probability
Macroeconomic environment Executive responsible: *Bernd Stahli*	Economic and political uncertainty could lead to a reduction in tenant demand, impacting property valuations, and could result in a reduction in activity in the transaction market, impacting our ability to acquire, sell or develop assets.	NSI invests only in the Netherlands, which historically has been politically and economically stable. And within the Netherlands NSI invests mostly in the G5 cities of Amsterdam, Utrecht, Rotterdam, The Hague and Eindhoven. These cities are perceived to be the most robust in terms of economic outlook and tenant demand, and generally have the best levels of transparency and liquidity in the transaction market.	**Medium**	**Medium**
Market value of properties / valuation Executive responsible: *Alianne de Jong*	The market value of properties is fundamental to an asset-rich business like NSI, in particular in the calculation of NAV. There is an inherent risk that the properties in the portfolio are incorrectly valued, which may result in misstated indirect results, reputational damage and the potential for claims due to false expectations being generated among stakeholders.	The NSI property portfolio is externally appraised twice a year (on 30 June and 31 December) in line with the RICS valuation standards. NSI only uses a select number of reputable valuers to appraise its assets. NSI focuses predominantly on high-quality properties in the G5, which are the most liquid markets, so that relevant and up-to-date comparable transaction information generally exists. NSI also ensures it has its internal asset information up to date so that all the relevant data is available to support the valuation process.	**Medium**	**Medium**
Structural changes in demand for office space Executive responsible: *Anne de Jong*	Businesses increasingly see the workplace environment as the key to attracting and retaining talent. Working arrangements are therefore rapidly changing, with businesses requiring more flexibility and services, driven by technological change, automation, changing lifestyles and to a lesser extent cost efficiency. Furthermore continued urbanisation will see future tenant demand structurally concentrated in fewer locations. Not being able to meet this demand may result in structurally high vacancy levels, resulting in lower financial results and lower valuations of NSI's properties.	NSI is focusing on larger, high-quality properties near transport hubs in selective economic growth locations. We believe this is where our potential clients can find the relevant talent to run their businesses and where the location and size of the properties will enable NSI to provide relevant services profitably. NSI also responds to the need for flexibility and services with its in-house HNK flex-office concept. In order to retain clients and accommodate future client demand, NSI is constantly looking to add property assets in the right locations and to improve its service levels.	**Medium**	**Medium**
Cost of capital Executive responsible: *Bernd Stahli*	Any listed company, particularly in real estate, is to a certain extent dependent on its shareholders to provide it with an attractive cost of capital. There is a risk that elements of the business are deemed structurally unattractive to potential investors, resulting in a structurally relatively high overall cost of capital, which could impair the ability of the business to operate efficiently or profitably.	NSI is concentrating its activities which allows it to operate relatively cost efficiently. NSI aims to offer a stable dividend while acquiring high-quality assets, value add opportunities and a pipeline of profitable development and redevelopment opportunities to drive internal growth and lower its cost of capital.	**High**	**Medium**
Concentration Executive responsible: *Anne de Jong*	A concentration of assets can result in a high correlation between the performance of assets and therefore have a significantly adverse impact on the business in the case of certain unforeseen events.	NSI takes the view that it is better to be good in a few things than average in many. There is, however, still room for diversification as the business is focused on multiple locations in the G5 markets, with each micro-location only making up a relatively small percentage of the total property portfolio.	**Low**	**Low**

Risk category	Description of risk	Mitigating measure	Assessment	
			Impact	Probability
Competition Executive responsible: *Anne de Jong*	By focusing on selective high-demand economic growth markets there is a risk that other investors recognise the same attractiveness of these locations and that competition for assets can be fierce.	NSI has built up an extensive local network in the industry and is therefore able to identify and respond to market opportunities effectively. NSI has strict acquisition and investment criteria, allowing it to act in a disciplined way and consistent with its strategic objectives. If the right properties (in terms of location and return prospects) are not available, NSI will decide against purchasing new properties. Furthermore, NSI always aims to have timely access to (sufficient) funds to take on new investment opportunities.	Low	High

OPERATIONAL RISK

Appetite: NSI actively manages its real estate portfolio, driving returns for shareholders through income generation and the pursuit of long-term added value. This is done by combining a stable pool of income-generating assets with asset rotation and the acquisition of potential development and redevelopment opportunities that provide growth. This implies an average risk appetite.

Risk category	Description of risk	Mitigating measure	Assessment	
			Impact	Probability
Quality of employees Executive responsible: *Bernd Stahli*	An active real estate company relies on highly skilled employees to execute its strategic objectives. The risk is that NSI is unable to attract and retain talent due to tightness in the labour market or other shortages of qualified employees.	NSI is investing in its people and team, offering career development through training programmes, providing regular feedback on performance, and offering competitive levels of remuneration. Furthermore, NSI has a trainee programme in place to allow recently graduated high potentials to build up the skill set needed to work in a highly competitive environment.	Medium	Medium
Transaction with fraudulent parties Executive responsible: *Bernd Stahli*	The risk of NSI doing business with parties that are found to not operate in good faith, to be fraudulent or to have a bad reputation. It also concerns the risk of our employees being part of a fraudulent transaction. Both risks can have a negative impact on the results and reputation of NSI.	NSI only wishes to do business with parties of good standing and reputation. A KYC check is a fixed element in the due diligence process for acquisitions and divestments, as well as for new lease contracts. NSI has a Code of Conduct is signed by each individual employee. Furthermore NSI has a whistleblower policy to enable employees to report any activity perceived to be dishonest or illegal.	High	Low
Execution Executive responsible: *Anne de Jong*	This risk relates to changes in the timeline of our development and redevelopment projects due to unexpected circumstances during execution (e.g. timing and planning, scarcity of materials, environmental issues in relation to climate change or lack of other resources) which could lead to extra costs, lower results, higher vacancy and reputational damage.	Before any development or redevelopment project is started, all potential risks are identified and assessed and - where possible - quantified in a risk budget. Projects only receive the go-ahead if the return prospects overcome this hurdle rate, taking into account all costs and the risk budget.	Medium	Medium
Maintenance Executive responsible: *Anne de Jong*	Real estate requires regular maintenance and needs to be kept up to modern standards to remain attractive for potential tenants or buyers. There is a trade-off between delaying maintenance to drive short-term profits and creating long-term value at a short-term cost to results, with the risk of necessary maintenance being delayed.	NSI runs a multi-year maintenance schedule for all assets. This is based on the input of tenants, suppliers, inspections (by third parties) and NSI's own technical department, taking into account the company's sustainability ambitions. A minimum precondition is that all properties have to comply with all prevailing laws and regulations. NSI only uses suppliers with a good reputation in order to safeguard the quality and reliability of the building works.	Low	Low

Risk category	Description of risk	Mitigating measure	Assessment	
			Impact	Probability
Tenant satisfaction / occupancy Executive responsible: *Anne de Jong*	The risk that rental income is discontinued as a result of tenants not extending their contracts upon expiry, thus increasing vacancy rates.	To mitigate the risk of vacancy NSI pursues a multi-tenant strategy. A screening of prospective tenants aimed at securing long-term contracts and a staggering of lease maturities also reduces vacancy risks. NSI actively engages with its clients and anticipates maturing lease contracts in a timely manner, whilst regularly monitoring tenant satisfaction. NSI invests in its assets and services in order to attract, retain and satisfy clients.	**Medium**	**Low**
Data integrity and cyber security Executive responsible: *Alianne de Jong*	Professionally managing and controlling risks associated with safeguarding the continuity, availability, functioning and security (including compliance with prevailing privacy legislation) of the internal IT infrastructure and applications is of vital importance to NSI. The implication of not fully controlling IT risks (such as disruptions due to cybercrime) is not being able to report internally or externally in a timely or correct way, which in turn may have a negative impact on the decision-making process. This can result in systems supporting the primary business processes not being available and lead to the loss of relevant information or unauthorised access to information by third parties, with damage to reputation and image as a consequence.	NSI invests in further digitising its corporate processes, focusing extensively on transparency and the security of its data and other information, and is advised by external parties. Professionally managing and controlling the risks associated with safeguarding the continuity, availability, functioning and information security of the internal IT infrastructure and applications is of vital importance to NSI. Internal processes and procedures have been set up which are firstly aimed at preventing calamities. Regular checks of the processes and procedures by internal and external experts ensure constant improvement and reduce the probability of calamities. In the unlikely event of a calamity, there are procedures in place outlining regularly tested fall-back and recovery scenarios, thus minimising the impact.	**Medium**	**Medium**
Calamities Executive responsible: *Anne de Jong*	The risk of a calamity, e.g. risks related to climate change, that give rise to extensive damage to one or more properties or to personal injury of people in the property, resulting in the potential loss of rental income, a lower direct and indirect result, and/or claims and legal proceedings by tenants.	NSI is insured against damage to its real estate, liability and loss of rent during periods of reconstruction and rental lease terms common in the industry. Cover against terrorism, floods and earthquakes is limited due to current risk appetite of insurance companies. The cover of risks is compared to the premium cost on an annual basis. Local insurance policies on a property are covered by an overall uniform umbrella insurance policy.	**Medium**	**Low**

COMPLIANCE RISK

Appetite:	NSI strives to fully comply with laws and regulations, meaning that the risk appetite is zero.

Risk category	Description of risk	Mitigating measure	Assessment	
			Impact	Probability
Integrity code and rules Executive responsible: *Bernd Stahli*	Unethical behaviour and breaches of applicable legislation and regulations may result in reputational damage, claims and legal proceedings, leading to higher costs and a lower result.	NSI has a general Code of Conduct and related regulations in place. NSI complies with the Dutch Corporate Governance Code and the Financial Supervision Act (or Wft). The Internal codes are updated regularly in line with new legislation or other relevant changes in the marketplace. All employees are regularly trained in the applicable rules, including the Code of Conduct, the Compliance Code, the regulations applying to the Management Board and the regulations applying to the Supervisory Board and its committees. Procedures have been set up to ensure compliance, including signing an attestation by all employees on an annual basis.	**Medium**	**Low**

Risk category	Description of risk	Mitigating measure	Assessment	
			Impact	Probability
Sustainability / health & safety legislation Executive responsible: *Anne de Jong*	The risk that the portfolio does not comply with prevailing laws and regulations in the field of sustainability and health & safety.	NSI is constantly monitoring the status of its current property portfolio with respect to new and existing codes and rules in the field of sustainability and health & safety, for example the Dutch Energy Agreement of 2016.	**Medium**	**Medium**
	This could result in a situation in which properties can no longer be used (occupied) and/or fines are imposed resulting in a negative impact on the value and marketability of the real estate properties. It could also result in reputational damage.	In the case of new acquisitions or developments, the due diligence process also includes an assessment of whether the asset complies with all the relevant codes and rules.		
		NSI includes a standard provision in its lease contracts that tenants must obtain the owner's approval before embarking on renovations (for reasons including an assessment of fire safety). Lease contracts also stipulate that the tenant is responsible for any consequences of these renovation works.		
Tax Executive responsible: *Alianne de Jong*	NSI has the status of a Dutch REIT (known as an FBI in the Netherlands) in accordance with section 28 of the Dutch Corporate Income Tax Act 1969 (Wet op de Vennootschapsbelasting 1969). This means that NSI is not subject to corporate income tax in the Netherlands, provided that certain conditions are met. Failure to meet these conditions or a material change in the FBI regime could have a significant adverse effect on NSI, its results or financial position.	Retaining the FBI status is an ongoing area of attention for the Management Board. NSI constantly monitors the main risks relating to its tax position, including the distribution requirement for taxable income, the composition of the shareholder base and the debt financing limits. In addition there are legal restrictions on the activities that may be undertaken by an FBI, gauged via a so-called 'activities test'.	**Medium / high**	**Low**
	In 2021 the Dutch Ministry of Finance will announce the results of an evaluation of the FBI regime.	The ability to perform real estate associated activities has been incorporated in Dutch law since 1 January 2015. As there is no Dutch case law on the subject, NSI is in regular discussions with the Dutch tax authorities to make sure it complies with the law, in particular where it relates to HNK and project development.		
		NSI is responsible for internal knowledge sharing with regard to ever-changing tax regulations in order to ensure employee awareness, enabling staff to identify relevant signals and gain the necessary advice. This prevents NSI from being exposed to the risk of non-compliance with tax legislation.		

FINANCIAL RISK

Appetite:	NSI has a conservative financial policy, meaning that the risk appetite is low.

Risk category	Description of risk	Mitigating measure	Assessment	
			Impact	Probability
Reporting *Executive responsible: Alianne de Jong*	Reporting risk relates to the impact of incorrect, incomplete or untimely information on internal decision-making processes or those of external parties (including shareholders, banks and regulators) which may result in reputational damage and potential claims due to misleading statements to stakeholders.	NSI prepares and monitors a budget, investment budget and liquidity forecast, all of which are compared and updated with actual results in quarterly reports. These reports are reviewed by management, Finance and operational teams. Systems have been devised in such a way that checks can be performed on the data to safeguard the consistency and reliability of information.	**Low**	**Low**
		The half-year results are assessed by an external auditor in advance. The full annual accounts are audited by the independent auditor.		
		NSI employees regularly attend courses and meetings to be informed of all relevant laws and regulations so that all information produced by NSI complies with such laws and regulations.		

Risk category	Description of risk	Mitigating measure	Assessment	
			Impact	Probability
Liquidity Executive responsible: *Alianne de Jong*	Debt financing carries refinancing risks. The risk is that there is insufficient liquidity in place to meet the company's obligations at the moment of interest payment or repayment, meaning that the company suffers reputational damage or is subject to potential additional financing costs, which may lead to a lower direct result. In the worst case, such a situation may lead to defaulting on one or more loans, or bankruptcy of the company.	To limit liquidity risk, NSI has a strategy to diversify its external financing in terms of the types of loan and lender, the maturity profile of loans and the repayment dates. NSI also has access to a flexible revolving credit facility (under which penalty-free redemption and drawdown of funds to agreed amounts are permitted). NSI addresses upcoming financing and refinancing maturities at a very early stage in order to decrease the associated financing risk and maintains a good and transparent working relationship with its financiers. NSI uses scenario analyses to closely monitor its performance and financial indicators in relation to its financial and non-financial covenants. It reports on the latter by means of compliance certificates. In extreme cases additional equity may be issued to deal with impending liquidity issues.	**Medium / high**	**Low**
Interest rate volatility Executive responsible: *Alianne de Jong*	Interest rate risks result from fluctuations in market interest rates. These fluctuations could potentially affect the interest expense in NSI's financial reports and the market value of its derivative financial instruments.	As a long-term investor in real estate, NSI aims to secure debt financing on similarly long maturities. NSI uses hedging instruments to manage the interest rate risks on variable rate debt. NSI does not speculate on interest rates.	**Medium**	**Medium**
Credit/counterparty Executive responsible: *Alianne de Jong*	Credit/counterparty risk exists when parties which have a debt to NSI are unable to meet their obligations to the company.	NSI performs a creditworthiness check for every tenant before entering into a lease. NSI proactively monitors its existing tenants to assess whether changing circumstances have an impact on them. NSI proactively manages its debtor open items relating to tenants. In the case of financial counterparties for its hedging instruments, NSI only works with reputable financial institutions.	**Low**	**Low**

International Financial Reporting Standards (IFRS)

In accordance with European and Dutch laws and regulations NSI has prepared its financial statements for the 2019 financial year based on EU-IFRS. The EU-IFRS result after tax includes unrealised movements in the value of real estate as well as changes in the fair value of derivatives.

NSI has decided to continue to report both its direct and indirect investment results in addition to its EU-IFRS result as it believes that these figures provide an important distinction.

In the view of the Management Board the direct investment result is relevant information for investors and shareholders as it provides a better insight into structural, underlying results than the EU-IFRS result which also includes unrealised movements. Furthermore, NSI reports figures and indicators based on the guidelines published by the European Public Real Estate Association (EPRA). These results are included in the overview that is not a part of the EU-IFRS statements.

Statements

In Control statement

In the context of the Dutch Financial Supervision Act *(Wet op het financieel toezicht or Wft)* and the Decree on Conduct of Business Supervision of Financial Undertakings under the Wft (*Besluit gedragstoezicht financiële ondernemingen Wft)*, 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 2019 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 2019. The company declares with a reasonable degree of certainty that the conduct of business has been effective and in accordance with the description.

With a view to facilitating the change process initiated within the company in the course of 2018 and continuing in 2019, additional investments were made in broadening the management information systems, for example through implementation projects to add a CRM system and data warehouse application.
The organisation is focused on further digitalising, automating and streamlining its processes in order to increase efficiency and scalability and further reduce operational costs in a controllable manner.

No significant changes to the structure of NSI's administrative organisation and internal controls are expected for the 2020 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 calamity, collusion and the like. Although risk management and internal control systems reduce 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 in place for financial reporting provide a reasonable degree of certainty that the company's financial statements for 2019, as included in this Annual Report, do not contain any material errors, and 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 2020.

Declaration of the Management Board

With reference to the EU Transparency Directive and Dutch Financial Supervision Act *(Wet op het financieel toezicht or Wft)*, the Management Board declares that to the best of its knowledge:

- the consolidated financial statements for the year ended 31 December 2019 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 subsidiaries during the financial year;
- based on the current situation it is justified that the annual report and the consolidated financial statements for the year 2019 have been prepared based on the principles of going concern; 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.

THE POWER OF DATA

The transition that NSI's portfolio has gone through since the new strategy was launched is thanks not least to the ability to unlock relevant data in a more efficient way. This data is then the basis for better reporting and investment decisions and therefore also the source of management information that ensures that the portfolio is managed in the best possible way. NSI continues to invest in information technology in order to improve the performance of its portfolio and organisation. The next step is to enrich data with external sources and to inform tenants in an active, data-driven way.

Culture as a game changer

Systems analyst Boyke Ramdat and Controller Marcel Kruit joined NSI in 2016, just before the new strategy was launched. That was a good time to join. To be able to take a good hard look at the portfolio there had to be more insight into it. This need acted as a catalyst to restructure the processes and systems. “All financial and operational data had to be combined to be able to make a correct analysis. In the past these were often separate streams of information in multiple systems owned by different teams. A lot of the data was entered manually, making the process both prone to error and time-consuming,” Boyke explained.

A new data warehouse emerged and a new business intelligence system was implemented, the data for which is centrally provided by the ERP system. This is crucial as an enabler but still not the biggest game changer, Marcel said, adding: “That was the cultural change that resulted in much more cooperation. In the past Finance was relatively far removed from the operations. Now we are working in a much more multi-disciplined way.” “And everything was reviewed – from process to system – to determine if we were doing the right things in the best way. This gave everyone both room and responsibility, and that greatly increased the will to change,” Boyke explained.

Real time insight for everyone

A lot of attention was focused on what the business really needed. “It was important for the systems to be supported,” Boyke said. Workflows were automated as much as possible, which cut back on the administrative burden and improved efficiency, an important step forward in using the customer relationship management (CRM) system more effectively. “Asset managers now have a real-time overview of the available square metres. And a lease can be generated on the spot, automatically, quickly and error-free. That process used to have to go through various chains of people and systems.”

Data is now not only more stable and reliable but also accessible and available to everyone at any given time. “The biggest benefit has been that we have automated the conversion from data to information. An asset manager can scroll through the portfolio, make analyses and print out reports at any given time,” Boyke explained. As a result Boyke and Marcel can now be more like business partners. “Our added value is now much more in the field of analysis. When it comes to specific information needs in exceptional situations, but also for strategic planning and improving the predictability of our real estate portfolio. It is, however, the case that the more information becomes available, the more questions that arise – questions that are often more detailed. So we are constantly developing and that just makes our work even more fun and challenging!” Marcel said.

“It is not only the Asset Management team that is benefiting from this digital unlocking of information,” Marcel added. “Our external and internal financial reports are fully automated. In the past the accounts were manually processed in Excel. These days they are fully automated. That means that the figures can be processed much quicker and that the chance of error is much lower.” When NSI closes its books at the end of the quarter the figures are available the next morning. All the tables that are published in internal and external reports and presentations are automatically generated. “So now we can report two weeks sooner than we did in the past,” he continued. That’s a difference of eight weeks a year in a process that involves many people. “Now all these people can focus on other things than reporting for those eight weeks a year. That means not being distracted by the past but working on the future,” Marcel said.

Always developing

Optimising our financial and operational reporting is an ongoing development. With NSI now entering a new phase with development as a new activity, a new need for information has been created. “Because we operate close to the business, we and the development team are entering the stage of determining what information is needed and desired, Boyke said.”

Another development is the need for more information about sustainability performance. In 2019 NSI took its first step to inform tenants about sustainability. With the help of information screens and login portals tenants can gain an insight into their energy usage. More information and increased awareness will enable them to make more conscious choices and engage them more in NSI’s sustainability strategy. This development goes hand in hand with the up-and-coming trend that tenants are able to manage their own energy usage, for instance by arranging the temperature and lighting.

NSI is still at the start of this development. The further deployment of sensor technology and other advancements provides a wealth of opportunities that can benefit both tenants and NSI. This development provides information about how a space functions and can be used. “This kind of information can also help benchmark why one building in the portfolio is more successful than another,” Marcel noted. “To take the next step we have to work together closely with our technical and asset management colleagues. That will be a fun next step in our multi-disciplined way of working,” Boyke concluded.

INTERVIEW WITH

Boyke Ramdat
Systems analyst at NSI

Marcel Kruit
Controller at NSI

“The cultural change resulted in much more cooperation.”

PERSONNEL & ORGANISATION

Building further on the new organisation

The organisational structure of NSI is characterised by decentralised responsibilities, allowing the organisation to operate efficiently and empowering individuals to develop in their role, supported by a robust IT infrastructure and effective management information systems.

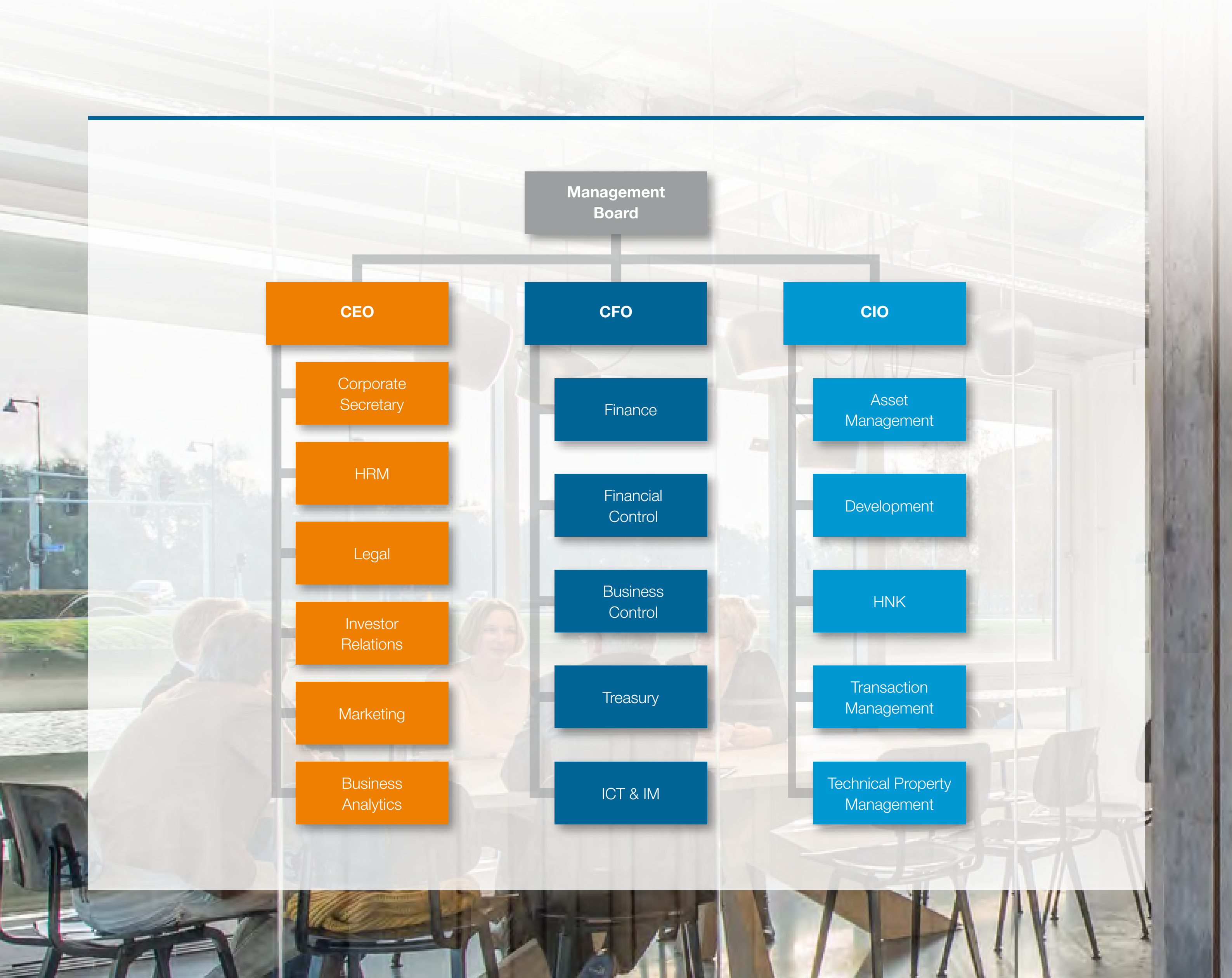
After putting in place an almost entirely new organisation with a new culture and identity in recent years, the headcount had been reduced to 47 at 31 December 2019 from 81 employees at the start of 2016 when of the transformation began to align the organisation with the more focused strategy. The last step in the organisational transformation involving the outsourcing of the day-to-day technical management took place in 2019.

In 2018 Development was added as a new discipline within the organisation and a Development team is now being built. The search for a Head of Development has commenced and further capacity to the wider NSI team will be added if and when appropriate.

Marketing is another new role that was added to the organisation in 2019, to ensure a more proactive representation of our company and real eatate portfolio, and to articulate our value-creating strategy more actively in our corporate communications.

Organisational structure

For the legal structure please refer to 'the principles of consolidation' on page 81:



As of 1 May 2020 the organisational structure will be changed to reflect the new phase the company is entering now that the asset rotation programme is completed. The organisation will be headed by a two-man board, consisting of the CEO and CFO, which is supported by a management team. In this new structure, the current CIO responsibilities will be divided between the CEO and CFO; Development will report to the CFO, while the other activities will report to the CEO.

Organisational culture

NSI has an open and inclusive culture in which diversity is considered to be an added value.

NSI aims to be a transparent, disciplined, responsible organisation that thinks in terms of opportunities. Furthermore we like to keep it simple and we are here to stay. We have clearly defined the meaning of our core values, as can be found in the text box on the right.

With its defined core values NSI aims to realise the full potential of its employees, the investments of its shareholders and the assets that it acquires and operates. NSI incorporates these core values into its organisation and processes by hiring the best talent and by holding itself to the highest standards in an atmosphere of dedicated hard work, team spirit and fun.

Safeguarding the corporate culture has the ongoing attention of management and is consistently a significant point of attention in internal meetings.

Living up to core values is part of NSI's assessment and appraisal methodology and is discussed in regular and year-end reviews. NSI encourages its employees to give feedback and urges the whole organisation to actively contribute to our ambition of becoming the leading office property specialist in the Netherlands.

NSI has an onboarding programme in place to acquaint new hires with the company's cultural values. Moreover, preserving the company's values is part of the annual team-building and training programmes. Specific training on business ethics was organised in 2019.

Each year NSI invites all employees to a two-day team-building programme combining knowledge sharing, social activities and a property tour.

Healthy workplace

The health and well-being of its employees (and tenants) is an important pillar of NSI's sustainability strategy. NSI aims to create a healthy, inspiring and flexible working environment to ensure the well-being of its employees. The sickness rate at NSI increased to 3.3% in 2019 (2018: 1.2%) due to a few cases of long-term illness.

NSI's efforts and ambitions in this respect are reported in more detail in the ESG chapter on page 45.

NSI CULTURE AND MINDSET

NSI is a progressive Dutch real estate company always on the look-out for opportunities in a competitive and changing environment. We embrace change because our strong culture and core values provide us with a stable foundation that instils confidence in the future.

We are transparent

We recognise that mutual trust can only really exist in an environment of openness, clear communication and consistent actions. Our success as a long-term investor hinges on us gaining and maintaining the trust of all stakeholders and we constantly focus on this.

We are disciplined

Our internal and external procedures are befitting of a small and flexible organisation. The procedures provide clarity on how we act and operate. We only make promises we can keep.

We take responsibility

Our intrinsic motivation at NSI is to always do the right thing. We recognise and fully embrace the high level of responsibility that rests upon our shoulders as a publicly-listed company. As employees we are fully aware of the need to support our customers, colleagues and other stakeholders and we treat them with the utmost respect. We acknowledge and correct any mistakes we make and we learn from them.

We think in terms of opportunities

We have a positive mindset and are always seeking solutions and new opportunities. This makes us versatile and enables us to add value for our customers, whilst we continue to develop ourselves. We will always address the risks associated with an opportunity to come up with well-considered solutions.

We like to keep it simple

Complexity often confuses, creates uncertainty, a fuzzy demarcation of responsibilities and generally results in slowdowns and delays which in turn lead to inefficiency and high costs. We take decisions after thorough and substantiated deliberation, making sure our choice of structure, process and responsibilities are as clear and concise as possible for us and our stakeholders.

We are here to stay

Our focus at NSI is on sustainability and the long term, both when it comes to the relationship with our customer, the perspective of the building, the location and the ever changing needs of users, and, but also with regard to the structure of our organisation and the interests of our shareholders. We are fully aware of short-term interests but will always favour the long term.

Employee satisfaction

Employee satisfaction surveys are a strong tool used to track the actual and perceived well-being of employees. An employee satisfaction survey was held for the first time in 2018 and again in 2019, with a response rate of 93.6%. The survey revealed that employees were generally very satisfied with the company culture and employment conditions, and that they have confidence in the organisation and its directors.

In 2019, the organisation worked on areas of which the 2018 survey indicated room for improvement, including more attention for personal development plans and general improvements in collaboration processes and tools.

Training and development

With responsibility as one of our core values, it is important that we provide all our employees with ample training and development opportunities. We encourage employees to undertake externally recognised courses by granting annual individual training budgets as part of our strong commitment to attracting and retaining the very best talent, making NSI a great place to work.

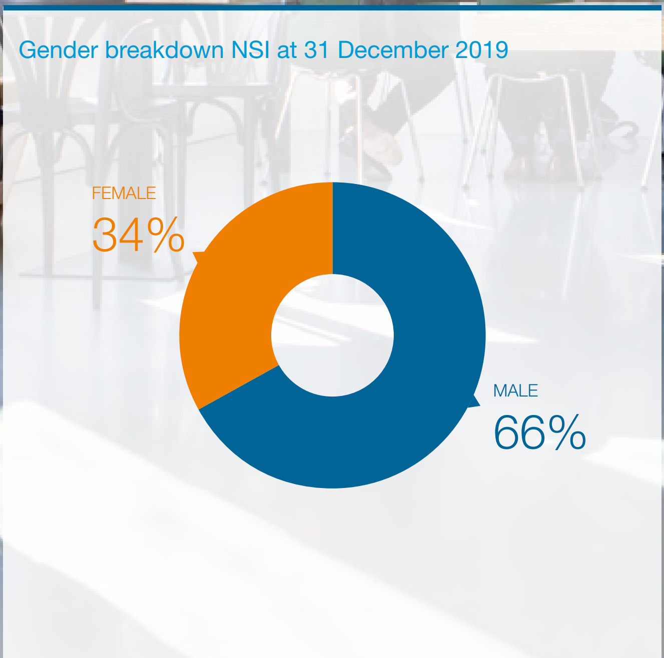
The Head of HR engages with each individual employee to discuss their envisioned personal development plan and ambition level.

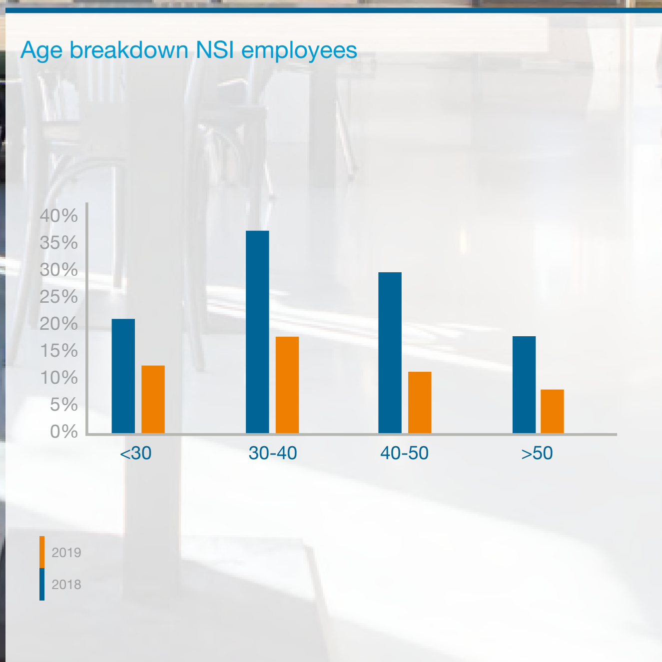
Furthermore we encourage knowledge sharing through expert sessions hosted by both internal and external specialists, as well as collaborative working practices.

NSI has launched a leadership programme to support and challenge senior management in their professional and personal development. This ‘Lead with Purpose’ programme, focused on leading both yourself and others, also serves as a catalyst for team building.

In 2019, the first participants in NSI’s Young Talent Programme completed their traineeship and a new cycle started in 2019, with 3 young professionals being recruited. The two-year programme is geared at providing a broad range of experience through job rotation in different areas (finance, transaction management and asset management) in a challenging environment in which young professionals can make an impact and take responsibility from the start.

Employee statistics (at 31 December)	2017	2018	2019
Number of FTEs	52	44	45
Permanent contract (% of total)	82%	91%	91%
Part time FTEs (as % of total)	29%	22%	21%
Sickness rate	2.2%	1.2%	3.3%





ENVIRONMENTAL, SOCIAL & GOVERNANCE PERFORMANCE

Sustainability is an integral part of NSI's value creation strategy. At NSI we recognise that there is a finite stock of natural resources that should be available for generations to come. Preservation and considerate use of resources is key to how we run our business.

Moreover, with climate change expected to have an increasing impact in the medium- and long term, we need to develop a view on how this would affect our portfolio with regard to mitigation strategies and the proper disclosure of these risks.

NSI has performed a risk assessment of its real estate portfolio, focusing on what are considered to be the most apparent climate change risks in the Netherlands: waterlogging, flooding, drought and heat. The main conclusions of this risk assessment are outlined in this chapter.

We are intrinsically motivated to have a real, durable impact on our environment and our clients by focussing on minimising our carbon footprint, offering future-proof buildings and create healthy, inspiring and flexible working environments for our clients.

We are pragmatic in our approach to all of the above and are setting ambitious, yet realistic, targets.

OUR MATERIALITY MATRIX AND ESG STRATEGY

Materiality matrix

Following a review of sector-wide best practices, a detailed consultation with external experts, a full peer group analysis and discussions with our shareholders and employees we have identified what matters most to us as a business, to our employees and to our stakeholders.

Views and insights derived from these sessions were used as input for NSI's sustainability materiality assessment, as established in late 2018.

As part of our continuous stakeholder dialogue and engagement, we had several engagement meetings with our board and our shareholders specifically on ESG as well as GRESB reporting in 2019.

The feedback collected during these meetings confirmed that our materiality matrix, as outlined below, was still valid and was supportive to our ESG strategy.

Sustainable development goals

The following SDGs are currently most relevant to our ESG programme, and reflected in our overarching priorities:

OUR AMBITION LEVEL

Similar to our corporate strategy, our ESG strategy is built around three focus areas, which address the most relevant environmental and social trends to create value for our stakeholders; Future-proof buildings, Energy & Carbon and Health & Well-being.

AMBITION

Minimize our carbon footprint and become carbon neutral by 2035
Facilitate our tenants with healthy and future-proof investments
Ensure a healthy way of working for our employees

FUTURE-PROOF BUILDINGS	ENERGY & CARBON	HEALTH & WELL-BEING

PROGRESS IN 2019

Future-proof Building

PROGRESS SCALE

STARTED ON TRACK ACHIEVED ONGOING

FUTURE-PROOF BUILDINGS

FLEXIBLE BUILDING DESIGN	SUSTAINABILITY AS AN INTEGRAL PART OF INVESTMENT DECISIONS	SUSTAINABILITY INNOVATIONS	CERTIFICATIONS	PROMOTE SUSTAINABLE USE

Expanding the total lifespan of assets by developing and redeveloping future-proof buildings has been identified as a key element in driving long-term ESG performance. Future-proof buildings are buildings that are adaptive and innovative by nature – buildings that anticipate market trends, offer a fluid mix of spaces, deploy new technology, have great accessibility and are located in multifunctional areas. Moreover, the impact on climate change should be a consideration in these buildings.

Future-proof buildings should be flexible for transformation and focus on circularity, both in the construction and exploitation phase. By applying these future-proof principles, NSI aims to provide healthy, inspiring and flexible working environments for its tenants with great accessibility and the necessary facilities nearby, while minimising their impact on the environment. That means that NSI's investment criteria include ESG metrics that promote flexible building design (suitable for multi-tenant use and potentially flexible in use) and sustainable innovations.

Ambition	*Progress in 2019*	*Status*
FLEXIBLE BUILDING DESIGN		
The portfolio should be suitable for multi-tenant leasing	– Assessment of the office portfolio and identified that all offices are suitable for multi-tenant leasing – Acquisition and disposal policies have been further aligned. The layout, construction and installation of the office is assessed during the acquisition phase.	Ongoing
The portfolio should be flexible (or potentially flexible) in use	– Relevant sustainability aspects have been defined contributing to further flexibility of the usage of our office portfolio	Ongoing
SUSTAINABILITY AS AN INTEGRAL PART OF INVESTMENT		
Integrate sustainability aspects more intensively in divestment and investment due diligence	– The disposal and acquisition due diligence processes now contain provisions for sustainability aspects – Sustainability is a more thoroughly addressed in our acquisition policy	Achieved
Encourage and advise tenants on sustainable design by developing a menu of innovative fit-out packages	– The tenant fit-out guidelines are being formalised and will be distributed in 2020 among new tenants	On track
Integrate sustainability in investor communications and reporting	– Sustainability forms an integral part of the annual report – Participation in GRESB reporting as benchmark for ESG performance. In 2019 NSI's GRESB score was published 1	Achieved
SUSTAINABILITY INNOVATIONS		
Implement sustainability innovations	– Implementation of narrow casting to inform tenants on sustainability performance – Pilot to create the best working environment in combination with the highest energy efficiency by analysing the data of the building management system, electricity and heating meters and sub-meters, occupancy rate, building characteristics and weather forecasts.	Achieved
Consider sustainability innovation opportunities in all CAPEX	– Sustainability measures are included in all long-term maintenance plans	Achieved
CERTIFICATIONS		
Environmental certification of properties	– Over 50% of the portfolio (in value) has been certified with BREEAM In-Use 2	Ongoing
All developments and redevelopments to obtain a BREEAM Excellent rating	– For major renovation and new construction projects, the design is geared towards achieving BREEAM Excellent	Ongoing
PROMOTE SUSTAINABLE USE		
Facilitate water and waste management	– Pilot initiated to install smart water meters in 32 offices 3 – Roll out of waste separation bins at HNK offices 4 – Roll out to other multi-tenant buildings has started in collaboration with the tenants	On track
Promote a sustainable supply chain by developing and adhering to a sustainable supply chain policy	– Introduction of a new sustainability supply chain policy – All suppliers will be contractually required to meet the sustainability standards	Achieved

FUTURE-PROOF BUILDINGS

STORY 1

GRESB REPORTING

NSI is committed to reporting on its ESG performance in accordance with its corporate duty and industry disclosure standards. NSI decided to focus on GRESB as a benchmark for its ESG performance. In 2019 our first GRESB score was published: we achieved 2 out of 5 stars and an overall score of 71 points compared to a global GRESB average of 72 points and a peer group average of 81 points. We are ranked number 6 out of 8 in the Western Europe/Office/Listed peer group. The EPRA sustainability measures, which are also aligned with the GRESB, are reported on page 134.

ESG Breakdown

ENVIRONMENT

GRESB AVERAGE 65 **PEER AVERAGE** 77

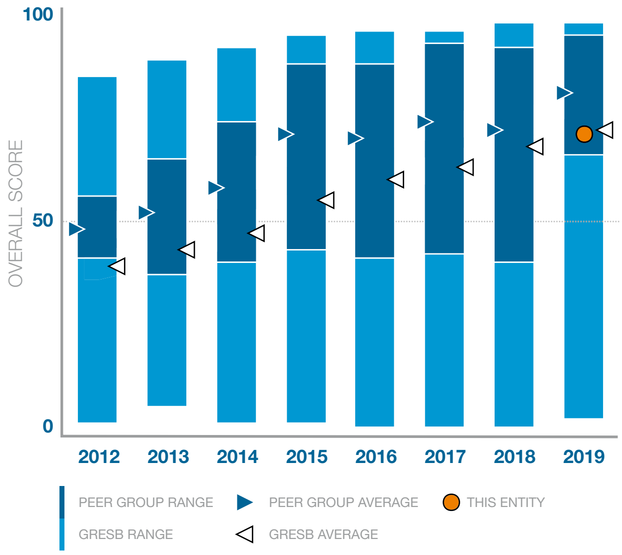
SOCIAL

GRESB AVERAGE 79 **PEER AVERAGE** 83

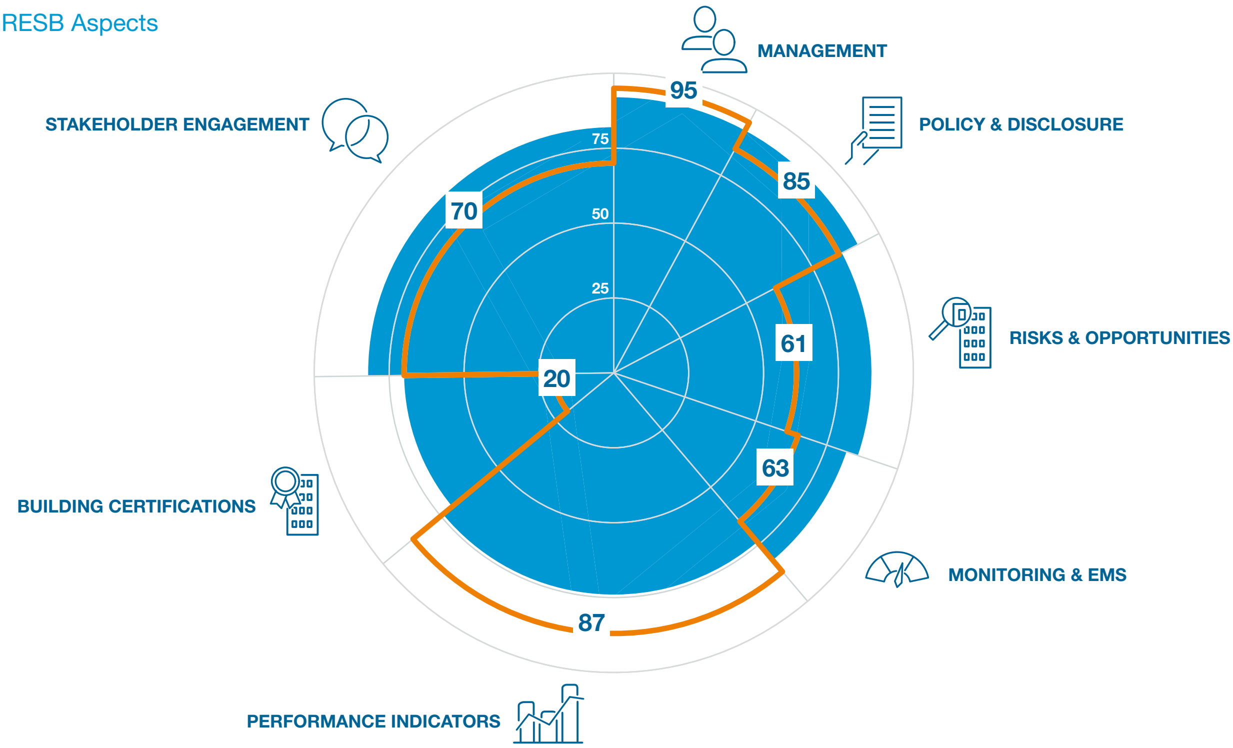
GOVERNANCE

GRESB AVERAGE 84 **PEER AVERAGE** 89

Trend



GRESB Aspects



THIS ENTITY

PEER GROUP AVERAGE

1 GRESB is an investor-driven organisation committed to assessing the environmental, social and governance (ESG) performance of real estate assets globally, including real estate portfolios, real estate debt and infrastructure.

FUTURE-PROOF BUILDINGS

STORY 2

OVER 50% OF PORTFOLIO VALUE CERTIFIED BREEAM NL IN-USE

BREEAM-NL In-Use is an important quality label used to assess the performance of existing buildings in the field of sustainability. The building, management and use is evaluated in nine areas: Management, Health, Energy, Transport, Water, Materials, Waste, Land use & Ecology and Pollution. The goal for 2019 was to ensure certification of at least 50% of our portfolio value in order to perform a baseline measurement in line with BREEAM standards. NSI exceeded this goal in 2019 with 298,017 m² of GLA of certified office space. In 2020 NSI will make improvements in these buildings in the field of waste separation, water usage and air quality based on the BREEAM standards. Now that the performance of these buildings is known, the focus can be on raising their level of sustainability. Furthermore new buildings will be certified in the coming year.

FUTURE-PROOF BUILDINGS

STORY 3

SMART WATER METERS IN 32 BUILDINGS

In 2019 14 NSI buildings were fitted with Smartvatten smart water meters. The meters see to it that real-time usage can be gauged at any given time of day and leaks can be detected at an early stage. NSI's main objective is to use water in a responsible way and to encourage all our tenants to take responsibility for this too. The online portal ensures that NSI staff can easily monitor information on water usage. Before the meters were installed the property managers had to perform manual checks on usage on site. This was time-consuming and increased the risk of error. The smart water meters result in considerable time savings, with the information that is now automatically generated containing relevant and accurate consumption data. Simply placing a camera over the existing meters was all it took. This reduced the cost of the project and increased the speed at which the operation was implemented. The total number of NSI buildings currently equipped with a smart water meter is 32. The goal is to install the meters in another 20 buildings in 2020.

FUTURE-PROOF BUILDINGS

STORY 4

WASTE SEPARATION SYSTEMS IN ALL HNKs

Having a sustainable waste separation policy in place that reduces the impact on the environment as much as possible is very important to NSI. To take responsibility for this, in 2019 all 14 HNK locations, Q-Port and the Motion Building were equipped with multi-compartment waste containers. As the name suggests, these containers make it possible to separate different waste streams. A total of 73 of these containers were placed, of which 59 are able to separate paper and plastic from non-recyclable waste. An additional waste container was placed in the social heart of every HNK to separate not only paper, plastic and non-recyclable waste but also biodegradable waste. Tenants are actively included in NSI's sustainability ambition and are given the tools and information to make conscious choices of their own and, in doing so, separate their waste correctly. Next year we will review whether to further expand the number of multi-compartment waste containers in our buildings.

Energy & Carbon

PROGRESS SCALE

STARTED ON TRACK ACHIEVED ONGOING

ENERGY & CARBON

CARBON FOOTPRINT | ENERGY EFFICIENCY IMPROVEMENTS | RENEWABLE ENERGY | ENVIRONMENTAL AWARENESS

Buildings and the real estate construction sector together account for around 36% of global final energy consumption and nearly 40% of total CO_2 emissions (source: International Energy Agency). The Paris Climate Agreement has therefore enforced the real estate market to increasingly focus on reducing the impact of individual assets and portfolios on climate change.

NSI aims to minimize its impact on the climate and contribute to achieving the Paris Climate Agreement goals. Accordingly NSI will reduce its carbon footprint in the coming years in its quest to become carbon neutral by 2035. This reduction will be achieved by combining energy efficiency and green energy sources in the construction and exploitation phases. The roadmap how to achieve this will be further outlined in 2020.

Ambition	*Progress in 2019*	*Status*
CARBON FOOTPRINT		
Track Paris Climate Agreement goals	– Identification of current energy use intensities to enable Paris Proof Tracking	ON TRACK
Install electric car charging facilities at all assets	– Installation of approximately 118 electric car charging facilities at office portfolio	ON TRACK
Offset carbon emissions for gas consumption and all energy consumption related emissions	– All emissions caused by gas consumption in common areas (scope 1) have been offset for 2017-2021 by using Gold standards that are recognized by WWF	ON TRACK
ENERGY EFFICIENCY IMPROVEMENTS		
Improve energy use efficiency for every office	– Identification of current energy use (baseline 2017) of the office portfolio – Improvement of the energy use efficiency in seven offices	ON TRACK
Install submetering on tenant level for the entire portfolio	– Energy submetering system has been installed in 33 offices	ON TRACK
No gas connection in the portfolio, taking effect immediately for new construction	– To be applied in all new developments	ONGOING
Install LED/TL5 lighting at major renovations and new developments	– Installation of LED/TL5 lighting in approximately 26.000 square meters of office space	ON TRACK
Upgrade to energy label A for the core portfolio	– Upgrade of 5 offices to label A, bringing the % A label of the core portfolio to 61.3% by value – By January 2023 all office buildings should have an EPC label of level C or better. By value, 93% of our total portfolio has an energy label C or better. In the HNK portfolio 88% of the assets by value have an A label and the remainder a C.	ON TRACK
RENEWABLE ENERGY		
Usage of 100% renewable energy	– The energy consumption in the common areas is generated through onsite and offsite renewable energy or by purchasing renewable energy certificates	ON TRACK
Install solar panels	– 14 buildings already have solarpanels, another 5 locations will follow in 2020	STARTED
ENVIRONMENTAL AWARENESS		
Include ESG metrics in annual performance targets	– Introduction of ESG metrics in annual performance targets of the board of directors	ACHIEVED
Improve knowledge sharing and education amongst employees	– Information sessions for all employees about the sustainability strategy and its integration throughout the organisation	ACHIEVED
Disclose sustainability aspects in communication	– Launch of an ESG section on NSI's corporate website	ACHIEVED

ENERGY & CARBON

STORY 5

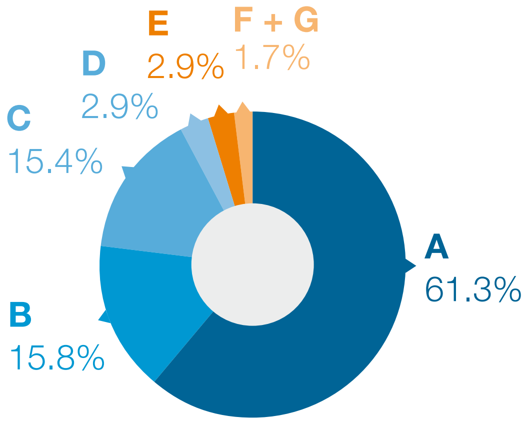
MORE THAN ONE MILLION ELECTRIC KILOMETRES DRIVEN IN 2019

The future of driving is electric. To prepare for this evolution we are adjusting our fleet to electric cars accordingly. It is important to NSI that tenants also have the opportunity to drive an electric car so we are investing in charging points at our office buildings. No less than 118 charging points have currently been placed which provided a total of 217,961 kWh of power in 2019, which is estimated to be enough to drive more than a million kilometres in an electric vehicle. The goal is for 10% of our parking spots (385 parking spots) at multi-tenant buildings to have an electric charging point in 2021.

ENERGY & CARBON

ENERGY LABEL

PORTFOLIO BREAKDOWN OF ENERGY LABELS BY VALUE

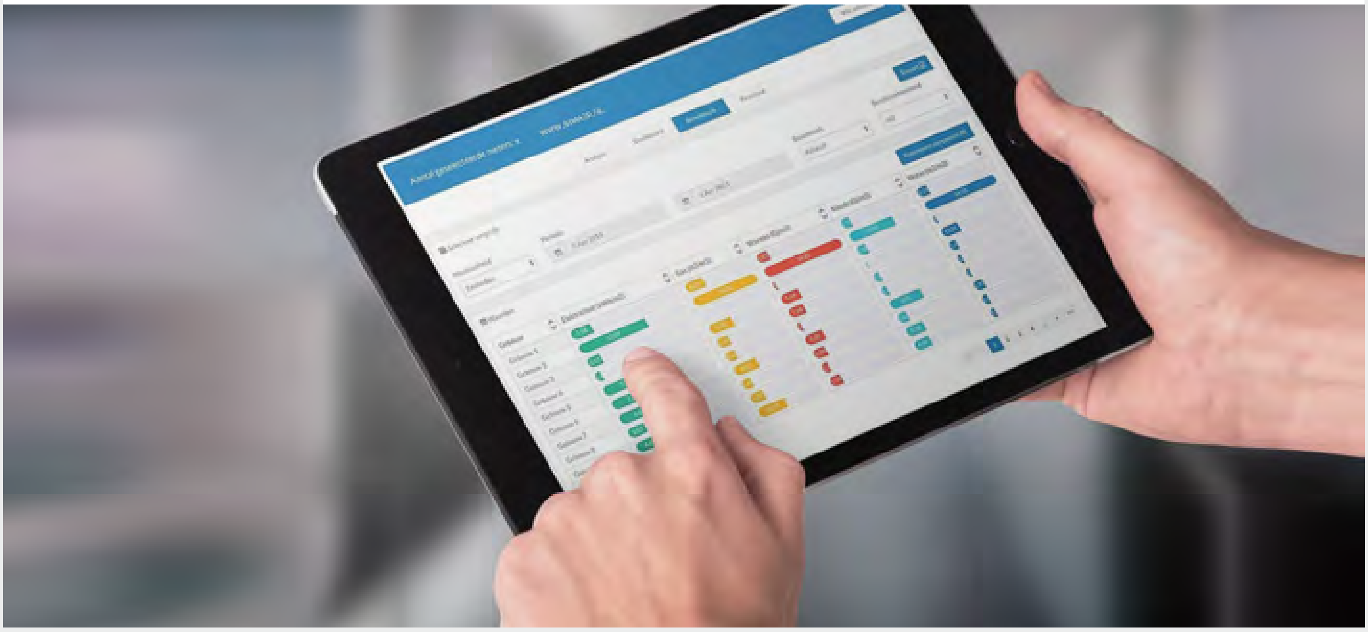


HEALTH & WELL-BEING

STORY 6

SUSTAINABILITY INFORMATION FOR TENANTS VIA NARROWCASTING AND WEB PORTALS

In 2020 NSI will use new tools to make tenants more aware of their own usage via narrowcasting on screens in our buildings and an online dashboard where they can monitor their own consumption. By seeing data with evidence, tenants can see how much electricity, heat and water they use and how much waste they produce. They are then advised to further reduce their consumption. This increases the insight and awareness of tenants.



Health & Wellbeing

PROGRESS SCALE

STARTED ON TRACK ACHIEVED ONGOING

HEALTH & WELL-BEING

TENANTS	EMPLOYEES	COMMUNITIES	BUILDING FACILITIES AND AMENITIES

NSI aims to create healthy, inspiring and flexible working environments for its tenants and promotes a healthy way of working for its employees. Moreover, NSI aims to have a positive impact on the community. People spend over 90% of their time indoors, which means that the 'indoor environment has a significant impact on their health. NSI is committed to providing a healthy indoor environment by choosing materials and technologies that are designed to improve the indoor space in terms of air quality, comfort, installations, lighting and sound. And by designing public spaces and stairways in ways that entice people to walk and providing facilities and amenities that support and promote a healthy lifestyle. NSI considers an active lifestyle important to the health and well-being of its employees, and it therefore promotes physical activity, healthy nutrition and a healthy work-life balance.

Ambition	*Progress in 2019*	*Status*
TENANTS		
Annual tenant satisfaction survey	– Conducted a tenant satisfaction survey at the end of 2019, which will result in improvement plans where needed to improve NSI's services	
Engage and actively communicate with tenants on improving sustainability	– Narrow casting implemented at HNK offices to provide tenants with more ESG information [6]	
Promote green leases	– Introduction of ESG specific requirements in a lease contract for the first time	
Help reduce absenteeism and increase productivity by improving the work-life balance of staff	– Making flex workplaces (HNK) available for every NSI tenant	
EMPLOYEES		
Pursue healthy work/life balance	– Provide flexibility in working hours and opportunity to work from home	
Employee satisfaction monitoring (survey) and improvement	– Conducted the annual employee satisfaction survey	
Motivate employees to adopt a healthy lifestyle	– Locally sourced lunch for employees – Shared bicycles are available at NSI's headquarter to promote mobility – Stimulating participation in sports events. In 2019, a team of NSI staff members participated in several running events	
Foster an inclusive culture based on the principle of mutual respect with equal opportunities irrespective of nationality, age, disability, gender, religion or sexual orientation	– NSI's HR policy endeavours to support the development of employee expertise, increase workplace wellbeing and promote diversity in all its forms	
COMMUNITIES, INDUSTRY & SOCIETY		
Participate in local community events	– NSI is part of a community engagement initiative through UPtown Sloterdijk. The initiative improves the liveability of the Sloterdijk area of Amsterdam through a collaboration with all stakeholders. [7]	
Contribute to further development of the Real Estate industry	– NSI is part of a European think tank to pool best practices in the field of sustainability and innovation [8] – Sponsor and contributor in knowledge and mentoring/coaching of FRESH, an association to connect students and professionals in the Real Estate industry [9] – Partner of VOGON, an association aimed at broadening and deepening of the economic analysis of the real estate industry – Sponsor of the Dutch Real Estate Regatta	
Contribute to society at large by deploying our portfolio	– Stimulation of innovation by suporting the Philips Innovation award [10] – Placing hives for bees on the roofs of our properties to assist the bee population [11] – Assisting people with disabilities by volunteering on a day out organised by De Zonnebloem foundation	
BUILDING FACILITIES AND AMENITIES		
Improve quality of indoor building environment	– Inclusion of the quality of the indoor building environment in the programme requirements for new construction projects	
Monitor temperature, CO_2, lighting (LUX), sound, ventilation and VOCs (volatile organic compounds) by 2019	– To be rolled out in 2020	

HEALTH & WELL-BEING

STORY 7

NSI JOINS FORCES WITH UPTOWN SLOTERDIJK TO HELP CREATE AREA FOR THE FUTURE

The Amsterdam district of Sloterdijk is rapidly changing from a business district into a diverse neighbourhood. Thousands of new homes, bars and restaurants and facilities (including cultural facilities) will emerge in the coming years, and older buildings will be renovated in an innovative way. NSI believes in this location and 27.5% of our portfolio of offices is located here. That is why NSI is actively working with other parties to help promote the transformation of this area into an attractive urban district.

In 2019 nine parties joined forces: NSI, APG, BPD, CBRE, EDGE, the municipality of Amsterdam, Heijmans, Synchroon and TMG. Together they formed the UPTown Sloterdijk coalition. Each party is linked to the area and therefore wants to promote and develop the neighbourhood. NSI wants to achieve the best possible living environment for its tenants and that extends further than our buildings. Creating an attractive area where people not only work but also live, shop, relax, exercise and spend their free time increases the satisfaction of tenants. By participating in UPTown Sloterdijk we are actively contributing to the local community.

Asset Manager Peter Stutterheim, responsible for the Amsterdam part of our portfolio, is a member of the coalition's steering group. Furthermore, marketing communications specialist Florine Evers is collaborating with marketing specialists from the other affiliated organisations in a working group focused on raising the profile of UPTown Sloterdijk. The group is positioning the area strongly and giving it a dynamic identity that is propagated by all the parties and supported by an active communication strategy. Furthrmore initiatives are being developed in the field of placemaking. NSI has committed to the initiative for a period of at least three years.

HEALTH & WELL-BEING

STORY 8

EUROPEAN THINK TANK

NSI and five other leading European real estate companies (alstria, COIMA RES, Colonial, Gecina and Great Portland Estates) are pooling best practices and experiences in a sustainability and innovation think tank. This helps NSI further improve its environmental, social and governance (ESG) performance, collaborating in this European round table in a joint effort to achieve a carbon neutral real estate portfolio. Although NSI has a broad approach towards ESG, the Paris Climate Agreement is clearly focused on energy and carbon reduction. In 2019 this European think tank commissioned research into the development of an approach to reduce energy consumption across the participating companies' respective portfolios. Furthermore, representatives of the companies met several times to learn, inspire, interact and collaborate. Items on the agenda included portfolio decarbonisation, the role and potential of technology to contribute to ESG targets, and knowledge sharing in several fields of sustainability.

HEALTH & WELL-BEING

STORY 9

HELPING TRAIN THE NEXT GENERATION OF REAL ESTATE PROFESSIONALS

NSI sees it as its responsibility to help train the next generation of real estate professionals. In addition to our own Young Talent programme, we are working together with the FRESH foundation and various Dutch institutes of applied sciences. NSI has affiliated itself with FRESH as a sponsor. FRESH is a Dutch network of and for academic students and professionals who are interested in real estate. In 2019 NSI was the main sponsor of the 2019 FRESH Professionals Trip to Singapore. 22 professionals were given presentations on the Asian real estate market, visited impressive buildings and had the opportunity to build valuable relationships. In his role as mentor, CEO Bernd Stahli has taken a young talent under his wing as part of the FRESH mentoring programme. To further support the FRESH foundation the board is able to use the co-working spaces and meeting rooms at HNK. Furthermore, in 2019 we provided various guest lectures at the Rotterdam University of Applied Sciences and the Amsterdam University of Applied Sciences to give future real estate professionals an insight into practical situations at both NSI and HNK. For more information see Stichtingfresh.nl (Dutch only)

HEALTH & WELL-BEING

STORY 10

HNK IS PARTNERING THE PHILIPS INNOVATION AWARD

The Philips Innovation Award is an entrepreneurship prize awarded to students with an innovative idea for a start-up and students who want to help further develop their start-up. Each participant benefits from the feedback of experts, workshops and training courses. It is important to NSI to promote innovation and, in doing so, contribute to Dutch society. That is why HNK has been a Gold Partner of the Philips Innovation Award since 2017.

We believe that start-ups can benefit from a creative, inspiring and productive environment. A place where they can get in touch with other ambitious entrepreneurs with the right services and facilities to take their product or service to the next level. So we are offering the winners of the Philips Innovation Rough Diamond Award and Innovator Award a place in the HNK community and a one-year HNK Business Membership. The winning start-ups can use the membership to work, meet and find inspiration at any HNK. CFO Alianne de Jong is a member of the judging panel in the semi-finals, and as part of the programme all participants meet at HNK Scheepvaartkwartier in Rotterdam for a pitch workshop. That way HNK is providing a platform for start-ups with innovative ideas and helping promote innovation in the Netherlands.

HEALTH & WELL-BEING

STORY 11

350,000 BEES RESIDE ON OUR ROOFS

In the past 30 years the global bee population has halved. This is an alarming statistic, all the more so because researchers estimate that 80% of all edible crops need to be pollinated by bees. To make a positive impact NSI has decided to work with BeeLife and house seven beehives on the roofs of our office buildings. Our hives are inhabited by Buckfast bees, a friendly breed that rarely stings. The bees are avid nectar collectors that have good odds of surviving the winter. This makes them a suitable bee to keep in our urban office areas. On the longest day of the year, 21 June, each beehive housed around 50,000 bees. This takes the total number of bees in the hives in our portfolio to 350,000, enough bees to pollinate 35 million flowers and plants a year. In 2020 beehives will be placed at ten new locations. By doing so we are contributing to the growth of the bee population in the Netherlands.

CLIMATE CHANGE

Climate change is one of the main financial risks identified by global business leaders and investors. One of the elements in climate change risk is an absence of tenant demand for a specific location due to climatologic characteristics of a specific location.

Obviously, this does not happen overnight and also differs significantly from one region to another. Overall, Europe is not the region known for being disrupted by natural disasters such as hurricanes, tsunamis or extreme drought. For the last two decades however, hardly a year has gone by without extreme weather or weather-related disasters in Europe. This included floodings in several countries such as Switzerland, Italy, France and the UK, severe heat waves and droughts (2003, 2010 and 2018), large-scale wildfires in southern and eastern Europe (2007, 2010 and 2017) and hailstorms in Germany in 2013.

The Netherlands has also experienced weather conditions such as extreme precipitation, (hall and wind) storms and drought. These however should be seen in perspective of its geographical position. Historically, the country has been familiar with the risk of flooding. Overall, the Netherlands has protected itself well against the risk of flooding in coastal areas and near rivers. Nevertheless, these weather events should be considered when making real estate decisions.

NSI has performed a risk assessment of its real estate portfolio, focusing on what are considered to be the most apparent climate change risks in the Netherlands: waterlogging, flooding, drought and heat.

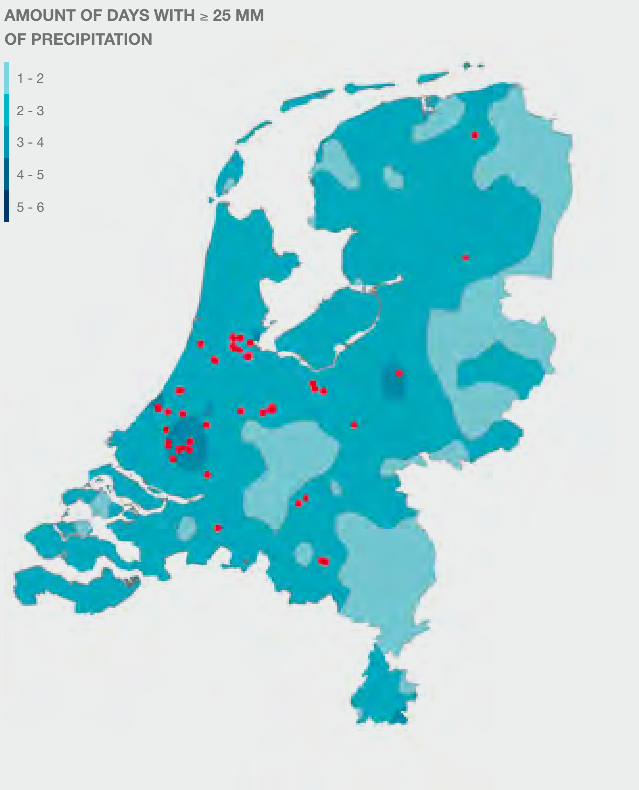
Our research into the risks of climate change will form part of our total asset strategy and should make our business more resilient. We need to make sure our properties are well maintained and equipped to deal with expected climate change effects. Moreover, we should ensure that new properties are designed in a way that mitigates these effects. In our development pipeline, we are designing and constructing high-quality buildings and spaces capable of delivering operational resilience over their lifetime.

At present, we assess the level of impact from climate change effects up to 2050 as medium.

Water logging

It is widely expected that the amount of precipitation in the Netherlands will increase significantly in the coming 30 years. The graph provides an indication of the maximum depth in the case that location endures precipitation of 70mm in two hours (this occurs once every century). The majority of our assets is currently situated in areas where precipitation is expected to have an impact. However, the infrastructure in the Netherlands

NUISANCE BY PRECIPITATION **2019**



NUISANCE BY PRECIPITATION **2050**

FLOODRISK

FLOODING PROBABILITY IN 2050

- NO SIGNIFICANT FLOODRISK
- EXTREME SMAL CHANCE : < 1/30,000 PER YEAR
- VERY SMAL CHANCE : < 1/3,000 PER YEAR - 1/30,000 PER YEAR
- SMALL CHANCE : < 1/300 PER YEAR - 1/3,000 PER YEAR
- MEDIUM PROBABILITY : < 1/30 PER YEAR - 1/300 PER YEAR
- GREAT CHANCE : < 1/30 PER YEAR

provides that precipitation will be drained in most of our asset locations nearby waterways.

Flooding

Due to the fact that more than half of the country is below sea level, the Netherlands has established a proper water defense along its coastal line. Even though the majority of our assets is located in the west of the country, the probability of flooding at most of our assets in 2050 is 'low', or even 'very low'.

Drought

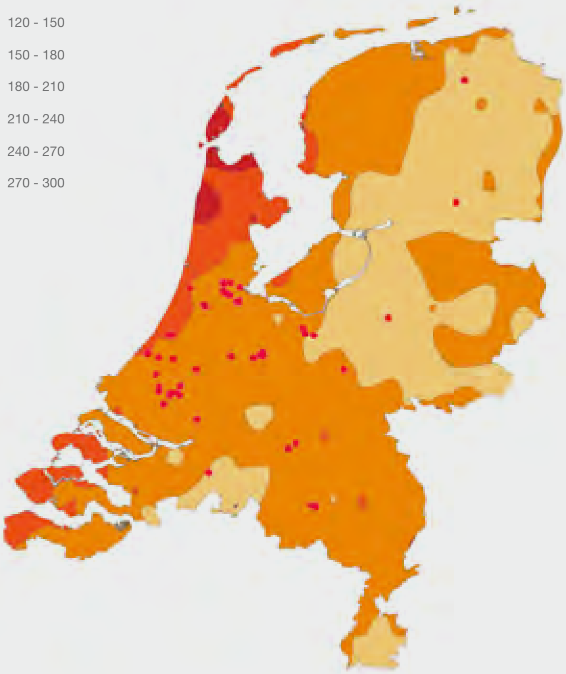
Drought is measured in the 'potential maximum precipitation deficit (in mm)'. In 2019 most of the Netherlands had a potential maximum precipitation deficit of 120-150 or 150-180 mm. In the northwest of the country it was 180-210 or even 210-240 mm. In 2050, these two higher ranges are expected to be the standard for most of the Netherlands, including almost all NSI property locations. There was only an average precipitation deficit of more than 300 mm in 1976 and 2018 The main impact of such a deficit is a drop in ground water level. Wooden piles, were used in the foundations of buildings built before 1960, may be vulnerable to rotting when they fall dry.

This risk is analysed for all NSI properties. Only four assets in the portfolio were built before 1960 and this risk might apply to two of them. This will be investigated further.

DROUGHT **2019**

POTENTIAL MAXIMUM PRECIPITATION DEFECT (IN MM)

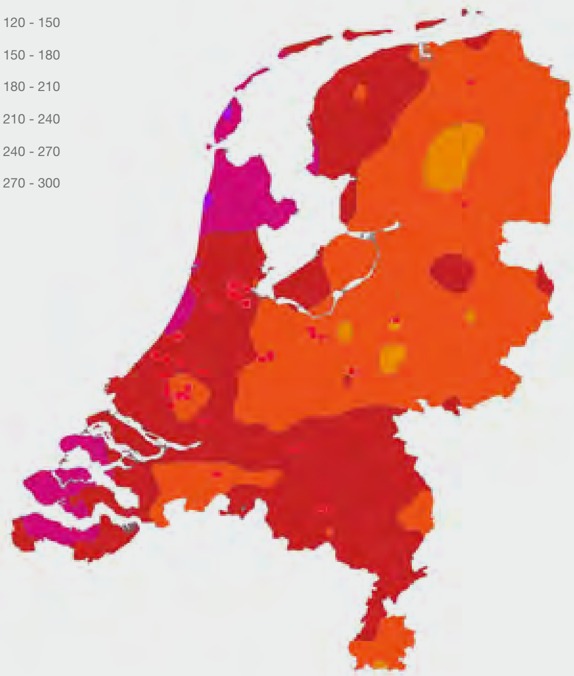
- 120 - 150
- 150 - 180
- 180 - 210
- 210 - 240
- 240 - 270
- 270 - 300



DROUGHT **2050**

POTENTIAL MAXIMUM PRECIPITATION DEFECT (IN MM)

- 120 - 150
- 150 - 180
- 180 - 210
- 210 - 240
- 240 - 270
- 270 - 300



Heat
Heat is measured in the number of tropical days (≥ 30 °C). In 2019, most of the Netherlands endured 0-3 or 3-6 tropical days. In 2050 the east, south and south-east of the country are expected to experience up to 12 extra tropical days. The NSI properties are mainly situated in the west and centre of the Netherlands, areas which are expected to experience up to nine extra tropical days.

NSI is already factoring the increase in the number of tropical days in renovation and development projects. The installation capacity can now handle an outside temperature of 35 degrees Celsius, where it used to be 28 degrees Celsius.

OTHER NON-FINANCIAL DISCLOSURE

Diversity
NSI recognises the benefits of diversity and is fully committed to providing equal opportunities and treatment when it comes to recruitment and selection, training and development, performance reviews and promotion. Our culture is based on the principles of mutual respect and non- discrimination irrespective of nationality, age, disability, gender, religion or sexual orientation.

The NSI employee gender breakdown was 34% female (2018: 33%) and 66% male (2018: 67%). The breakdown on the Management Board was 33% female to 67% male (identical to 2018), while there was an equal 50-50 split on the Supervisory Board (identical to 2018).

Human rights
NSI supports the principles laid down in the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. We believe that human rights, as defined by the United Nations in its Universal Declaration of Human Rights, are a common standard that all employers should uphold, and we encourage our employees (as well as our contractors and suppliers) to respect these rights by committing to our Code of Conduct and business integrity principles.

No issues involving human rights were reported in 2019.

Anti-corruption
NSI and its employees must act with integrity, honesty and in compliance with the laws, as stipulated in the company's Code of Conduct. The Code of Conduct also defines how employees should act when presented with gifts and provides guidance on how to prevent conflicts of interest.

The Code of Conduct is available on the company website.
NSI's whistle-blower procedure allows employees to report suspected irregularities of various kinds within NSI without jeopardising their employment. There were no issues reported in 2019.

HEAT **2019**

HEAT **2050**

BENTINCK HUIS

In 2018 NSI bought the historic office building Bentinck huis at Lange Voorhout 7 in The Hague. The building was fully vacant and required a thorough renovation. It presented a great opportunity for NSI to showcase its vision on Future-Proof Buildings. The choices that were made while renovating Bentinck huis show just what NSI's sustainability ambitions are. "Walk the talk by investing in a sustainable way that is also focused on yields. Our approach to Bentinck huis combines all the elements of our sustainability vision."

INTERVIEW WITH

Dennis van der Stoop
Development Specialist

Annemarie de Leuw
Asset Manager

“Walk the talk by investing in a sustainable way that is also focused on yields”

By renovating Bentinck huis NSI is creating a high-end office building on a boulevard widely considered to be one of the nicest in The Hague for centuries. This is a high ambition that befits a listed building at a historic location that is equipped with all the facilities that a modern office tenant may need. Sustainability also plays a large role in this.

Asset Manager Annemarie de Leuw and Development Specialist Dennis van der Stoop are not only responsible for the renovation of Bentinck huis but also for promoting two of the three main pillars of NSI's sustainability strategy. Annemarie is responsible for the NSI-wide policy on Future-Proof Buildings and Dennis on Energy & Carbon. "We have been closely involved in developing NSI's overall vision on sustainability. It was great to be able to apply all our principles and apply them in the best possible way to the renovation of Bentinck huis," Annemarie said.

Sustainability as leading principle

The renovation is a large-scale project with endless options which always require choosing between investment and yield. The budget increased as the project evolved. Not because of setbacks but because Future-Proof Buildings and Energy & Carbon were the leading principles. "The sustainability angle was always prevalent in the design. That means a large investment upfront that will pay off thanks to the building's longer economic life, increased rentability and lower operating costs," Annemarie said.

In the renovation sustainability was translated into the list of requirements in the broadest sense of the word in connection with the three pillars of NSI's sustainability strategy: Future-Proof Buildings, Energy & Carbon and Health & Well-being.

"Future-Proof Buildings are buildings that are both adaptive and innovative, buildings that anticipate trends and employ new technology," Annemarie explained. "All the infrastructure – such as lighting, heating and ventilation – is installed in a way that does not limit the options users have when configuring the space. Furthermore the building's tenants can easily control any space and monitor energy consumption via an app."

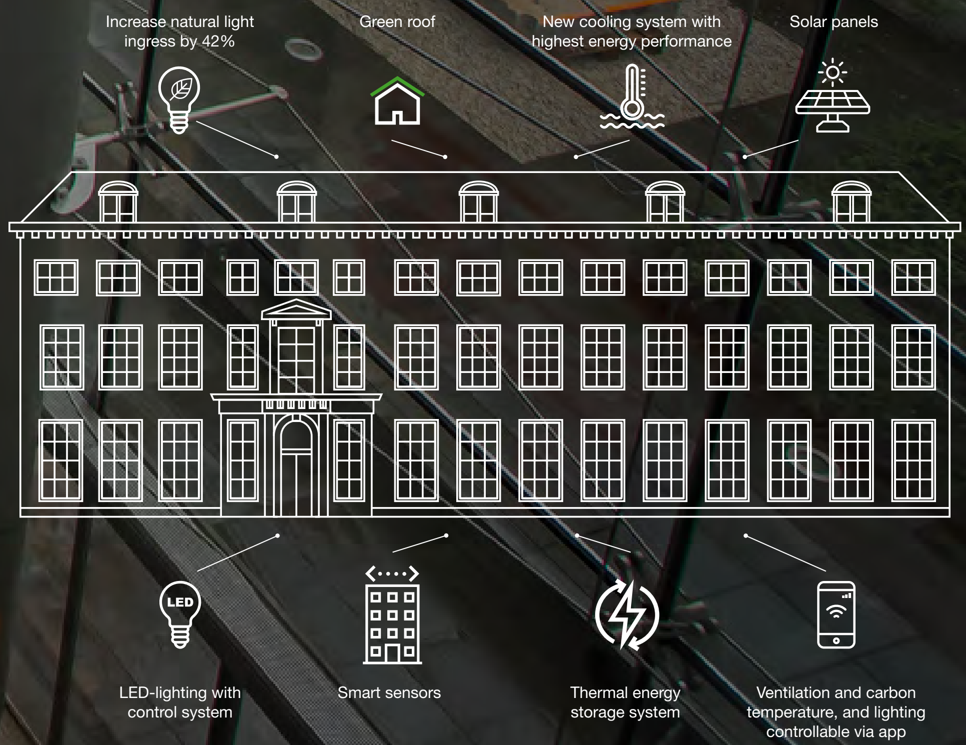
NSI also went for the most sustainable option when it came to the installations, including the thermal storage unit. "This is quite a challenge to achieve in a listed building but something that we absolutely wanted to do." Dennis said. This, combined with demand-driven ventilation, optimises the level of comfort and in doing so significantly reduces energy usage and CO_2 emissions. "The ventilation is driven by the level of CO_2 in the space. When a space is not used a lot or at all, the ventilation is automatically reduced. Research shows that this results in an additional energy saving of around 20%."

The design also contains elements aimed at the tenants' well-being. This includes providing significantly more daylight by creating large windows. "Light is extremely important to how people feel and how productive they are," Annemarie explained. The staircase in the lobby has turned into an absolute eyecatcher that invites people to use them more often. And it is a great place to meet.

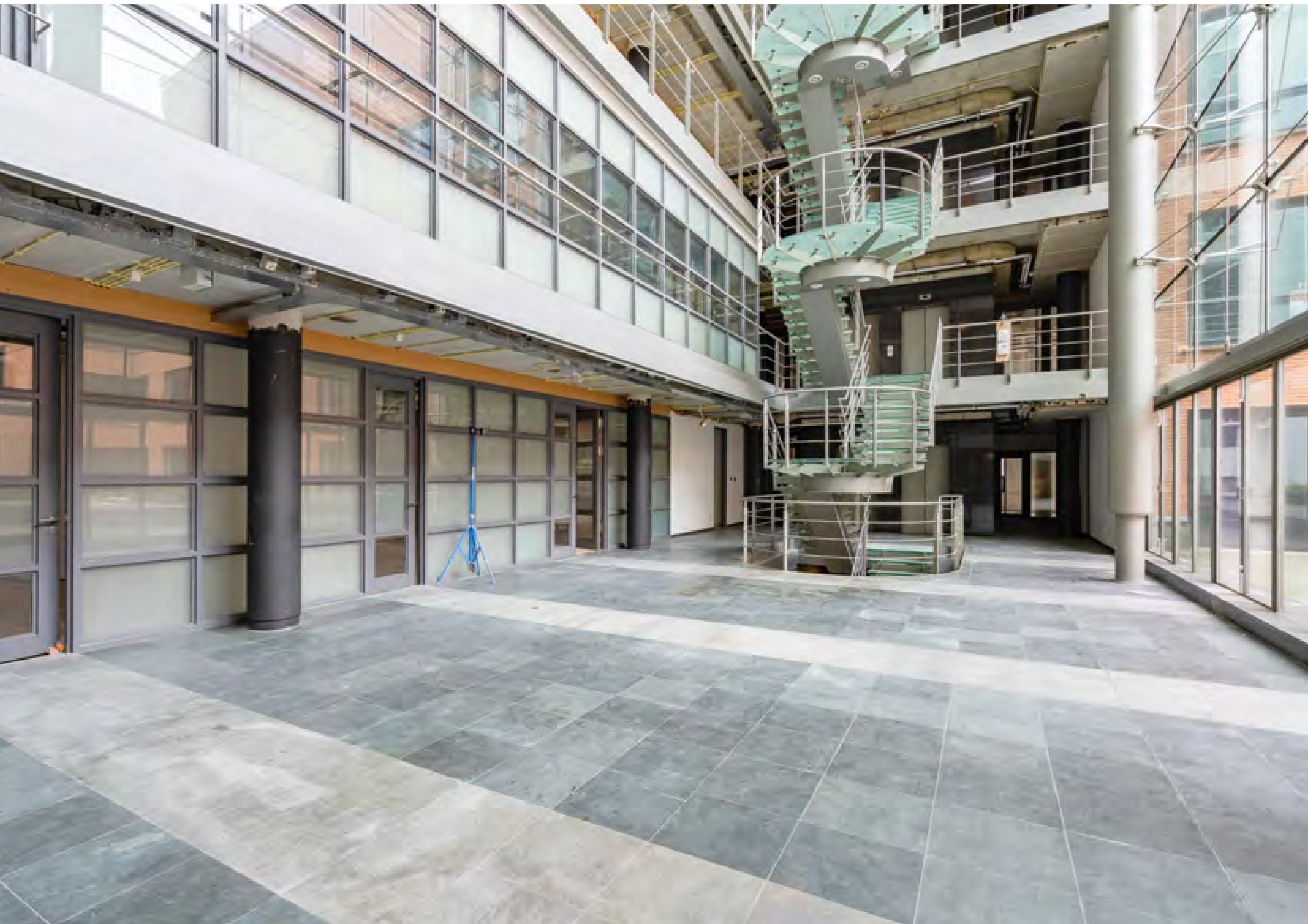
Annemarie de Leuw is currently in talks with various potential tenants. "There is a lot of interest due to the unique combination of the historic location, the flexible layout, the smart technology and a strong sustainability profile, which all together makes Bentinck Huis an appealing, distinctive and truly sustainably Future-Proof Building."

BENTINCK HUIS

Upgrading from energy D to A label and targeting BREEAM-in-use Excellent




BEFORE



AFTER

CORPORATE GOVERNANCE

Introduction

NSI N.V. is a Dutch public limited liability company listed on Euronext Amsterdam and has its registered office in Amsterdam, the Netherlands. NSI has a two-tier structure, with a Management Board and a non-executive Supervisory Board. The company's highest authority is the General Meeting of Shareholders which is held at least once a year.

Capital, shares and voting rights

The authorised capital of the company is EUR 99,568,556.46, divided into 27,056,673 ordinary shares with a nominal value of EUR 3.68 each. At 31 December 2019, 18,917,764 shares were issued and fully paid up.

Shareholders have the right to cast one vote for each ordinary share held; they may cast their votes in person or by proxy. There are no restrictions on voting rights.

The company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or restrictions on the exercise of voting rights. All shares have equal entitlement to the company's profit and reserves. NSI does not cooperate with the issuance of depositary receipts for its shares, nor does the company apply any restrictions on the transfer of its shares.

All resolutions of the General Meeting of Shareholders are passed with an absolute majority of the votes cast, unless a larger majority is required by law or under the Articles of Association.

Issuing shares

Shares may only be issued pursuant to a resolution of the General Meeting of Shareholders if it has not allocated this authority to another corporate body of the company for a period not exceeding five years. This authorisation may be extended from time to time, albeit for periods not exceeding five years. A resolution of the General Meeting to issue shares or to assign this authority to another corporate body of the company may only be made upon a proposal by the Management Board and subject to the prior approval of the Supervisory Board.

The resolution of the General Meeting to allocate authority as set out above to another corporate body of the company must set out how many shares may be issued and whether the allocation may be withdrawn during the five-year period. Furthermore it must state whether such body will have the authority to exclude or limit preferential rights.

There is no employee share scheme granting rights to employees to acquire shares in the company or any of its subsidiaries.

Upon the issue of shares, each shareholder will have a preferential right to subscribe for shares being issued in proportion to the aggregate nominal amount of their existing shares, unless such right is denied by mandatory legal provisions. Shareholders have identical preferential rights in the event that rights are granted to subscribe for shares. This preferential right can be limited or excluded by the General Meeting subject to formalities prescribed by law or by the corporate body authorised to issue shares if it has been given this authority. A resolution of the General Meeting to limit or exclude preferential rights or to designate another corporate body of the company for this purpose can only take place upon a proposal by the Management Board and subject to the prior approval of the Supervisory Board.

Shareholder meetings

General Meetings of Shareholders are convened by the Management Board or the Supervisory Board. A legal term of at least 42 days applies between the convocation date of a General Meeting of Shareholders and the actual date of the meeting.

At least one General Meeting is held every year within six months of the end of the company's financial year. At the Annual General Meeting the following is discussed:

- the written report of the Management Board on the course of business of the company and the conduct of its affairs during the past financial year;
- the adoption of the annual accounts;
- the policy of the company on additions to reserves and on distributions of profits (the level and purpose of the addition to reserves, the amount of the distributions of profits and the type of distributions of profits) as well as an explanation thereto;
- any proposal to distribute profits;
- if any, each substantial change in the corporate governance structure of the company and in the compliance of the company with the Dutch corporate governance code;
- any appointments to the Management Board and the Supervisory Board and
- all proposals placed on the agenda by the Management Board, including, but not limited to, the proposal to grant discharge to the members of the Management Board for their management during the financial year and any proposals submitted by shareholders in accordance with legal provisions and the Articles of Association.

Extraordinary General Meetings are held as often as the Management Board or the Supervisory Board deems necessary. Extraordinary General Meetings will also be held if the Management Board or the Supervisory Board is requested to that effect in writing by one or more holders of shares individually or jointly representing one-tenth or more of the issued capital, specifying in detail the subjects to be discussed.

All shareholders are authorised – either in person or by written proxy – to attend the General Meeting, speak at the meeting and vote provided they have notified the Management Board of their intention to attend no later than the date stated in the notice convening the meeting and in the manner stated.

The Management Board and the Supervisory Board should ensure that the general meeting is adequately provided with information. If the Management Board and the Supervisory Board decide not to provide the general meeting with all information desired with the invocation of an overriding interest on the part of the company, they must give reasons for this.

The draft minutes of the General Meeting of Shareholders are published on the company's website within three months of the date of the meeting. Shareholders are invited to submit comments on the draft minutes during a three-month period. After this period the Chairman and the Secretary of the General Meeting of Shareholders shall officially adopt and sign the minutes, taking into consideration any comments received.

The 2019 Annual General Meeting of Shareholders took place on 17 April. This meeting addressed the following topics: the 2018 annual report, the application of the remuneration policy, the adoption of the 2018 financial statements, the dividend policy of NSI and the declaration of the final dividend 2018, the discharge of the Management Board and the Supervisory Board, the revision of the Remuneration policy for the Management Board and the granting of various authorities by the General Meeting of Shareholders to the Management Board and the Supervisory Board with regard to the issuance of a limited number of shares subject to certain conditions and to the restriction or exclusion of pre- emptive rights, and the authorisation to buyback a limited number of shares subject to certain conditions.

Management Board Responsibilities and reporting line

The Management Board is responsible for managing the company, for the continuity of the company, for developing a view on long-term value creation and for formulating a strategy in line with this.

When developing the strategy, the management board pays attention to the strategy's implementation and feasibility, the business model applied by the company and the market in which the company and its affiliated enterprise operate, opportunities and risks for the company, the company's operational and financial goals and their impact on its future position in relevant markets, the interests of the stakeholders and any other aspects relevant to the company and its affiliated enterprise, such as the environment, social and employee-related matters, the chain within which the enterprise operates, respect for human rights, and fighting corruption and bribery.

The Management Board is responsible for complying with relevant laws and regulations, for identifying and managing the risks associated with the company's strategy andactivities and for financing the company.

The Management Board reports to the Supervisory Board and the General meeting of Shareholders.

Management Board Composition, division of duties and remuneration

The Management Board consists of at least two directors who are appointed by the General Meeting of Shareholders. In 2019 The Management Board comprised three members: a chief executive officer (CEO), a chief financial officer (CFO) and a chief investment officer (CIO). As of May 1st 2020 the Management Board comprises two members: a CEO and a CFO.
The division of duties within the Management Board as well as the Board's operating procedures are set out in the Articles of Association and the Management Board regulations. The Articles of Association and the regulations relating to the Management Board are made available on the company's website.

The Supervisory Board establishes the remuneration and other terms of service for members of the Management Board in accordance with the 'Remuneration Policy for Members of the Management Board of NSI' which is published on the website. The General Meeting determines the remuneration policy for the Management Board, in accordance with the relevant statutory provisions. The Supervisory Board makes a proposal to that end.

Supervisory Board Responsibilities and reporting line

The primary duty of the Supervisory Board is to supervise the management exercised by the Management Board and the general developments at the company and its affiliated enterprise, as well as to advise the Management Board. In the performance of its duties, the Supervisory Board focuses on the interests of the company and its affiliated enterprise and on the effectiveness of the company's internal risk management and control systems and the integrity and quality of the financial reporting.

In its monitoring, the Supervisory Board focuses on the strategy for realizing long-term value creation which has been established for this purpose as well as the targets derived from this strategy. The Supervisory Board also monitors the process of acquiring, divesting and investing in real estate, the financial reporting process, and compliance with laws and regulations. Lastly, the Supervisory Board is involved in preparing the company's remuneration policy and determining the individual remuneration of individual managing directors within the framework of the remuneration policy approved by the General Meeting of Shareholders.

The Supervisory Board monitors the internal control structure and procedures and the assessment of the risks faced by the company and its subsidiaries. During 2019 the systems and procedures functioned in accordance with their intended purpose and there were no issues that raised doubt as to whether the internal control structure and procedures functioned adequately.

In accordance with its regulations, the Supervisory Board is responsible for decision-making in dealing with existing or potential conflicts of interest between Management Board members, Supervisory Board members and the external auditor, on the one hand, and the company, on the other. Under the provisions of the Dutch Financial Supervision Act (Wet op het financieel toezicht or Wft) and EU-IFRS, the item 'related parties' in the annual financial statements specifies transactions between the company and related parties, including members of the Management Board and the Supervisory Board, as well as transactions involving one or more related parties. The item also states to what extent such transactions were entered into at market conditions. No such transactions between the company and related parties took place in the 2019 financial year.

The Supervisory Board reports to the General meeting of Shareholders.

Supervisory Board Composition, division of duties and remuneration

In accordance with the company's Articles of Association, the Supervisory Board consists of at least three members who are appointed by the General Meeting of Shareholders. In 2019 The Supervisory Board comprised four members. At the General meeting of April 24th, 2020 a proposal will be made to set the number of Supervisory Board members at five and to appoint a fifth member.

The Supervisory Board is composed in such a way that its members can operate independently and critically with regard to each other, the Management Board and any interest group. All of the Supervisory Board members are currently independent within the meaning of best practice provision 2.1.8 of the Dutch Corporate Governance Code. A supervisory director is considered to be independent if the dependence criteria stated in the Code do not apply. One of the members of the Supervisory Board is a shareholder in ICAMAP Investments SARL, which is holding more than 10.0% of NSI shares as per 31 December 2019. This company has invested in NSI with a view to a long-term commitment and the respective Supervisory Board member actively ensures that no transactions in NSI shares take place during the closed periods and during periods when the member of the Supervisory Board has inside information at its disposal which has not yet been made public by the company.

The General Meeting of Shareholders appoints the Supervisory Board members and sets their remuneration. Proposals to the General Meeting of Shareholders for appointment or reappointment are supported on adequate grounds. In case of a reappointment, the performance and operation of the candidate in his or her capacity of Supervisory Board member is taken into account. The Articles of Association and the regulations governing the Supervisory Board state that the members of the Supervisory Board may be appointed for a term of no more than four years and reappointed once for term of no more than four years. After this time a member can be reappointed for a term of no more than two years, with the possibility of reappointment for a term of not more than two years for each reappointment. A decision by the General Meeting of Shareholders to dismiss or suspend a Supervisory Board member 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 within the Supervisory Board as well as its operating procedures are laid down in the company's Articles of Association and the Supervisory Board regulations, both of which are made 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 Committee from within its ranks. The regulations of these committees can also be accessed via the website.

External auditor

The external auditor is appointed by the General Meeting of Shareholders and attends the meeting of the Supervisory Board at which the financial statements are discussed and adopted in the presence of the Management Board. NSI publishes the audited annual figures and reviewed semi-annual figures. NSI publishes a trading update for the first and third quarters, neither of which is reviewed or audited by the external auditor.

The General Meeting of Shareholders may ask the external auditor questions about the auditor's report relating to the reliability of the financial statements. The external auditor may address the meeting on this subject.

PricewaterhouseCoopers Accountants N.V. was appointed as NSI's external auditor in 2016.

Corporate Governance Code

As a public limited liability company in the Netherlands, NSI is subject to the Dutch Corporate Governance Code. The current Corporate Governance Code was published on 8 December 2016 and came into force with effect from the financial year commencing on 1 January 2017.

An overview of the manner in which the company complies with the provisions of the Dutch Corporate Governance Code and an explanation why or where the company derogates from best practice provisions is published on the company website.

NSI complies with all best practice provisions of the Dutch Corporate Governance Code, with the exception of best practice provision 1.3.1.; as is the case with the majority of listed small cap companies in the Netherlands, NSI has not appointed an internal auditor as specified in best practice provision 1.3.1. The Supervisory Board assesses annually whether adequate alternative measures have been taken, partly on the basis of a recommendation issued by the audit committee, and considers whether it is necessary to establish an internal audit department and includes the conclusions, along with any resulting recommendations and alternative measures, in the report of the Supervisory Board.

Compliance

The NSI Code of Conduct outlines the main integrity risks NSI may encounter in its business and the way it wishes to deal with these risks. The Code of Conduct contains a whistle blowers policy. NSI has a mature, open culture that encourages employees to speak up. Several compliance- related issues and dilemmas that were brought up in 2019 were dealt with by the Compliance Officer directly or were discussed in management meetings with the aim of establishing policies.
There was no breach of the Code of Conduct in 2019.

Diversity

NSI's diversity policy targets a Management Board that is composed in a balanced way. The board is considered to be composed in a balanced way if at least 30% of the seats on the board are occupied by women and at least 30% by men. In 2019 33.3% of the Management Board consisted of women and 66.7% of men.

The Supervisory board profile addresses the desired expertise and background of the Supervisory Board members, the desired diverse composition of the Supervisory Board, the size of the Supervisory Board and the independence of the Supervisory Board members. The profile of the Supervisory Board includes a target for 30% of the board to be composed of women. In 2019 50% of the Supervisory Board has consisted of women and 50% of men.

The Supervisory Board strives to achieve a situation in which the experience and expertise of its members are appropriate in relation to the strategy and operations of NSI. The experience and expertise of the individual Supervisory Board members is detailed on pages 73 and 74 of this annual report.

Further information regarding Decision on Article 10 of Takeover Directive

Notifications pursuant to the Dutch Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions Act were received from holders of ordinary shares representing more than 3% of the company's capital.
According to the most recent notifications, these interests were as follows:

	31 December 2019	31 December 2018
ICAMAP Investments SARL	10.0%	10.0%
BlackRock, Inc.	5.0%	5.0%
Phoenix Insurance Company Ltd.	3.7%	3.7%
APG Asset Management N.V.	3.3%	3.3%
Axa Investment Managers S.A.		3.0%
Norges Bank	3.0%	3.0%

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 could for instance come into effect after a successful public offer for the NSI shares.

NSI and its subsidiaries have entered into an important agreement that contain a clause that in the event of a change of control the other party has the right to terminate the agreement and receive substantial reimbursements for investments in the fit out of an office. This Clause aims to prevent and would come into effect in case of a transfer of the control over NSI to a party that is mentioned on the Specially Designated Nationals and Blocked Persons List, as from time to time published by the US Office of Foreign Assets Control (OFAC), or to a party who is otherwise subject to economic or financial sanctions by the relevant authorities of the US, the EU or The Netherlands.

DETAILS OF THE BOARD OF MANAGEMENT

Mr B.A. Stahli (1971)
CEO of NSI

Nationality Dutch

Previous positions Head of European Real Estate and member of the Management Team at Kempen & Co Securities, Head of European Real Estate Research at Merrill Lynch London, Head of Global Real Estate Securities Fund at Aegon, Analyst US and Portfolio Manager Asia Real Estate Securities at APG

Education Economics at the Vrije University Amsterdam, CFA Charterholder, CFA Institute

First appointment 1 September 2016

Current term To 31 August 2020

Mrs A.A. de Jong (1975)
CFO of NSI

Nationality Dutch

Previous positions Several management positions at Schiphol Real Estate, a subsidiary of Schiphol Group, including Manager Portfolio Management, Business Area Controller and Senior Business Controller, Audit Manager at international business unit of Audit & Assurance at PricewaterhouseCoopers Accountants N.V.

Education Business Administration for the Financial Sector at the Vrije University Amsterdam, Chartered Accounting at the Vrije University Amsterdam

First appointment 15 September 2017

Current term To 14 September 2021

Mr A. de Jong (1970)
CIO of NSI

Nationality Dutch

Previous positions Portfolio Director CBRE Dutch Office fund, Portfolio Manager Offices CBRE Global Investors, Portfolio Manager Offices ING Real Estate Investment management, several positions at MN Services

Education Economics at University of Amsterdam, Investment Management (VBA), University of Amsterdam

First appointment 1 May 2016

Current term To 30 April 2020

REPORT OF THE SUPERVISORY BOARD

To the General Meeting of Shareholders

We, the Supervisory Board of NSI N.V. (NSI), hereby present you with the annual report prepared by the Management Board for the 2019 financial year. PricewaterhouseCoopers Accountants N.V. has audited the financial statements and has issued an unqualified opinion (page 122 - 127). We will recommend that the financial statements be adopted at the General Meeting of Shareholders on Friday 24 April 2020. The discharge of the Management Board in respect of the policy pursued in 2019 and of the Supervisory Board from the supervision it provided in 2019 will be addressed as separate agenda items at the General Meeting of Shareholders.

Composition of the Supervisory Board

The Supervisory Board currently consists of four members. At the General Meeting of Shareholders on Friday 24 April 2020 a proposal will be made to set the number of Supervisory Board members at five, to reappoint Karin Koks- Van der Sluijs and Harm Meijer and to appoint the fifth member.

Resignation rota for Supervisory Board members

	First appointment	End of current term	End of Ultimate term
Luurt van der Ploeg	2014	2022	2026
Karin Koks- Van der Sluijs	2016	2020	2028
Harm Meijer	2016	2020	2028
Margreet Haandrikman	2017	2021	2029

Duties and independence

The role and responsibilities of the Supervisory Board, its composition and how it carries out its duties are specified in the Supervisory Board regulations which are posted on the company's website. A summary of the duties of the Supervisory Board can be found in the Corporate Governance section (pages 64-67).

In the opinion of the Supervisory Board the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 of the Dutch Corporate Governance Code have been fulfilled. In relation to best practice provision 2.1.8.vi it is noted that Mr. Meijer is a shareholder in ICAMAP Investments SARL, which is holding more than 10% of the shares in NSI. As of the date of publication of this report, Mr. Meijer held no shares in NSI.

Meetings and attendance

The Supervisory Board met on eight occasions for regular meetings during the year under review. The attendance rate at these meetings was 100%. Regular Supervisory Board meetings commence with a preparatory meeting which is held without the Management Board being present, after which the members of the Management Board attend the rest of the meeting. The attendance rate at the committee meetings was also 100%.

During the year under review the Supervisory Board held three conference calls, one to discuss a development project and two conference calls with the Management Board to discuss a quarterly update.

Report of the activities of the Supervisory Board

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 implementation of the long-term value creation strategy, the implementation of the business plan, the budget and targets, shareholder relations, acquisitions and disposals, development projects and the main risks associated with the company. Developments in the real estate markets and the effects on the composition of the real estate portfolio as well as the occupancy rate were frequently discussed and assessed. Matters including the value of real estate and the valuation methodology, the system of internal controls and risk control procedures, and corporate governance also have the Supervisory Board's constant attention.

Strategy Update and Development

During 2019 special attention was focused on NSI's evolution towards being an active developer of its assets and a supplier of 'Space as a Service, as announced in the half-year results. In several meetings the Supervisory Board discussed the organisational requirements, additional risks and the management of this concept as well as the approval and monitoring processes for investments in developments.

Long-term value creation

In the second half of 2019 the Supervisory Board further discussed the strategy and the view of the Management Board on the company's long-term value creation. The Management Board drew up a business plan for 2020 – 2024 and a budget for 2020 in accordance with this view. The 2020 – 2024 business plan is based on a total return and cost efficiency approach, focusing on Acquisitions and on Development of existing locations, as well as on the disposal of remaining non-core assets.

The Supervisory Board meetings of 14 October 2019, 13 November 2019 and 11 December 2019 were specifically dedicated to long-term value creation and the strategy as well as the preparation of the business plan for 2020 – 2024 and the budget for 2020. The meetings also focused on the company's operational and financial goals and their impact on NSI's future position in the real estate market, the interests of stakeholders and other aspects important to the company, such as sustainability.

There are several mechanisms in place that enable the Supervisory Board to monitor the implementation of the strategy. Asset Business Plans that deal with all major assets are discussed on a regular basis with the Real Estate Committee.

Composition of the Management Board

CIO Anne de Jong indicated that he will not be available for reappointment for a second term at the AGM of 24 April 2020. The Supervisory Board evaluated the existing governance model of the Management Board, taking into account the future demands of the position.

The Supervisory Board took into consideration that the position of CIO on the Board was created with targets that have since been largely achieved. In the existing set-up department heads report to individual Management Board members without having a platform to discuss matters with the Board collectively. Going forward the Supervisory Board favours a model where development, portfolio management, transactions, finance and business development are equally represented in a management team that will meet collectively and discuss matters with the Management Board consisting of a CEO and CFO. This set-up is in line with the management models used by NSI's peers.

The Supervisory Board will propose to the General Meeting of Shareholders of 24 April 2020 that the number of members on the Management Board be reduced from three to two.

Prior approval of decisions by the Management Board

Important decisions on matters including acquisitions, investments and disposals above a certain threshold require prior approval from the Supervisory Board. During the approval process the Supervisory Board assesses whether the proposed decision contributes to the implementation of the strategy. The Supervisory Board meetings and conference calls of 28 January 2019, 17 July 2019, 14 October 2019 and 13 November dealt with the acquisition of offices in Amsterdam and Leiden and various development and redevelopment opportunities and the meetings of 17 April 2019 and 12 June 2019 were combined with site visits of NSI assets.

Evaluations

On 12 June 2019 the members of the Supervisory Board and Management Board carried out a joint evaluation of their personal motivations under the guidance of an external party and discussed their cooperation. Later that day the Supervisory Board conducted an evaluation of its own functioning and that of its committees by means of a self-assessment. The conclusions of this evaluation were used to update the profile of the Supervisory Board to include new competencies with a view to the new NSI strategy. After determining what competencies were already represented the Supervisory Board decided that the board should reinforce knowledge and experience in the fields of services business, innovation and digitisation, the environment and sustainability, and HRM. Consequently the Supervisory Board started a search aimed at finding a candidate with knowledge and experience in the aforementioned fields and proposing that the General Meeting of Shareholders approve an increase in the number of Supervisory Board members from four to five.

The evaluation of the functioning of the committees confirmed the conclusions of last year's evaluation. The Committees play an important role in the preparation of the meetings and decisions of the Supervisory Board. The focus of the Audit Committee is on fulfilling the critical constructive supervisory role of the Board, whereas the Real Estate Committee also plays an important advisory role and functions as a sounding board for the Management Board. The Asset Management and Transactions departments also participate in the Real Estate Committee meetings, giving the Supervisory Board direct contact to middle management. The mechanism whereby the Real Estate Committee is involved at an early stage in all material acquisitions, divestments and investments, either to decide up to the defined threshold on behalf of the Supervisory Board or to advise the Supervisory Board on major transactions above a defined threshold, functions well and contributes to the execution power and efficiency of the company.

On 28 February 2019 the Supervisory Board discussed the functioning of the Management Board as a whole and of the individual members of the Management Board. The conclusions of these evaluations were shared with the Management Board. These were also used to decide on the KPI score of the personal targets under the Long Term Share Plan and as input for the target setting for the Management Board for 2019 under the Short Term Incentive plan.

At the meeting of 11 December 2019 the Supervisory Board discussed any other positions held by the members of the Management Board and Supervisory Board.

Education

The meeting of 12 June 2019 was dedicated to education. Professors in real estate and innovation discussed with the Supervisory Board and Management Board developments in demographics, densification and accessibility of cities, infrastructure, mobility and technology as well as their relevance to NSI's strategy and portfolio. Together with an expert on sustainability the Supervisory Board and Management Board discussed NSI's sustainability action plan for the years ahead and analysed the company's achievements and ambitions using the GRESB Real Estate Methodology. During 2019 the members of the Supervisory Board have also attended individual trainings in the context of their permanent education on matters such as governance, finance, and remuneration.

Internal Audit function
NSI has no separate department to perform the internal audit function. The Supervisory Board assesses annually whether adequate alternative measures have been taken and whether it is necessary to establish an internal audit department. In the meeting of 11 December 2019 the Supervisory Board discussed the report of the Audit Committee about the effectiveness of the internal and external audit function. In line with a recommendation by the Audit Committee issued in consultation with the external auditor and the Management Board, the Supervisory Board has considered that NSI has only 45 FTEs, no activities outside the Netherlands, and operates in a very limited number of market segments. Given the fact that NSI uses external expertise to conduct internal audits based on an internal audit plan that is composed in consultation with the Audit Committee, the Supervisory Board is of the opinion that adequate alternative measures have been taken and that there is therefore no need to establish an internal audit department for this purpose. In accordance with a planning approved by the Supervisory Board a number of internal audits will be conducted under the supervision of the CFO in 2020.

Dividend policy
The current dividend policy, adopted by the General Meeting of Shareholders in 2014, stipulates that:
- at least 75% of the direct result is distributed.
- for practical reasons a dividend is distributed twice a year: an interim divided after the first six months and a final dividend following adoption by the General Meeting of Shareholders.

On 15 April 2019 the Supervisory Board authorised the issuance of shares for those shareholders who opted for distribution of the final dividend for 2018 in shares. The General Meeting of Shareholders approved the issuance on 17 April 2019.

On 17 July 2019 the Supervisory Board approved the interim dividend for 2019 and authorised the issuance of shares for those shareholders who opted for distribution of the interim dividend for 2019 in shares.

2019 final dividend proposal
In line with the applicable dividend policy (i.e. a pay-out of at least 75% of the direct result), NSI is proposing a final dividend for 2019 of € 1.12 per share. That brings the total dividend for 2019 to € 2.16 per share, of which € 1.04 per share was distributed as an interim dividend on 12 August 2019.
NSI is offering shareholders the option to receive the final dividend in cash and/or fully or partly in shares. The voluntary nature of this option provides more possibilities for shareholders while enabling NSI to retain liquidity in the company. This cash can then be used for investment or loan repayment purposes. Provided that the General Meeting of Shareholders approves this dividend proposal, the final dividend will be payable on 19 May 2020.

Supervisory Board committees
The Supervisory Board has four committees in place to optimise the operation of the Board: the Remuneration Committee, the Selection and Appointment Committee, the Audit Committee and the Real Estate Committee.

Remuneration Committee
On 31 December 2019 the Remuneration Committee consisted of Karin Koks-Van der Sluijs (Chair) and Luurt van der Ploeg (member).

The role and responsibilities of the Remuneration Committee, its composition and how it carries out its duties are specified in the Remuneration Committee regulations which are posted on the company's website.

In 2019 the Remuneration Committee was particularly involved in the finalization and implementation of the revised remuneration policy of the Management Board that was adopted in the General Meeting of Shareholders on 17 April 2019.

The Remuneration Committee had two joint meetings with the Selection and Appointment Committee in the year under review to discuss the establishment of individual targets for 2019 linked to the Long-Term Share Plan (LTSP) and the Short Term Incentive of the members of the Management Board, as well as the performance of the members of the Management Board with respect to their individual targets for 2018 linked to their LTSP.

Remuneration report
The remuneration report (dated 5 March 2020) is posted on the company's website. Pursuant to the implementation of the Shareholders Rights Directive in the Netherlands (effective as of 1 December 2019) the report will be presented to the AGM of 24 April 2020 for an advisory vote.

Selection and Appointment Committee
On 31 December 2019 the Selection and Appointment Committee consisted of Karin Koks-Van der Sluijs (Chair) and Luurt van der Ploeg (member).

The role and responsibilities of the Selection and Appointment Committee, its composition and how it carries out its duties are specified in the Selection and Appointment Committee regulations which are posted on the company's website.

The Selection and Appointment Committee had two meetings with the Remuneration Committee in the year under review to discuss the establishment of the 2019 individual targets for the members of the Management Board linked to their Long-Term Share Plan (LTSP) (for the CEO) and Short Term Incentive (for the CFO and CIO) and the achievement of the 2018 individual targets of the members of the Management Board linked to their LTSP.

The Selection and Appointment Committee had one meeting and two telephone conferences to discuss the profile for a fifth member of the Supervisory Board and the selection and instruction of an executive search agency.

Audit Committee

On 31 December 2019 the Audit Committee consisted of Margreet Haandrikman (Chair) and Karin Koks-Van der Sluijs (member). The Audit Committee met on six occasions in the year under review.

The role and responsibilities of the Audit Committee, its composition and how it carries out its duties are specified in the Audit Committee regulations which are posted on the company's website.

Audit Committee meetings pay special attention to the opportunities and risks that the company faces.

The Audit Committee regularly confers with the external auditor, of which at least once a year without the presence of the Management Board.

The Audit Committee assesses the need for an internal auditor annually and makes a proposal to the Supervisory Board for a recommendation to the Board of Management.

In 2019 the Audit Committee discussed and was particularly involved in the assessment and/or monitoring of:

a the operation of the internal risk management and control systems, as well as the probability and impact of certain risks, in particular risk and reporting requirements in relation to development activities;
b compliance with relevant legislation and regulations as well as compliance with the internal regulations such as the application of the four eyes principle;
c the provision of financial information by the company, including the discussion of position papers on the proper application of IFRS standards and the consequences of changes to the IFRS 16 standard;
d the adoption of an audit charter, the internal audit plan for 2019 and internal audit findings;
e the relationship with the external auditor as well as discussions about the 2019 audit plan, the audit report and the management letter of the external auditor, compliance with recommendations from and the follow-up of remarks by the external auditor, also with regard to ICT systems;
f the application of information and communication technology and measures to improve cybersecurity;
g the description or improvement of internal processes such as the treasury process, the payment process and the development process;
h the Treasury policy for 2019 – 2021
i The Directors and Officers Liability Policy
j a partial refinancing of existing loan facilities including a private placement.

Real Estate Committee

On 31 December 2019 the Real Estate Committee consisted of Harm Meijer (Chair) and Karin Koks-Van der Sluijs (member).

The role and responsibilities of the Real Estate Committee, its composition and how it carries out its duties are specified in the Real Estate Committee regulations which are posted on the company's website. Real Estate Committee meetings pay special attention to the feasibility of the strategy, the implementation of the business model, and the real estate market.

The Real Estate Committee met with the Management Board on five occasions in the year under review, had several conference calls and frequent interactions between meetings.

In 2019 the Real Estate Committee was particularly involved in:

a evaluating proposed management decisions, specifically with regard to real estate transactions (acquisitions, disposals and investments);
b advising the Supervisory Board on the acquisition of two office buildings: Trivium in Amsterdam, and Archimedesweg 30 in Leiden;
c discussing and approving the disposal of a number of non-core assets;
d discussing two potential development opportunities in Amsterdam South East (Laanderpoort and Centerpoint), one potential development opportunity in Amsterdam Sloterdijk (Motion) and one potential development opportunity in the Amsterdam Zuidas area (Vitrum);
e meeting regularly with management to discuss the portfolio strategy, hold/sell analyses, market updates, occupancy;
f holding discussions with management with regard to the HNK strategy, positioning, product offering, cost structure and returns, and organisation;
g assessing asset business plans for all major offices and HNKs;
h the methodology for preparing yield calculations and the applicable thresholds for acquisitions;
i discussing the location strategy for future acquisitions together with external market researchers
j site visits in the context of acquisitions.

In conclusion

2019 was a year of adjusting the organisation to the new strategy and of many transactions en route to a more concentrated office portfolio that required hard work and commitment from the Management Board and employees alike. The Supervisory Board wishes to express its gratitude for the efforts they made and successes they realised in the year under review.

Hoofddorp, 5 March 2020

The Supervisory Board

Luurt van der Ploeg, *Chair*
Karin Koks-Van der Sluijs, *Vice Chair*
Margreet Haandrikman
Harm Meijer

DETAILS OF THE SUPERVISORY BOARD

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

Nationality Dutch

Current position CFO VolkerWessels Bouw & Vastgoedontwikkeling B.V.

Additional positions Chairman Supervisory Board Housing association Haag Wonen, Supervisory Board member Dunea N.V., Member of the Curatorium of the Erasmus School of Accounting & Assurance

First appointment 2014

Current term To 2022

Mrs K.M. Koks - Van der Sluijs (1968)
Vice Chairman

Nationality Dutch

Current position Managing Director Portfolio Management Greystar Europe

Additional positions Non-executive board member and member of the Audit Committee and Investment Committee of Immobel (Compagnie Immobiliere de Belgique SA)

First appointment 2016

Current term To 2020

Mr H.M.M. Meijer (1975)

Nationality Dutch

Current position Founding partner of ICAMAP, Board Member and Managing Director at ICAMAP Advisory

Additional positions Non-executive Chairman of easyHotel plc

First appointment 2016

Current term To 2020

Mrs G.M. Haandrikman (1965)

Nationality Dutch

Current position Independent supervisory board member and advisor

Additional positions Chair of the Supervisory Board De Onderlinge van 1719 UA, Member of the Supervisory Board Monuta, Member of the Supervisory Board and Chair Audit Committee De Regenboog Groep, Member of the Supervisory Board Centramed, Member of the Supervisory Board and Chair Audit and Risk Committee of Scildon and Waard Verzekeringen (part of the Chesnara Group (UK)), Member of the Supervisory Board Stichting Pensioenfondsen Huisartsen, Chair of the Supervisory Board of Lemonade NV.

First appointment 2017

Current term To 2021

CONTENT

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note		2019		2018
Gross rental income	2		82,831		83,721
Service costs recharged to tenants		12,817		13,465	
Service costs		-14,418		-14,702	
Service costs not recharged	2		-1,601		-1,237
Operating costs	2, 3		-14,003		-13,256
Net rental income			**67,227**		**69,228**
Revaluation of investment property	4		144,642		46,418
Net result on sale of investment property	5		8,728		841
Net result from investments			**220,597**		**116,488**
Administrative costs	6		-7,948		-7,950
Other income and costs	7		-1,402		18
Financing income		2		27	
Financing costs		-9,841		-12,532	
Movement in market value of financial derivatives		-5,110		-4,497	
Net financing result	8		-14,950		-17,003
Result before tax			**196,297**		**91,553**
Corporate income tax	9		-1		-28
Total result for the year			**196,297**		**91,525**
Other comprehensive income					
Total comprehensive income for the year			**196,297**		**91,525**
Total comprehensive income attributable to:					
Shareholders			196,297		91,525
Total comprehensive income for the year			**196,297**		**91,525**
Data per average outstanding share:					
Diluted as well as non-diluted result after tax			10.47		4.95

The notes on pages 80 to 113 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2019	31 December 2018
Assets			
Investment property	10	1,263,089	1,202,691
Derivative financial instruments	19		323
Tangible fixed assets	11	1,531	777
Intangible fixed assets	12	366	510
Other non-current assets	13	7,662	6,319
Non-current assets		**1,272,649**	**1,210,619**
Debtors and other receivables	14	1,101	1,755
Cash and cash equivalents	15	1,433	245
Assets held for sale	16	15,950	3,940
Current assets		**18,484**	**5,940**
Total assets		**1,291,133**	**1,216,559**
Shareholders’ equity			
Issued share capital	17	69,617	68,353
Share premium reserve	17	919,661	920,935
Other reserves	17	-282,266	-347,531
Total result for the year		196,297	91,525
Shareholders’ equity		**903,308**	**733,283**
Liabilities			
Interest bearing loans	18	315,765	436,407
Derivative financial instruments	19	3,978	5,327
Other non-current liabilities	20	5,365	4,080
Non-current liabilities		**325,108**	**445,813**
Redemption requirement interest bearing loans	18	25,725	1,250
Derivative financial instruments	19	208	43
Creditors and other payables	21	23,930	25,602
Debts to credit institutions	22	12,576	10,497
Liabilities directly associated with assets held for sale		279	71
Current liabilities		**62,717**	**37,464**
Total liabilities		**387,825**	**483,277**
Total shareholders’ equity and liabilities		**1,291,133**	**1,216,559**

The notes on pages 80 to 113 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Notes		2019		2018
Result from operations after tax			196,297		91,525
Adjusted for:					
Revaluation of investment property	4	-144,642		-46,418	
Net result on sale of investment property	5	-8,728		-841	
Net financing result	8	14,950		17,003	
Corporate income tax	9	1		28	
Depreciation and amortisation	6	520		223	
			-137,900		-30,005
Movements in working capital:					
Debtors and other receivables		-948		-88	
Creditors and other payables		-2,746		1,015	
			-3,694		927
Cash flow from operations			**54,703**		**62,447**
Financing income received			2		27
Financing costs paid			-9,480		-9,751
Settlement of derivatives			-5,971		
Tax paid			-31		-57
Cash flow from operating activities			**39,222**		**52,666**
Purchases of investment property and subsequent expenditure	10, 16		-45,886		-178,539
Proceeds from sale of investment property	10, 16		128,539		120,139
Investments in tangible fixed assets	11				-58
Disinvestments in tangible fixed assets	11		2		
Investments in intangible fixed assets	12		-68		-104
Cash flow from investment activities			**82,588**		**-58,563**
Dividend paid to the company's shareholders			-26,271		-31,887
Proceeds from interest bearing loans	18		100,000		519,712
Transaction costs interest bearing loans paid			-179		-1,297
Repayment of interest bearing loans	18		-196,250		-487,838
Cash flow from financing activities			**-122,701**		**-1,309**
Net cash flow			**-891**		**-7,206**
Cash and cash equivalents and debts to credit institutions - balance as per 1 January			**-10,252**		**-3,046**
Cash and cash equivalents and debts to credit institutions - balance as per 31 December			**-11,143**		**-10,252**

The notes on pages 80 to 113 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2019

	Issued share capital	Share premium reserve	Other reserves	Result for the year	Shareholders' equity
Balance as per 1 January 2019	**68,353**	**920,935**	**-347,531**	**91,525**	**733,282**
Total result for the year				196,297	196,297
Total comprehensive income for the year				**196,297**	**196,297**
Profit appropriation - 2018			91,525	-91,525	
Distribution final dividend - 2018	646	-651	-13,926		-13,931
Interim dividend - 2019	618	-624	-12,335		-12,340
Contributions from and to shareholders	**1,264**	**-1,274**	**65,264**	**-91,525**	**-26,271**
Balance as per 31 December 2019	**69,617**	**919,661**	**-282,266**	**196,297**	**903,308**

2018

	Issued share capital	Share premium reserve	Other reserves	Result for the year	Shareholders' equity
Balance as per 31 December 2017	**67,583**	**921,715**	**-408,212**	**91,602**	**672,688**
Change in accounting policy following IFRS 9			956		956
Balance as per 1 January 2018	**67,583**	**921,715**	**-407,256**	**91,602**	**673,644**
Total result for the year				91,525	91,525
Other comprehensive income			0		0
Total comprehensive income for the year			**0**	**91,525**	**91,525**
Profit appropriation - 2017			91,602	-91,602	
Distribution final dividend - 2017	402	-407	-16,407		-16,412
Interim dividend - 2018	368	-373	-15,469		-15,474
Contributions from and to shareholders	**770**	**-780**	**59,725**	**-91,602**	**-31,887**
Balance as per 31 December 2018	**68,353**	**920,935**	**-347,531**	**91,525**	**733,282**

Additional information with respect to equity is given in note 17.

The notes on pages 80 to 113 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REPORTING ENTITY

NSI N.V. (hereinafter 'NSI', or the 'company'), with its principal place of business in Antareslaan 69-75, 3132 JE Hoofddorp, the Netherlands and its registered office in Amsterdam, the Netherlands is a property investment company, primarily focussing on offices.

These consolidated financial statements are presented for the company and its subsidiaries (together referred to as the 'Group').

The company is licensed pursuant to the Dutch Financial Supervision Act (Wet op het financiële toezicht). NSI N.V. is listed on Euronext Amsterdam.

BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with International Reporting Standards (IFRS), as endorsed by the European Union (EU-IFRS) and with Title 9 of Book 2 of the Dutch Civil Code.

The financial statements were prepared by the Company's Management and approved by the Supervisory Board on 5 March 2020. The financial statements will be submitted to the General Meeting of Shareholders on 24 April 2020 for adoption.

Unless stated otherwise, all amounts in the financial statements are in thousands of euros, the euro being the company's functional currency, and are rounded off to the nearest thousand. There could be minor rounding off differences between in the figures presented.

The statement of comprehensive income, the statement of financial position, the cash flow statement and the statement of changes in shareholders' equity make reference to the notes in the financial statements to provide more information. The financial year of NSI presents the period from 1 January until 31 December.

Valuation principles

The financial statements have been prepared on the basis of historical cost except for investment property, investment property under construction and assets held for sale and derivative financial instruments, which are recognised at fair value.

The accounting principles applied to the valuation of assets and liabilities and the determination of results in financial statements are based on the assumption of continuity (going concern) of the company.

At the end of 2019 NSI had a negative working capital position. However, this does not impact the assumption of continuity as NSI still has a remaining committed undrawn credit facility amply exceeding this negative working capital.

Assumptions and estimation uncertainties

The preparation of the financial statements 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. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018. The most significant assumption relates to the unobservable information used in the valuation of the investment property.

Measurement at fair value

A number of accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities. Significant valuation issues are reported to the company's audit committee.

In measuring the fair value of an asset or a liability, the company uses observable market data as much as possible. Fair value measurements are categorized into different levels of a fair value hierarchy based on the inputs applied to the valuation techniques. The different levels are defined as follows:

- Level 1: valuation on the basis of quoted prices in active markets for identical assets or liabilities;
- Level 2: valuation of assets or liabilities based on (external) observable information;
- Level 3: valuation of assets or liabilities based wholly or partially on (external) unobservable information.

If the input parameters used to measure the fair value of an asset or a liability may be categorised into different levels of the fair value hierarchy, the fair value measurement is categorised entirely in the level of the lowest level input that is significant to the entire measurement.

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

The company has established a control framework with regard 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. The valuation process is supervised by the Management Board.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third-party information is used to measure fair value, NSI assesses and documents the third-party data to verify that the valuations and their classification into different levels of the fair value hierarchy comply with IFRS, including their level in the fair value hierarchy.

Further information about the assumptions made in measuring fair value is included in the following notes:
- Note 10 - Investment property;
- Note 19 - Financial instruments;
- Note 24 - Long term share plan (LTSP).

Main principles for financial reporting

Principles for consolidation

Subsidiaries

Subsidiaries are entities over which NSI has decisive control. There is a situation of control if the company's involvement in the entity exposes or entitles it to variable returns and the company has the ability to influence such returns using its control in the entity.

In 2019 the restructuring of the entity structure of NSI as to create a less complex and more efficient structure was finalised. As a result the entities NSI Beheer B.V., NSI Beheer II B.V. and NSI Service HNK B.V. have been liquidated during 2019. Furthermore NSI Development B.V. was transferred to NSI Real Estate B.V.

The results of subsidiaries are included in the consolidated financial statements from the date of commencement of control until the date on which the control ends.

The following companies are included in the consolidated financial statements:

		31 December 2019	31 December 2018
NSI N.V.	Amsterdam, The Netherlands		
NSI Real Estate B.V.	Amsterdam, The Netherlands	100.0%	100.0%
NSI Kantoren B.V.	Amsterdam, The Netherlands	100.0%	100.0%
NSI Beheer B.V.	Amsterdam, The Netherlands		100.0%
NSI Vastgoed B.V.	Amsterdam, The Netherlands	100.0%	100.0%
NSI Beheer II B.V.	Amsterdam, The Netherlands		100.0%
NSI Flexoffices B.V.	Amsterdam, The Netherlands	100.0%	100.0%
HNK Vastgoed B.V.	Amsterdam, The Netherlands	100.0%	100.0%
HNK Services B.V.	Amsterdam, The Netherlands	100.0%	100.0%
NSI Service HNK B.V.	Amsterdam, The Netherlands		100.0%
NSI Development B.V.	Amsterdam, The Netherlands	100.0%	100.0%

Elimination of intragroup transactions

Intragroup balances and transactions as well as any unrealised profits and losses on intragroup transactions are eliminated, except where there are indications for impairment.

Foreign currency

Foreign currency translation

Assets and liabilities denominated in foreign currency are converted into euros using 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 conversion are recognised in the consolidated statement of comprehensive income.

Investment property

Investment property consists of investment property in operation and investment property under construction.

Investment property in operation

Investment property in operation consists of real estate that is held to generate rental income or value, or a combination of both, but that is not intended for sale in the ordinary course of business.

Investment property is initially recognised as from the date of transfer of the legal title at cost (including all costs relating to the purchase, such as legal costs, transfer tax, estate agent fees, costs of due diligence and other transaction costs). Subsequent measurement of investment property is at fair value.

As per 1 January 2019, the value of the right of use of leasehold is added to the fair value of the investment property and as such included in the balance sheet value of investment property in operation, following the new IFRS 16 standard. Future leasehold obligations are valued at net present value of the future lease payments.

For all properties in the portfolio the fair value of the investment property is appraised by external registered appraisers twice a year. In principle, valuations may only be performed and provided by appraisers registered with the Dutch register of property appraisers (Nederlands Register van Vastgoed Taxateurs). Valuations are performed on the basis of the guidance of the RICS Red Book. NSI works with at least two valuation firms. The valuation firms for individual properties are changed every three years in accordance with the RICS guidelines. The valuations are assessed and analysed by the Management Board and asset management considering the methods and assumptions applied, as well as the outcome.

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

The fair value is calculated using primarily the capitalisation method, on the basis of a net initial yield calculation, whereby the net market rent prices are capitalised, and is subsequently validated by the DCF calculation method, based on the present value of the future cash flows for the next ten year including an exit value at the end of the tenth year. The respective outcomes of both methods are compared. The returns applied are specified for the property type, location, maintenance condition and letting potential of each property, and are based on comparable transactions, along with market-specific and property-specific data.

Key assumptions in the valuations are: yield and market rent. Future investments and maintenance assumptions are also taken into account in the valuations. Further, assumptions are made for each tenant and for each vacant unit with regard to the probability of letting and (re)letting, the number of months of vacancy, incentives and letting costs. Adjustments are made to the present value of differences between the market rent prices and the rent price contractually agreed. The valuation is made after deduction of transaction expenses borne by buyers.

Subsequent expenditures are only included in the value of the property if it is probable that future economic benefits related to these investments or expenses would benefit the company. All other costs of maintenance and repairs are recognised as costs at the moment that they are incurred. No depreciation is made on investment properties, given that they are recognised at fair value. Changes to the fair value of investment properties are included in the consolidated statement of comprehensive income in the period in which they occur.

Profits or losses on the sale of an investment property are recognised in the period in which the sale occurs as the difference between the net sales proceeds and the fair value most recently determined by NSI. If an investment property is sold, the cumulative positive revaluation, if any, is transferred from the revaluation reserve to retained earnings. Investment property is derecognised when it has been sold and control has been transferred.

If the use of a property becomes owner occupied and a reclassification as a tangible fixed asset is required, the fair value at the date of reclassification becomes the cost price for administrative processing purposes.

Investment property under construction

Investment property under construction is referred to as 'investment property under construction' for the purpose of future lease activity. A property is considered as investment property under construction either if NSI is developing a new property or if NSI considers that for continued future use of an existing property a major (re-)development is required and the property is no longer available for letting during the (re-)development.

If the fair value can be measured reliable, investment property under construction is valued at fair value. If the fair value cannot be measured reliable, investment property under construction is valued at cost, including capitalised interest, minus any cumulative impairment losses. The costs associated with investment property under construction consists of all the directly attributable costs required to complete the project. Capitalised interest is charged until the date of delivery and is calculated based on the average cost of debt of NSI. The cost of debt include interest and all other costs associated with NSI raising funds.

At the date of delivery the investment property under construction is transferred to investment property in operation.

Assets held for sale

Certain investment properties, or groups of investment properties, will be reclassified to assets held for sale if it is expected that their book value will be recovered through a disposal and not through further use. This is only possible if the asset is available for immediate sale at arm's length conditions and at customary conditions applicable in similar cases. Moreover, the probability of a sale must be high and based on an initiated and active sales programme. This means that it must be actively offered in the market at a price that is reasonably proportionate to the current market value and the sale is expected to be completed within twelve months after the end of the reporting period.

After being reclassified to 'Assets held for sale', an investment property valued at fair value continues to be valued on this basis. Assets held for sale are presented separately from the regular investment properties in the balance sheet under current assets.

Tangible fixed assets

Tangible fixed assets consists of real estate (office building) fully or partly used by the company, its furniture and office equipment and transport fleet. These assets are valued at cost, less cumulative depreciation and any cumulative impairment losses.

Furthermore, as per 1 January 2019, the value of the right of use of lease cars is included under tangible fixed assets following the new IFRS 16 standard. The right of use of car leases are valued at net present value of the future lease payments at the time of capitalisation, less cumulative depreciation.

If a property used by the company changes into an investment property, the property is revalued on the basis of fair value and reclassified as an investment property. Any gain arising from this revaluation is recognised in the result insofar as the gain results in a reversal of a previously recognised impairment loss for that specific property. Any residual gain is recognised in the unrealised results and is reported in the revaluation reserve. Any loss is recognised in the result.

Depreciation of tangible fixed assets is charged to the consolidated statement of comprehensive income under administrative costs and is calculated using the straight-line method based on the estimated useful life and residual value of the asset concerned. Land is not depreciated.

The estimated useful life is as follows:
- Real estate in own use: 25 years;
- Furniture and office equipment: 4 years;
- Transport fleet: 3 years.

Depreciation of right of use lease cars is calculated using the straight-line method over the contractual lease period of the asset concerned.

The applied methodology of calculating depreciation, useful life and residual value is assessed at the end of every book year and adjusted if necessary.

Intangible fixed assets
Intangible assets only consist of software.

Development and implementation costs relating to purchased and/or developed software are capitalised based on the costs of acquiring the software and taking it into operation. The capitalised costs are reduced by cumulative amortisation and cumulative impairment losses.

Amortisation is calculated to write off the costs of intangible fixed assets less their estimated residual value on a straight-lined basis over their estimated useful life. Amortisation is recognised in the statement of comprehensive income. The estimated useful economic lives of capitalised software is 3 years.

Impairment non-financial fixed assets
The carrying value of the non-financial assets of the Group, excluding investment properties together with the lease incentives and deferred tax assets, are reviewed at each reporting date to determine whether there are indications for impairment. If any such indication exists, an estimate is made of the recoverable amount of the asset.

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

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

Impairment losses are recognised in profit or loss. They are deducted on a pro rata basis from the book value of each asset in the cash-generating unit.

Impairment losses are reversed only to the extent that the asset's book value does not exceed its book value, net of any depreciation or amortisation that would have been determined had no impairment loss been recognised.

Financial instruments
NSI classifies non-derivative financial assets in the categories: tenant loans, debtors and other receivables and cash and cash equivalents.

NSI has the following non-derivative financial liabilities: interest-bearing loans, creditors and other payables and amounts owed to credit institutions.

Non-derivative financial assets and liabilities - recognition
NSI initially recognises financial assets and financial liabilities at the transaction date.

NSI no longer recognises a financial asset in the balance sheet if 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, or if NSI neither transfers or retains the risks and benefits related to ownership of the asset, nor has control over the transferred asset. If NSI retains or creates an interest in the transferred financial assets, the interest is recognised as a separate asset or liability.

NSI no longer recognises a financial liability in the balance sheet if the contractual obligations are waived or cancelled or have 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 offset on a net basis or to realise the asset and the liability simultaneously.

Non-derivative financial assets - measurement
Loans and debtors and other receivables

Loans and debtors and other receivables, excluding taxes and prepayments, are measured at initial recognition at fair value plus any directly attributable transaction costs. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

For loans and debtors and other receivables the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Cash and cash equivalents

Cash and cash equivalents are recognised and subsequently valued at amortised costs and 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 included in cash and cash equivalents and amounts owed to credit institutions in the consolidated statement of financial position and the consolidated cash flow statement.

Non-derivative financial liabilities - measurement

Interest bearing loans

Interest-bearing loans are initially recognised at fair value, after deduction of attributable transaction costs. After initial recognition, the interest-bearing loans are measured at amortised cost using the effective interest method.

Interest-bearing loans include both fixed-rate and variable-rate loans. In principle, the fair value of the variable-rate loans is equal to their amortised cost. Part of the interest risk on the variable-rate loans is hedged through interest-rate swaps.

In principle, the fair value of the fixed-rate loans is not equal to their amortised cost. The fair value of the fixed-rate loans is calculated using the net present value method at the market interest rates prevailing on 31 December 2019 (including margin).

Any redemption of interest-bearing debt within one year is recognised as current liabilities.

Creditors and other payables

Creditors and other payables, excluding taxes and deferred income, are at initial recognition measured at fair value plus any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments

NSI uses derivative financial instruments to hedge (in full or in part) the interest rate risks associated with its finance activities. These derivatives are not held or issued for trading purposes.

Derivatives are initially recognised at cost, after which they are recognised at fair value. Profits or losses arising from changes in the fair value of derivative financial instruments are immediately recognised in the consolidated statement of comprehensive income. 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 derivative were to be liquidated at balance sheet date, taking into account the interest rate on the balance sheet date and the current credit risk of the counterparties concerned as well as the credit risk of the Group. The interest payable on derivatives is incorporated in 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 if it is expected that it will be liquidated or settled within one year.

Prepayments and deferred income

Prepayments and deferred income are measured at costs.

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 in the paid-up and called-up capital relating to a stock dividend programme is deducted from the share premium reserve as well as the expenses relating to the stock dividend.

When repurchasing NSI shares, the amount of the consideration paid including directly attributable costs, is recognised as a change in shareholders' equity. Cash dividends are deducted from the other reserves in the period in which the dividends are set.

Income

Rental income

The rental income from investment property let on the basis of operating lease agreements is recognised in the consolidated statement of comprehensive income on a straight-line basis for the duration of the lease agreement.

Rent-free periods, rent reductions and other rent incentives are reported as an integral part of total net rental income. These rent incentives are allocated over the term of the lease agreement until the first moment at which the lease agreement may be terminated. The resulting accrued income is included in the fair value of the respective investment properties by the external appraisers and is separated in the balance sheet for reporting purposes.

Compensations received or paid for leases terminated early are immediately recognised in the consolidated statement of comprehensive income in the period in which the contractual requirements are met.

Service costs recharged to tenants

Service costs can be charged on to the tenants. These charges mainly relate to gas, water, electricity, cleaning and security, etc., costs which can be recharged to tenants based on the lease agreement. NSI acts as principal with respect to service costs, whereby the costs incurred are recharged to the tenants, including an administrative fee.

Net result on sale of investment property

Proceeds from the sale of investment properties are recognised when the control of the property is transferred to the purchaser.

The profits or losses on the sale of investment properties are identified as the difference between the net proceeds of the sale and the carrying value of the investment properties in NSI's most recently published (interim) balance sheet.

Costs

Service costs not recharged

Service costs not recharged to tenants mainly relate to vacant properties, in which situation these costs cannot be recharged to tenants and / or to other irrecoverable service costs as a result of contractual limitations or service costs.

Operating costs

Operating costs consist of costs directly related to the operation of the investment properties, such as property management, municipal taxes, insurance premiums, maintenance costs, letting costs and other business expenses.

Except for letting fees, these costs are charged to the result when they occur. Letting fees are straight-lined over the remaining lease term of the related contract until the first possible moment of termination by the tenant. The resulting accrued income is included in the fair value of the respective investment properties by the external appraisers and is separated in the balance sheet for reporting purposes.

Administrative costs

Administrative expenses include staff costs, office expenses, consultancy fees, remuneration of Supervisory Board members and the costs of fund management.

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

Financing income and costs

Financing income and expenses consist of interest expenses on loans and debts, and interest income on outstanding loans and receivables attributable to the period, including interest income and expenses based on interest rate swaps and dividends received. As a result of the valuation of interest-bearing debt based on amortised cost, financing expenses also include interest accrued on the interest-bearing debt.

Financing expenses directly attributable to the purchase, renovation or expansion of an investment property are capitalised as part of the integral cost of the property involved. The interest applied is the average interest paid by the Group in the respective currency.

Net financing income and expenses also include the profits and losses arising from changes in the fair value of the derivative financial instruments.

Employee benefits

Defined contribution pension plan

Liabilities relating to contributions to defined contribution pension plans are recognised as costs in the period in which they occur. Prepayments are recognised as an asset insofar as a cash refund or a reduction in future payments is available. The pension arrangements are insured externally.

Share-based payment arrangements

The variable remuneration component for the Management Board consists of a long term share plan (LTSP) for the CEO whereas for the CFO and the CIO the variable component consists of a long-term incentive (LTI) and a short-term incentive (STI) after adoption of the new remuneration policy in 2019.

The LTSP covers a period of three years. A maximum payment applies under the LTSP: for the CEO it has been set at 180% of the average fixed annual salary over the term of the LTSP. During the three year period, the total obligation under the LTSP is re-measured annually to its fair value and recognised as an expense with a corresponding increase in liabilities, over the period during which the CEO becomes unconditionally entitled to payment.

As for the CFO and the CIO a new policy was adopted in 2019, both the LTI and the STI are based on 2019 only. The LTI is capped at 45% of the base salary and the STI at 36% of the base salary. At the end of 2019, the total obligation was calculated and recognised as an expense with a corresponding increase in liabilities.

Shareholding requirement

To further stimulate long-term value creation, NSI applies a shareholding requirement to align the interests of the members of the Management Board with the interests of the company's shareholders. The CEO is required to hold NSI shares with a value of at least 125% of the applicable annual (gross) base salary; a requirement of at least 75% of the applicable annual (gross) base salary applies to the other members of the Management Board. Board members are required to invest respectively one-third and two-thirds of the net payments resulting from the short-term and long-term incentive schemes to acquire NSI shares until the shareholding requirement has been met. Before reaching the required value in shares, members of the Management Board are not allowed to sell any of the NSI shares they have acquired by investing these net payments. This shareholding requirement continues to be applicable during one year after the end of the membership of the Management Board of NSI. The Supervisory Board will evaluate at the end of each financial year the extent to which the shareholding requirement is met.

Tax on profits

Tax status

NSI has the status of a fiscal investment institution within the context of Article 28 of the Dutch Corporate Income Tax Act 1969 (Wet op de Vennootschapsbelasting 1969). This means no corporate income tax is owed under certain conditions. The main conditions relate to the investment requirement, the distribution of taxable earnings as dividend, limitations on the financing of investments with debt capital and the composition of the shareholder base. Profits from the disposal of investments and fair value adjustment results on investment property are not included in the distributable earnings.

In addition, there are legal restrictions on the activities that may be undertaken by a Dutch Real Estate Investment Trust (FBI). Since 1 January 2014, 'associated business activities' attributable to the main task of letting and managing of investment properties may be performed, within certain limits, by a normal taxable subsidiary.

To the best of the Management Board's knowledge the Group meets the legal requirements. As long as the Group continues to meet the conditions and therefore maintains the status of fiscal investment institution, corporate income tax will not be taken into account in the determination of profit or the reserves.

Corporate income tax may be payable on the fiscal results of the Dutch subsidiaries (NSI Development B.V., HNK Services B.V., NSI Services HNK B.V.) and foreign subsidiary companies which do not have the status of a fiscal investment institution.

Corporate income tax

Corporate income tax consists of payable tax liabilities, and is reported in the statement of comprehensive income. The tax payable consists of the sum of the expected tax payable or receivable on the taxable results for the year, taking into account earnings elements exempt from tax and non-deductible costs 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 tax payments made in previous years.

Cash flow statement

Operating cash flows are reported on the basis of the indirect method. Cash and cash equivalents and debts to credit institutions also include overdraft facilities which are part of NSI's cash management policy.

Segment information

All operating results of an operating segment are assessed periodically by the Management Board in order to decide on the allocation of resources to the segment and to assess performance, based on the confidential financial information available.

The Management considers the business from the nature of the investment property and assesses performance for "Offices", "HNK", both with a geographical sub-segmentation in Amsterdam, other target cities and other Netherlands, and "Other" (retail and industrial) and "Corporate".

A segment consists of assets and activities with specific risks and results, differing from other sectors.

Significant accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for 2018, except for the adaptation of new and amended standards as set out below.

New and amended standards adopted by the Group

IFRS 16 Leases

IFRS 16 Leases replaced the previous standard IAS 17 Leases and provides a framework for the recognition of lease contracts. This new standard requires lessees to recognise assets and liabilities relating to leasing contracts with a term exceeding twelve months. IFRS 16 was published in January 2016 and has become effective as from 1 January 2019.

Up to 31 December 2018, lease costs were recognised under operating costs (leasehold) and administrative costs (lease cars) in the consolidated statement of comprehensive income at the time the costs were incurred.

As per 1 January 2019 the lease liability is recognised at the net present value of the future lease payments at the time of capitalisation.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, NSI is using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After first recognition the lease liability is measured as follows:
- Increase the carrying amount to reflect interest on the lease liability;
- Reduce the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

More information on the principles for financial reporting relating to the right of use of assets as from 1 January 2019 can be found in the accounting principles for "Investment property in operation" and "Tangible Fixed Assets".

The Group has assessed the impact of the adoption of IFRS 16 on the consolidated financial statements. The Group has a limited number of obligations from land leases and car lease contracts.

For the transition at 1 January 2019 NSI accounted for its leasehold and car lease contract using the modified retrospective approach. As permitted under the specific transitional provisions, the 2018 comparative information is not restated. On adoption of IFRS 16 NSI used the transition practical expedient to recognise only lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17.

NSI elected to use the recognition exemptions for leases with a lease term of twelve months or less at date of initial application and lease contracts for which the underlying asset is of low value.

As per 1 January 2019, the net present value of the future leasehold payments was calculated. The discount rate used was the discount rate applied by the external appraisers for leasehold commitments in their valuation reports as per 31 December 2018. Based on these calculations the value for the right of use of leasehold was € 2.0 million which increased the value of the investment property in the opening balance of 2019. The leasehold liabilities, reported under other non-current liabilities and creditors and other payables (for the obligations within one year), included in the opening balance also amounted to € 2.0 million.

At the end of December 2019, the net present value for leasehold liability was re-calculated based on the discount rates used by the external appraisers in their valuation reports as per 31 December 2019. The right of use of leasehold and the leasehold liabilities included in the balance sheet amounted to € 1.0 million.

As per 1 January 2019, the net present value for car lease obligations amounted to € 0.5 million. This amount was included in the opening balance of 2019 in the right of use lease cars under tangible fixed assets and lease liabilities under other non-current liabilities and creditors and other payables. The weighted average incremental borrowing rate used was 2.0%.

The right of use of lease cars are depreciated using the straight-line method. The lease liability is increased by financing costs on the lease liability and decreased by any lease payments made.

As at 31 December 2019, the right of use lease cars included in the balance sheet amounted to € 0.8 million and the lease liability amounted to € 0.8 million.

The impact of the adoption of IFRS 16 is summarised below:

	1 January 2019
Assets	
Investment property	1,960
Tangible fixed assets	469
Total right of use assets recognised under IFRS 16	**2,429**
Liabilities	
Other non-current liabilities	2,160
Non-current lease liabilities	**2,160**
Creditors and other payables	270
Current lease liabilities	**270**
Total lease liabilities recognised under IFRS 16	**2,429**

In the annual report of 2018 NSI stated that the off balance lease liability was expected to be around € 3.0 million. The difference of € 0.6 million versus the opening balance of 2019 is a consequence of the fact that NSI choose to use the recognition exemptions for leases with a lease term of twelve months or less at date of initial application for lease cars (€ 0.1 million) as well as that NSI used different discount rates for leasehold obligations due to new insights (€ 0.5 million).

New and amended standards not yet applied

There are no IFRS or IFRIC interpretations that are not yet effective which are expected to have a significant impact financial statements of NSI.

1. SEGMENT INFORMATION

As from 1 January 2019 NSI has introduced a more detailed segmentation of the portfolio, separating out 'Amsterdam', 'Other target cities' and 'Other Netherlands' for both Offices and HNK. NSI continues to use the segment 'Other' for the remaining retail and industrial assets. This new segmentation highlights both the current opportunity and the remaining challenge at NSI, following the internal reporting and reflecting the strategic choices made by the management in recent years. Comparative figures have been adjusted accordingly.

2019

Statement of comprehensive income

	Offices			HNK					
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	Corporate	TOTAL
Gross rental income	27,471	21,895	6,297	4,755	9,202	3,439	9,773		82,831
Service costs recharged to tenants	2,815	2,925	1,312	996	2,259	1,115	1,395		12,817
Service costs	-3,262	-3,299	-1,026	-1,127	-2,734	-1,426	-1,543		-14,418
Service costs not recharged	-447	-373	285	-131	-475	-311	-148		-1,601
Operating costs	-2,918	-3,939	-963	-819	-2,315	-779	-2,268		-14,003
Net rental income	**24,105**	**17,583**	**5,619**	**3,804**	**6,411**	**2,348**	**7,357**		**67,227**
Revaluation of investment property	67,923	35,977	4,246	21,058	23,195	3,224	-10,981		144,642
Net result on sale of investment property	1,350	3,169	5,021				-811		8,728
Net result from investment	**93,378**	**56,728**	**14,886**	**24,862**	**29,606**	**5,573**	**-4,435**		**220,597**
Administrative costs								-7,948	-7,948
Other income and costs								-1,402	-1,402
Net financing result								-14,950	-14,950
Result before tax	**93,378**	**56,728**	**14,886**	**24,862**	**29,606**	**5,573**	**-4,435**	**-24,300**	**196,297**
Corporate income tax								-1	-1
Total result for the year	**93,378**	**56,728**	**14,886**	**24,862**	**29,606**	**5,573**	**-4,435**	**-24,301**	**196,297**
Other comprehensive income									
Total comprehensive income for the year	**93,378**	**56,728**	**14,886**	**24,862**	**29,606**	**5,573**	**-4,435**	**-24,301**	**196,297**
Attributable to shareholders	93,378	56,728	14,886	24,862	29,606	5,573	-4,435	-24,301	196,297

Statement of financial position

	Offices			HNK					
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	Corporate	TOTAL
Investment property	561,353	362,693	19,969	93,999	132,820	32,189	60,066		1,263,089
Other assets	2,067	3,442	106	363	730	681	274	4,432	12,094
Assets held for sale			15,200				750		15,950
Total assets	**563,419**	**366,135**	**35,275**	**94,362**	**133,550**	**32,870**	**61,090**	**4,432**	**1,291,133**
Non-current liabilities	1,050	497	115	1,394	1,216	324	179	320,332	325,108
Current liabilities	2,187	151	-181	-1	121	173	174	59,815	62,438
Liabilities directly associated with assets held for sale			260				20		279
Total liabilities	**3,237**	**648**	**193**	**1,394**	**1,337**	**497**	**373**	**380,147**	**387,825**
Purchases of investment property and subsequent expenditures	27,510	12,615	338	967	3,097	110	1,250		45,886

2018

Statement of comprehensive income

	Offices			HNK					
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	Corporate	TOTAL
Gross rental income	22,027	19,432	11,978	3,452	8,457	3,455	14,920		83,721
Service costs recharged to tenants	2,260	3,519	2,036	819	2,138	1,044	1,649		13,465
Service costs	-2,494	-3,866	-2,447	-732	-2,226	-1,105	-1,832		-14,702
Service costs not recharged	-234	-347	-411	88	-88	-60	-183		-1,237
Operating costs	-2,198	-2,699	-1,657	-981	-2,552	-1,238	-1,931		-13,256
Net rental income	**19,595**	**16,385**	**9,910**	**2,559**	**5,817**	**2,156**	**12,806**		**69,228**
Revaluation of investment property	27,106	20,767	-8,648	17,715	1,779	-2,517	-9,786		46,418
Net result on sale of investment property		2,547	-757				-949		841
Net result from investment	**46,702**	**39,699**	**505**	**20,275**	**7,597**	**-361**	**2,071**		**116,488**
Administrative costs								-7,950	-7,950
Other income and costs								18	18
Net financing result								-17,003	-17,003
Result before tax	**46,702**	**39,699**	**505**	**20,275**	**7,597**	**-361**	**2,071**	**-24,934**	**91,553**
Corporate income tax								-28	-28
Total result for the year	**46,702**	**39,699**	**505**	**20,275**	**7,597**	**-361**	**2,071**	**-24,962**	**91,525**
Other comprehensive income									
Total comprehensive income for the year	**46,702**	**39,699**	**505**	**20,275**	**7,597**	**-361**	**2,071**	**-24,962**	**91,525**
Attributable to shareholders	46,702	39,699	505	20,275	7,597	-361	2,071	-24,962	91,525

Statement of financial position

	Offices			HNK					
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	Corporate	TOTAL
Investment property	469,845	322,468	79,846	71,604	106,528	28,854	123,544		1,202,691
Other assets	1,200	3,257	194	281	522	531	336	3,609	9,929
Assets held for sale		940	3,000						3,940
Total assets	**471,045**	**326,665**	**83,040**	**71,885**	**107,050**	**29,385**	**123,880**	**3,609**	**1,216,559**
Non-current liabilities	574	376	335	970	1,104	264	457	441,733	445,813
Current liabilities	4,629	4,400	-7,741	782	1,272	-1,647	1,613	34,084	37,392
Liabilities directly associated with assets held for sale			71						71
Total liabilities	**5,203**	**4,776**	**-7,334**	**1,752**	**2,376**	**-1,383**	**2,069**	**475,818**	**483,277**
Purchases of investment property and subsequent expenditures	90,701	73,626	836	4,905	5,951	294	2,226		178,539

2. NET RENTAL INCOME

	Gross rental income		Service costs not recharged		Operating costs		Net rental income	
	2019	2018	2019	2018	2019	2018	2019	2018
Amsterdam	27,471	22,027	-447	-234	-2,918	-2,198	24,105	19,595
Other Target Cities	21,895	19,432	-373	-347	-3,939	-2,699	17,583	16,385
Other Netherlands	6,297	11,978	285	-411	-963	-1,657	5,619	9,910
Offices	55,663	53,437	-535	-993	-7,821	-6,554	47,307	45,890
Amsterdam	4,755	3,452	-131	88	-819	-981	3,804	2,559
Other Target Cities	9,202	8,457	-475	-88	-2,315	-2,552	6,411	5,817
Other Netherlands	3,439	3,455	-311	-60	-779	-1,238	2,348	2,156
HNK	17,395	15,364	-918	-61	-3,914	-4,771	12,564	10,532
Other	9,773	14,920	-148	-183	-2,268	-1,931	7,357	12,806
Net rental income	**82,831**	**83,721**	**-1,601**	**-1,237**	**-14,003**	**-13,256**	**67,227**	**69,228**

Gross rental income can be specified in the following components:

		2019		2018
Gross rental income - offices / HNK / other		80,498		84,052
Turnover rent	297		237	
Indemnities received	523		14	
HNK - meeting rooms	930		739	
Other rental income	583		-1,321	
Other gross rental income		2,332		-331
Gross rental income		**82,831**		**83,721**

Gross rental income includes an amount of € 5.3 million (2018: € 4.9 million) for straight-lined lease incentives.

Other rental income 2018 includes a lease termination fee of € 2.0 million paid by NSI to a former tenant to end the lease contract for a property in Amsterdam.

NSI leases its investment properties on the basis of operating leases with various maturities. Each lease contract specifies the space, rent and rights and obligations of the landlord and the tenant, including notice periods, options to extend the rental period and provisions related to service costs. In general, the rent is indexed during the life of the rental agreement on an annual basis. The total minimum annual rent to be received from operating lease agreements is specified as follows:

	31 December 2019	31 December 2018
First year	77,293	81,271
Second to fourth year	158,149	178,098
As of fifth year	107,798	118,536

3. OPERATING COSTS

	2019	2018
Leasehold	-47	-245
Municipal taxes	-2,836	-2,711
Insurance premiums	-536	-462
Maintenance costs	-4,040	-2,617
Property management costs	-3,892	-3,907
Letting costs	-1,623	-2,949
Contribution to owner association	-486	-516
Doubtful debt costs	-174	462
Other operating costs	-369	-311
Operating costs	**-14,003**	**-13,256**

As from 1 January 2019 the new IFRS 16 standard was adopted; as such, leasehold costs are no longer considered to be part of operating costs. The leasehold costs reported for 2019 concerns a leasehold payment for a property sold in the second half of the year.

Property management costs include administrative costs charged to operations for an amount of € 3.4 million (2018: € 3.5 million). Letting costs includes an amount of € 0.6 million (2018: € 0.0 million) for straight-lined letting investments and commissions.

An amount of € 0.0 million (2018: € 0.0 million) relates to operating costs of fully vacant properties.

4. REVALUATION OF INVESTMENT PROPERTY

	2019			2018		
	Positive	Negative	TOTAL	Positive	Negative	TOTAL
Investment property in operation	160,406	-19,163	141,244	89,684	-44,027	45,656
Investment property under construction	5,051		5,051	438		438
Assets held for sale				1,113		1,113
Revaluation - market value	**165,457**	**-19,163**	**146,295**	**91,234**	**-44,027**	**47,207**
Movement in right of use leasehold			-19			
Movement in lease incentives			-1,634			-789
Revaluation of investment property			**144,642**			**46,418**

The movement in right of use leasehold concerns the difference in the right of use of leasehold liabilities calculated as per 31 December 2019 and 1 January 2019.

Further details on revaluation can be found in note 10.

5. NET RESULT ON SALE OF INVESTMENT PROPERTY

	2019	2018
Proceeds on sale of investment property	130,375	122,066
Transaction costs on sale of investment property	-1,836	-1,324
Sale of investment property	**128,539**	**120,742**
Book value at the time of sale (excl. right of use leasehold)	-119,811	-119,900
Net result on sale of investment property	**8,728**	**841**

The result on the right of use leasehold at the moment of disposal amounts to € 0.0 million.

During 2019 21 office properties (2018: 30 objects), 8 retail properties (2018: 4 objects) and 1 industrial warehouse (2018: 1 object) were sold.

Transaction costs on sale include the costs of real estate agents and legal fees.

6. ADMINISTRATIVE COSTS

		2019		2018
Salaries and wages	-5,623		-5,112	
Social security	-536		-583	
Pensions	-281		-288	
Depreciation right of use tangible fixed assets	-226			
Other staff costs	-1,173		-1,090	
Staff costs		-7,839		-7,073
Compensation supervisory board		-202		-211
Depreciation and amortisation	-294		-223	
Other office costs	-1,213		-1,237	
Office costs		-1,507		-1,461
Audit, consultancy and valuation costs		-1,080		-1,318
Other administrative costs		-686		-1,409
Administrative costs		**-11,314**		**-11,472**
Allocated administrative costs		**3,366**		**3,522**
Administrative costs		**-7,948**		**-7,950**

As a result of the implementation of IFRS 16, staff costs include an amount of € 0.2 million for depreciation of right of use lease cars. The costs of short term contracts for lease cars in 2019 amount to € 0.1 million and are included under other staff costs.In 2018, an amount of € 0.3 million for lease of cars (based on receipt of invoices) was included under other staff costs.

The administrative costs in 2019 include an amount of € 0.2 million for one-offs, mainly related to consultancy for sustainability and BREEAM-certification, offset by VAT returns from prior years. In 2018 one-offs amounted to € 0.5 million; these include amongst others costs related to severance payments related to settlement agreements and consultancy for the possible change in FBI-regime, transformation projects and sustainability.

Administrative costs directly related to the operation of the investment property portfolio, are recharged to the operating costs. These are reported as “Allocated administrative costs”.

Employees

On average 44 employees (42 FTE), including the Management Board, were employed by NSI during the reporting year (2018: 50 employees (47 FTE)).

As per 31 December 2019 the number of employees amounted to 47 (45 FTE).

7. OTHER INCOME AND COSTS

	2019	2018
Other income		60
Other costs	-1,402	-42
Other income and costs	**-1,402**	**18**

The 2019 costs mainly concern feasibility costs for projects (amongst others Laanderpoort, Centerpoint and Motion, all located in Amsterdam).

In 2018 the costs mainly concerned costs of cancelled projects, whereas the income concerned the release of prior year accruals in relation to court cases.

8. NET FINANCING RESULT

	2019	2018
Interest income	2	27
Financing income	**2**	**27**
Interest costs	-8,471	-8,688
Capitalised interest	366	
Exchange rate differences		-3
Bank costs	-1,339	-1,124
Amortisation costs interest bearing loans	-262	-2,628
Other financing costs	-135	-89
Financing costs	**-9,841**	**-12,532**
Movement in market value of financial derivatives	**-5,110**	**-4,497**
Net financing result	**-14,950**	**-17,003**

As from 2019, the borrowing costs related to the redevelopment of Bentinck Huis, The Hague, and with the renovation of Donauweg, Amsterdam, are capitalised. Capitalised interest in connection with these developments is based on the weighted average cost of debt. During 2019, the range of weighted average interest rates used was 1.9% - 2.1%.

After adoption of the IFRS 16 standard for leases as per 1 January 2019, other financing costs include costs related to leasehold and car lease obligations. For 2019 these costs amount to € 0.1 million.

The movement in market value of financial derivatives include an amount of € 6.0 million related to the unwinding of swaps in September 2019.

In April 2018 NSI concluded the refinancing of the existing Nexus-facility, included under interest bearing loans, of € 485 million. Under IFRS 9, this refinancing was qualified as an extinguishment; as such the non-amortised costs of the original loan of € 2.1 million were charged to the result as other financing costs.

9. CORPORATE INCOME TAX

	2019	2018
Current tax	1	-28
Corporate income tax	**1**	**-28**

NSI has the status of a fiscal investment institution within the context of Article 28 of the Dutch Corporate Income Tax Act 1969 (Wet op de Vennootschapsbelasting 1969). This means that no corporate income tax is owed under certain conditions.

The main conditions relate to the investment requirement, the distribution of taxable earnings as dividend, limitations on the financing of investments with debt capital and the composition of the shareholder base. Profits from the disposal of investments are not included in the distributable earnings.

In addition, there are legal restrictions on the activities that may be undertaken by a FBI, as stated under the main principles for financial reporting. Since 1 January 2014, 'associated business activities' attributable to the main task of letting and managing of investment properties may be performed, within certain limits, by a normal taxable subsidiary.

The subsidiaries NSI Development B.V., HNK Services B.V. and NSI Service HNK B.V. are not part of the fiscal investment institution NSI N.V. for tax purposes and are as such liable to pay corporate income tax, just like the remaining foreign subsidiaries, which have been liquidated in 2018.

		2019		2018
Result before tax		196,297		91,553
Tax at Dutch tax rate	25.00%	-49,074	25.00%	-22,888
Exempt due to fiscal status		49,069		22,895
Tax of subsidiaries under other tax regime		4		-35
Corporate income tax		**-1**		**-28**

LTV and Dutch REIT-status

A number of requirements must be met to achieve and maintain the status of a Dutch real estate investment trust (FBI). One such requirement relates to the maximum LTV (norm: ≤ 60%).

The basis for calculating this LTV differs fundamentally from the basis used for financial institutions. For the latter group NSI uses its commercial figures. The figures for tax purposes are used to calculate the LTV to assess the Dutch FBI status. NSI complied with this requirement in both 2018 and 2019.

10. INVESTMENT PROPERTY

Investment property consists of investment property in operation and investment property under construction:

	31 December 2019	31 December 2018
Investment property in operation	1,232,439	1,187,191
Investment property under construction	30,650	15,500
Investment property	**1,263,089**	**1,202,691**

Investment property in operation and investment property under construction are recognised at fair value. The fair value is determined on the basis of level 3 of the fair value hierarchy.

At 31 December 2019 100% (2018: 100%) of investment property were externally appraised by external appraisers. In 2019 the appraisers were JLL, Colliers, Cushman & Wakefield and CBRE. The fair value is based on the market value (including buyer's costs, i.e. adjusted for purchase costs such as transfer tax). That means the estimated price on the date of valuation at which a property can be traded between a seller and a purchaser willing to enter into an objective, arm's length transaction preceded by sound negotiations between both well-informed parties.

The valuations are determined on the basis of a capitalisation method, whereby the net market rents are capitalised, and the discounted cash flow method, based on the present value of the future cash flows for the next ten year including an exit value at the end of the tenth year. The respective outcomes of both methods are compared. The returns applied are specified for the type of investment property, location, maintenance condition and letting potential of each property, and are based on comparable transactions, along with market-specific and property-specific knowledge.

The table below summarises the both valuation techniques used to determine the fair value of investment property, as well as the significant unobservable inputs used primarily for the capitalisation method. The respective outcomes of both methods are compared:

Valuation technique	Unobservable inputs	Relationship between significant unobservable inputs and the fair value measurement
Capitalisation method and net discounted cash flow calculation.		*The estimated fair value increases (decreases) if:*
The capitalisation method consists of a net initial yield calculation, whereby the net market rent prices are capitalised by a yield percentage.	Significant: – Theoretical net yield – Expected market rent	 – The net yield is lower (higher) – The expected market rent levels are higher (lower)
The DCF valuation method is based on the present value of net future cash flows to be generated by the property, taking into account the expected increases in rent levels, periods of vacancy, the occupancy rate, costs of letting incentives such as rent free periods and other costs not covered by the tenant.	Other: – Rent free periods and other lease incentives and periods of vacancy following expirations of a lease	 – The occupancy rate is higher (lower) – The periods of vacancy are shorter (longer) – The rent free periods are shorter (longer)
The expected net cash flows are discounted using a risk adjusted discount rate. The discount rate is estimated based on factors including the quality and location of the property, the credit-worthiness of the tenant and the lease conditions.		

The fair value is the outcome of the (theoretical) rent divided by the net initial yield (expressed as a percentage) of the investment property. The total theoretical net initial yield at 31 December 2019 was 5.5% (2018: 6.6%). The yields applied are specific to the type of property, location, maintenance condition and letting potential of each asset. The yields are determined based on comparable transactions, as well as on market and asset-specific knowledge.

The most important assumptions and input parameters used in the valuations are:

	2019	2018
Average effective contractual rent per sqm (€):		
Offices	191	179
HNK	190	188
Other	155	165
Average market rent per sqm (€):		
Offices	205	175
HNK	182	178
Other	126	140
Average theoretical net yield (%)	5.5%	6.6%

Assumptions are made for each property, tenant and vacant unit based on the likelihood of letting (and reletting), the expected duration of vacancy (in months), incentives, capital expenditure and operating costs.

Investment property in operation

The movement in investment property in operation per segment was as follows:

2019

	Offices			HNK				
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	TOTAL
Balance as per 31 December 2018	**469,845**	**306,968**	**79,846**	**71,604**	**106,528**	**28,854**	**123,544**	**1,187,191**
Change in accounting policy following IFRS 16	1,589			371				1,960
Balance as per 1 January 2019	**471,434**	**306,968**	**79,846**	**71,975**	**106,528**	**28,854**	**123,544**	**1,189,151**
Acquisitions	25,283	5,603					753	31,638
Investments	2,101	1,307	338	967	3,097	110	511	8,430
Revaluation	64,612	34,237	4,246	21,058	23,195	3,224	-10,990	139,582
Transfer from / to inv. property under construction	-3,775							-3,775
Transfer from / to assets held for sale		145	-17,173				-27,251	-44,278
Disposals	-5,552	-8,967	-47,288				-26,501	-88,307
Balance as per 31 December 2019	**554,103**	**339,293**	**19,969**	**93,999**	**132,820**	**32,189**	**60,066**	**1,232,439**
Right of use leasehold as per 31 December 2019	-519	-120		-377				-1,016
Lease incentives as per 31 December 2019	2,067	3,442	106	363	730	681	274	7,662
Market value as per 31 December 2019	555,650	342,615	20,075	93,985	133,550	32,870	60,340	1,239,085

As per 1 January 2019, NSI adopted the new IFRS 16 standard for leases. Based on the calculation of the net present value of future leasehold payments, the value of the investment property was increased by € 2.0 million, which is reflected in the opening balance of 2019.

2018

	Offices			HNK				
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	TOTAL
Balance as per 1 January 2018	**352,037**	**239,170**	**139,575**	**48,983**	**98,799**	**31,077**	**161,738**	**1,071,380**
Acquisitions	89,867	55,838						145,705
Investments	834	2,726	836	4,905	5,951	294	444	15,990
Revaluation	27,106	20,329	-8,637	17,715	1,779	-2,517	-10,888	44,888
Transfer from / to inv. property under construction			800					800
Transfer from / to assets held for sale		-6,470	-16,338					-22,808
Disposals		-4,625	-36,390				-27,750	-68,765
Balance as per 31 December 2018	**469,845**	**306,968**	**79,846**	**71,604**	**106,528**	**28,854**	**123,544**	**1,187,191**
Lease incentives as per 31 December 2018	1,200	3,257	194	281	522	531	336	6,319
Market value as per 31 December 2018	471,045	310,225	80,040	71,885	107,050	29,385	123,880	1,193,510

Collateral

On 31 December 2019, properties with a market value of € 305.8 million (2018: € 275.1 million) were mortgaged as security for loans drawn and current account overdraft facilities at banks amounting to € 92.8 million (2018: € 94.1 million). The level of security can vary within the financing facilities, enabling NSI to create additional loan capacity within the existing facilities or to allocate part of the security to another financing facility.

Sensitivities to yield fluctuations

The value of investment property implies an average theoretical net yield of 5.5% (2018: 6.6%). Valuations can be affected by the general (macro-economic and market environment, but also by local factors.

If, on 31 December 2019, the yields applied for the valuation of investment property had been 100 basis points lower than the yields currently applied, the value of investment property would increase by 21.5% (2018: 17.8%). In that case NSI's equity would be € 277 million (2018: € 215 million) higher due to a higher positive result. The loan-to-value would then decrease from 27.4% (2018: 36.9%) to 22.5% (2018: 31.3%). If, on 31 December 2019, the yields applied for the valuation of investment property had been 100 basis points higher than those currently applied, the value of investment property would decrease by 14.9%. In that case NSI's equity would be € 192 million lower due to a lower result for the year. The loan-to-value would then increase from 27.4% to 32.2%.

Investment property under construction

The movement in investment property under construction per segment was as follows:

2019

	Offices			HNK				
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	TOTAL
Balance as per 1 January		**15,500**						**15,500**
Investments	125	5,833						5,958
Capitalised interest	38	327						366
Revaluation	3,311	1,740						5,051
Transfer from / to inv. property in operation	3,775							3,775
Balance as per 31 December 2019	**7,250**	**23,400**						**30,650**
Market value as per 31 December 2019	7,250	23,400						30,650

As per 31 December 2019 investment property under construction consists of Donauweg, Amsterdam and Bentinck Huis, The Hague.

2018

	Offices			HNK				
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	TOTAL
Balance as per 1 January 2018			**800**					**800**
Acquisitions		14,887						14,887
Investments		175						175
Revaluation		438						438
Transfer from / to inv. property in operation			-800					-800
Balance as per 31 December 2018		**15,500**						**15,500**
Market value as per 31 December 2018		15,500						15,500

11. TANGIBLE FIXED ASSETS

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

As from 1 January 2019, the right of use lease cars has been included under tangible fixed assets after adoption of the new IFRS 16 standard.

The movement in tangible fixed assets during 2018 and 2019 was as follows:

	2019	2018
Balance as per 31 December	**777**	**787**
Change in accounting policy following IFRS 16	469	
Balance as per 1 January	**1,246**	**787**
Investments	712	58
Depreciation	-309	-68
Disposals	-118	
Balance as per 31 December	**1,531**	**777**
Gross book value	2,107	1,093
Cumulative depreciation	-575	-316
Tangible fixed assets	**1,531**	**777**

The calculation of the net present value for car lease obligations resulted in an increase of the opening value of tangible fixed assets of € 0.5 million. As per 31 December 2019, the right of use for car lease obligations included in the balance sheet amounted to € 0.8 million.

12. INTANGIBLE FIXED ASSETS

Intangible fixed assets consist of capitalised software.

Investments during 2018 and 2019 mainly concern the development of the CRM system.

The movement in intangible fixed assets during 2018 and 2019 was as follows:

	2019	2018
Balance as per 1 January	**510**	**560**
Investments	68	104
Amortisation	-211	-155
Balance as per 31 December 2019 / 31 December 2018	**366**	**510**
Gross book value	1,169	1,101
Cumulative amortisation	-803	-591
Software	**366**	**510**

13. OTHER NON-CURRENT ASSETS

	31 December 2019	31 December 2018
Lease incentives	7,662	6,319
Other non-current assets	**7,662**	**6,319**

Lease incentives are straight-lined over the remaining lease terms until the first possible moment of termination by the tenants.

14. DEBTORS AND OTHER ACCOUNTS RECEIVABLE

	31 December 2019		31 December 2018	
Gross debtors	1,255		1,612	
Provision for doubtful debts	-745		-556	
Debtors		511		1,057
Tenant loans		52		64
Taxes		90		57
Prepayments and accrued income		198		299
Other current receivables		250		278
Debtors and other receivables		**1,101**		**1,755**

The largest item recognised under debtors and other accounts receivable concerns debtors (€ 1.3 million), mainly tenants who are overdue, which are reported after deduction of a provision for expected credit losses over the term of the receivables.

Information about the Group's credit risks relating to debtors and other receivables, as well as impairment losses can be found in note 19.

15. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Bank balances	1,433	245
Cash		0
Cash and cash equivalents	**1,433**	**245**

The full amount of cash and cash equivalents is freely available.

16. ASSETS HELD FOR SALE

At the end of 2019 the office buildings at Europaweg, Zoetermeer and De Hoefse Wing, Amersfoort and the shopping center De Hagenborgh in Almelo are classified as held for sale.

As per 31 December 2018 the assets held for sale consisted of the office buildings at Mr. E.N. van Kleffenstraat, Arnhem and Albert Plesmanweg, Rotterdam. Mr. E.N. van Kleffenstraat was sold in May 2019 and Albert Plesmanweg was sold in November 2019.

	31 December 2019	31 December 2018
Assets held for sale	15,903	3,940
Other assets directly associated to assets held for sale	47	
Assets held for sale	**15,950**	**3,940**

Other assets directly associated to assets held for sale consists of lease incentives.

The movement in each segment of assets held for sale was as follows:

2019

	Offices			HNK				
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	TOTAL
Balance as per 1 January 2019		**940**	**3,000**					**3,940**
Investments							-14	-14
Revaluation							9	9
Transfer from / to inv. property in operation		-145	17,173				27,251	44,278
Disposals		-795	-5,020				-26,496	-32,311
Balance as per 31 December 2019			**15,153**				**750**	**15,903**
Lease incentives as per 31 December 2019			47					47
Market value as per 31 December 2019			15,200				750	15,950

2018

	Offices			HNK				
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	TOTAL
Balance as per 1 January 2018							**28,791**	**28,791**
Investments							1,782	1,782
Revaluation			-10				1,103	1,092
Transfer from / to inv. property in operation		6,470	16,338					22,808
Disposals		-5,530	-13,327				-31,675	-50,533
Balance as per 31 December 2018		**940**	**3,000**					**3,940**
Market value as per 31 December 2018		940	3,000					3,940

17. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

Issued share capital

As per 31 December 2018 the authorised share capital consisted of 18,574,298 issued and fully paid shares (€ 68.4 million). The issued shares have a par value of € 3.68 each.

In May 2019 175,435 shares were issued as stock dividend, relating to the final dividend distribution for 2018. This resulted in 18,749,733 issued shares (€ 69.0 million). In August 2019 an interim stock dividend of 168,031 shares was issued and distributed. After that date the number of issued and fully paid shares amounted to 18,917,764 (€ 69.6 million).

	2019	2018
Balance as per 1 January	**68,353**	**67,583**
Stock dividend - final distribution prior year	646	402
Stock dividend - interim	618	368
Balance as per 31 December	**69,617**	**68,353**

The movement in the number of shares issued in 2018 and 2019 was as follows:

	2019	2018
Balance as per 1 January	**18,574,298**	**18,364,998**
Stock dividend - final distribution prior year	175,435	109,300
Stock dividend - interim	168,031	100,000
Balance as per 31 December	**18,917,764**	**18,574,298**

The holders of ordinary shares are entitled to receive the dividend declared by the company and to exercise one vote per share at the General Meeting of Shareholders.

Share premium reserve

	2019	2018
Balance as per 1 January	**920,935**	**921,715**
Stock dividend - final distribution prior year	-651	-407
Stock dividend - interim	-624	-373
Balance as per 31 December	**919,661**	**920,935**

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

In the movement of the share premium reserve 2019, € 10k transaction costs on the issue of stock dividend is included.

Other reserves

	2019	2018
Balance as per 31 December	**-347,531**	**-408,212**
Change in accounting policy following IFRS 9 / IFRS 16		956
Balance as per 1 January	**-347,531**	**-407,256**
Exchange rate differences		0
Profit appropriation	91,525	91,602
Cash dividend - final distribution prior year	-13,926	-16,407
Cash dividend - interim	-12,335	-15,469
Balance as per 31 December	**-282,267**	**-347,531**

In the opening balance as per 1 January 2018, the other reserves were adjusted by € 1.0 million as a result of the retrospective calculation of the refinancing of the Nexus facility at the end of 2016 based on IFRS 9 guidelines.

Dividend and earnings per share

The final dividend for 2019 is to be distributed in the form of cash, shares or a combination of both as proposed by the Management Board and subject to approval by the General Meeting of Shareholders on 24 April 2020. This proposal was not included as a liability in the balance sheet at 31 December 2019.

Number of shares

	31 December 2019	31 December 2018
Weighted average number of ordinary shares	**18,751,178**	**18,473,101**
Number of ordinary shares entitled to dividend	**18,917,764**	**18,574,298**

Dividend

	2019		2018	
	Per share	TOTAL	Per share	TOTAL
Interim dividend paid	1.04	19,500	1.04	19,213
Proposed final dividend	1.12	21,188	1.12	20,803
Total	**2.16**	**40,688**	**2.16**	**40,016**

Earnings per share

	2019	2018
Total result	**10.47**	**4.95**

The calculation of earnings per share at 31 December 2019 is based on the result attributable to ordinary shareholders of € 196.3 million (2018: € 91.5 million) and a weighted average number of outstanding ordinary shares during 2019 of 18,751,178 (2018: 18,473,101).

The proposed distribution of the final dividend complies with the fiscal distribution obligation and is in line with the current dividend policy to distribute at least 75% of the direct result.

Capital management

NSI prefers to work with a conservative capital structure to underpin its real estate activities, to secure the group's continuity in the long run. The benefit of a conservative capital structure is that it is possible to keep the overall cost of capital low. The aim is to have at any point in time sufficient balance sheet capacity to pay out dividends, honour all capital commitments and absorb a material fall in appraisal values, be able to fund investment opportunities and stay well within all loan covenants and so not having to resort to asset disposals or equity issue to restore the balance sheet.

NSI prefers to finance itself mostly through unsecured financing to maintain optimal flexibility. It will also look to manage its balance sheet risk in relation to the other risks inherent to the business (economic cycle risk, leasing risk, development risk etc.).

NSI also consistently monitors its fiscal capital base to make sure it meets and continues to meet all the requirements related to its FBI-status.

Management seeks to achieve a balance between a higher return that could be achieved through a higher level of debt capital, on the one hand, and the benefits and security of a healthy financial position, on the other. In addition, management safeguards capital by monitoring the loan / property value ratio and the debt owed to credit institutions / equity ratio. The ratio of debt owed to credit institutions / property investments was 27.4% on 31 December 2019 (2018: 36.9%). The ratio of debt owed to credit institutions / equity was 28.1% / 71.9% on 31 December 2019 (2018: 37.9% / 62.1%).

All bank covenants are monitored proactively and periodically. The key covenants for NSI relate to:
- Loan-to-value;
- The interest coverage ratio;
- Solvency.

Furthermore, loans differ in the use or non-use of security, (public) transferability and other possible characteristics such as convertibility, affiliations with indices and inflation.

Loan-to-value

NSI has two covenants relating to loan-to-value (LTV):
- LTV of NSI units regarding independent financing arrangements with specific assets acting as security. The maximum individual LTV relating to this specific security must be below 60%;
- LTV regarding NSI's entire portfolio. The maximum LTV must not exceed 60%.

The following table provides an overview of the LTV at group level:

	LTV (%) as per 31 December		Individual LTV's are compliant	
	2019	2018	2019	2018
NSI - group-level	27.4%	36.9%	Yes	Yes

In 2019 NSI and its subsidiaries complied with the LTV requirements agreed with banks on both an individual and consolidated level.

Furthermore, a number of requirements must be met to achieve and maintain the status of a Dutch real estate investment trust (FBI). One such requirement relates to the maximum LTV (norm: ≤ 60%). The basis for calculating this LTV differs fundamentally from the basis used for financial institutions. For the latter group NSI uses its commercial figures. The figures for tax purposes are used to calculate the LTV to assess the Dutch FBI status.

NSI complied with this requirement in both 2018 and 2019.

Interest coverage ratio

NSI has two covenants relating to the interest coverage ratio (ICR):
- The interest coverage ratio for independently financed NSI subsidiaries must be at least 2.0;
- Interest coverage ratio for NSI's entire portfolio must be at least 2.0.

The table below shows the interest coverage ratio (ICR):

	ICR as per 31 December		Individual ICR's are compliant	
	2019	2018	2019	2018
NSI - group-level	6.8	5.5	Yes	Yes

In 2019 NSI and its subsidiaries complied with the independent and consolidated interest coverage ratio requirements agreed with the banks.

Solvency

Based on the covenants, adjusted shareholders' equity at group level must be at least 40%. As per 31 December 2019 this was 70.7% (2018: 60.8%) in line with the covenants.

Other than the requirements ensuing from its status as a fiscal investment institution, the company nor its subsidiaries are subject to any externally imposed capital requirements.

18. INTEREST BEARING LOANS

The development of the interest bearing loans in 2018 and 2019 was as follows:

	2019	2018
Balance as per 31 December	**437,657**	**405,408**
Change in accounting policy following IFRS 9		-956
Balance as per 1 January	**437,657**	**404,451**
Drawn interest bearing loans	100,000	519,712
Transaction costs paid	-179	-1,297
Amortisation transaction costs	262	2,628
Repayment of interest bearing loans	-196,250	-487,838
Balance as per 31 December	**341,490**	**437,657**
Redemption requirement interest bearing loans	25,725	1,250
Balance as per 31 December	**315,765**	**436,407**

NSI has retrospectively calculated the impact on the refinancing of the Nexus facility in 2016. NSI qualifies this refinancing as a modification. Therefore, based on current IFRS 9 guidelines, € 1.0 million should have been adjusted to the amortised costs on the loan. This is reflected in the opening balance of 2018.

On 19 April 2018, NSI concluded the refinancing of the existing Nexus-facility of € 485 million. Under IFRS 9, this refinancing was qualified as an extinguishment; as such the non-amortised costs of the original loan of € 2.1 million were charged to the result as financing costs.

The remaining maturities of the loans at 31 December 2019 were as follows:

	31 December 2019			31 December 2018		
	Fixed interest	Variable interest	TOTAL	Fixed interest	Variable interest	TOTAL
Up to 1 year	25,025	700	25,725	550	700	1,250
From 1 to 2 years		700	700	25,025	700	25,725
From 2 to 5 years		185,549	185,549		321,197	321,197
From 5 to 10 years	89,544		89,544	89,485		89,485
More than 10 years	39,971		39,971			
Total	**154,540**	**186,949**	**341,490**	**115,060**	**322,597**	**437,657**
Average interest rate (excl. Interest-rate swaps)	2.1%	1.5%		2.3%	1.5%	

In 2020 € 25.7 million (2019: € 1.3 million) of financing will expire. The amount concerns the amortisation requirement of two loans due and will be covered by retained cash or the available financing facilities.

Loans outstanding have a remaining average maturity of 5.4 years (2018: 5.0 years) The weighted average annual interest rate on the loans and interest-rate swaps at the end of 2019 was 2.1% (2018: 2.0%). These include margin, utilisation fees and amortised costs and exclude commitment fees.

	31 December 2019			31 December 2018		
	Secured loans	Unsecured loans	TOTAL	Secured loans	Unsecured loans	TOTAL
Interest bearing loans - nominal value	92,825	250,000	342,825	94,075	345,000	439,075
Amortised costs	-200	-1,135	-1,335	-252	-1,166	-1,418
Total	**92,625**	**248,865**	**341,490**	**93,823**	**343,834**	**437,657**

During 2019 € 0.2 million of financing costs were capitalised (2018: € 1.3 million). The financing costs are recognised in the profit and loss account using the effective interest method.

As security for loans (up to € 92.8 million), mortgages were pledged against investment property valued at € 305.8 million (2018: € 275.1 million), combined with pledges on rental income and maximum LTV requirements.

On 31 December 2019 the company's undrawn committed credit facilities totalled € 260.0 million (2018: € 225.0 million). Taking into account the cash and cash equivalents and debts to credit institutions, the remaining undrawn committed credit facility is € 248.9 million. The fair value of the loans on 31 December 2019 was € 348.0 million (2018: € 442.7 million).

19. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Recognition categories and fair values

The table on the next page summarises the book values and fair values of financial assets and liabilities, as well as their applicable level within the fair value hierarchy. The table does not provide information on the fair value of financial assets and liabilities not measured at fair value if the book value is a reasonable reflection of the fair value.

Fair value hierarchy

Fair value measurements are categorised into different levels in the fair value hierarchy depending on the input that formed the basis of the valuation techniques applied.

The different levels are defined as follows:
- Level 1: valuation based on quoted prices in active markets for identical assets or liabilities;
- Level 2: valuation of assets or liabilities based on (external) observable information;
- Level 3: valuation of assets or liabilities based wholly or partially on (external) unobservable information.

Level 2 applies to all financial instruments; a model in which fair value is determined based on directly or indirectly observable market data. In level 2 fair values for over-the-counter derivatives is calculated as the present value of the estimated future cash flows based on observable yield curves obtained by external data sources (e.g. Bloomberg) and valuation statements received from our counterparties These quotes are regularly tested for adequacy by discounting cash flows using the market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments that take into account the credit risk of the group entity and the counterparty, when appropriate.

		31 December 2019			31 December 2018		
	Note	Fair value level	Amortised cost price	Fair value	Fair value level	Amortised cost price	Fair value
Financial assets valued at fair value through profit or loss							
Derivative financial instruments		2			2		323
Financial assets valued at amortised cost price							
Debtors and other receivables	14	2	813		2	1,398	
Cash and cash equivalents	15	1	1,433		1	245	
Financial liabilities valued at fair value through profit or loss							
Derivative financial instruments		2		4,185	2		5,370
Financial liabilities valued at amortised cost price							
Interest bearing loans	18	2	341,490		2	437,657	
Other non-current liabilities	20	2	5,365		2	4,080	
Creditors and other payables	21	2	14,811		2	12,584	
Debts to credit institutions	22	1	12,576		1	10,497	
Liabilities associated to assets held for sale		2	279		2	71	

Fair value hierarchy

The categories of financial instruments are:
- AC: Amortised Cost;
- FVPL: Fair Value through Profit or Loss;
- FVOCI: Fair Value through Other Comprehensive Income.

The book value of the financial instruments in the balance sheet and the fair values are as follows:

			31 December 2019		31 December 2018	
	Note	Category IFRS39	Book value	Fair value	Book value	Fair value
Derivative financial instruments		FVPL			323	323
Debtors and other receivables	14	AC	813	813	1,398	1,398
Cash and cash equivalents	15	AC	1,433	1,433	245	245
Financial assets			**2,246**	**2,246**	**1,966**	**1,966**
Derivative financial instruments		FVPL	4,185	4,185	5,370	5,370
Interest bearing loans	18	AC	341,490	347,994	437,657	442,699
Other non-current liabilities	20	AC	5,365	5,365	4,080	4,080
Creditors and other payables	21	AC	14,811	14,811	12,584	12,584
Debts to credit institutions	22	AC	12,576	12,576	10,497	10,497
Liabilities associated to assets held for sale		AC	279	279	71	71
Financial liabilities			**378,706**	**385,211**	**470,258**	**475,301**

On the balance sheet date the derivative financial instruments had the following maturity:

	31 December 2019				31 December 2018			
	# contracts	Nominal value	Fair value assets	Fair value liabilities	# contracts	Nominal value	Fair value assets	Fair value liabilities
Up to 1 year	5			208	3			43
From 1 to 5 years	11	187,500		3,978	21	315,000	323	5,327
Total	**16**	**187,500**		**4,185**	**24**	**315,000**	**323**	**5,370**

NSI minimises its interest rate risk by swapping the variable interest it pays on the majority of its loans for a fixed interest rate by means of contracts with fixed interest rates varying from -0.11% to 0.73% (2018: - 0.19% to 0.73%) and with maturity dates between 2020 and 2023 (2018: between 2019 and 2023). The weighted average remaining maturity of the derivatives is 3.4 years (2018: 5.1 years).

NSI is hedged at a weighted average interest rate of 0.1% (2018: 0.3%), excluding margin, 0.0% of the total outstanding variable interest loans (2018: 2.0%) are not hedged (volume hedge of 100.0%).

Financial risk management

In the normal conduct of business, the group is subject to liquidity risk, including financing and refinancing risk, market risk and credit risk. Overall risk management is focused on the unpredictability of the financial markets and is designed to minimise any negative effects on the group's business performance. The group closely monitors the financial risks associated with its business and financial instruments. The group is a long-term investor in real estate and therefore applies the principle that the financing of these investments should also be planned for the long term, in accordance with the risk profile of its business.

The policy and monitoring of risks are reviewed regularly and adjusted if necessary to reflect changes in market conditions and the group's operations.

Liquidity risk

Investing in property is a capital-intensive activity. The property portfolio is financed partly with equity and partly with debt. Funding with debt carries refinancing risks. The potential impact is that there is insufficient liquidity available to meet the company's obligations at the moment of the interest payment or repayment. Liquidity risk involves the risk of the group having problems fulfilling its financial obligations. The basic principle of liquidity risk management is that sufficient resources should be kept available, if possible, for the group to fulfil its current and future financial obligations under normal and difficult circumstances and without incurring unacceptable losses or harming the reputation of the group.

Liquidity risk management involves ensuring the availability of adequate credit facilities. To spread its liquidity risk, the group has funded its operations with various loans and shareholders' equity. Furthermore, measures have been taken to ensure a higher occupancy rate and to prevent financial losses resulting from the bankruptcies of tenants. Fluctuations in the company's liquidity needs are absorbed by undrawn parts of committed credit facilities of € 260.0 million (2018: € 225.0 million).

The interest and repayment obligations were safeguarded for 2020 based on the undrawn parts of committed credit facilities, extensions on loans and lease agreements. Maturity dates are spread over time to minimise liquidity risk. The average remaining maturity of loans is 5.4 years (2018: 5.0 years).

At year-end 2019 NSI had € 25.0 million of current account committed credit facilities with banks at its disposal, of which € 12.6 million was drawn. The undrawn committed credit facilities of the interest-bearing loans and current account credit facilities amounted to € 247.4 million at 31 December 2019. Furthermore, cash and cash equivalents amounted to € 1.4 million at 31 December 2019. This brings the total of unused credit facilities and cash and cash equivalents to € 248.9 million at 31 December 2019.

The contractual periods of the financial liabilities, including the estimated interest payments are stated below:

2019

	Book value	TOTAL	Contractual cash flow < 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Loans	341,490	377,728	3,625	27,973	6,341	199,401	140,388
Other non-current liabilities	5,365	6,054	1,191	511	837	2,002	1,513
Creditors and other payables	14,811	14,821	14,637	184			
Debts to credit institutions	12,576	12,576	12,576				
Liabilities associated to assets held for sale	279	279	279				
Non-derivative financial liabilities	**374,521**	**411,458**	**32,308**	**28,668**	**7,178**	**201,403**	**141,901**
Derivative financial instruments	4,185	4,884	454	752	1,394	2,284	
Derivative financial instruments	**4,185**	**4,884**	**454**	**752**	**1,394**	**2,284**	
Total	**378,706**	**416,342**	**32,762**	**29,420**	**8,572**	**203,687**	**141,901**

2018

	Book value	TOTAL	Contractual cash flow < 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Loans	437,657	478,912	4,245	4,280	32,789	339,546	98,051
Other non-current liabilities	4,080	4,080	972	203	572	1,676	656
Creditors and other payables	12,584	12,584	12,584				
Debts to credit institutions	10,497	10,497	10,497				
Liabilities associated to assets held for sale	71	71	71				
Non-derivative financial liabilities	**464,889**	**506,144**	**28,370**	**4,484**	**33,361**	**341,222**	**98,707**
Derivative financial instruments	5,370	9,866	644	655	2,254	6,312	
Derivative financial instruments	**5,370**	**9,866**	**644**	**655**	**2,254**	**6,312**	
Total	**470,258**	**516,010**	**29,014**	**5,138**	**35,616**	**347,534**	**98,707**

The gross inflow / outflow reflected in these table shows 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 period. The information shows the net cash flow amounts for derivatives settled net in cash and the gross cash inflows and outflows for derivatives that are simultaneously settled gross in cash.

The interest payments on the loans in the above table with variable interest rates and interest rate swaps used for hedging purposes are based on market interest rates at the end of the reporting period. The amounts may change due to changes in market interest rates. It is not expected that the cash flows assumed in the maturity analysis will occur significantly earlier or with significantly different amounts.

Market risk

Market risk exists because of price changes. The purpose of market risk management is to manage and control market risk exposures within acceptable limits while simultaneously optimising returns. Market risk consists of interest rate risk and foreign currency risk. The group uses derivatives to manage the market risk of volatility of interest rates. Such transactions take place within the guidelines laid down in the treasury policy.

There is no currency risk exposure at the end of December 2019.

Interest rate risk

NSI must at all times meet its obligations under the loans drawn and the interest coverage ratio shows the company’s ability to do so. The interest coverage ratio is calculated as the net rental income divided by the net financing costs. The financing covenants stipulate that the interest coverage ratio 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 divided by its investments). The financing covenants stipulate that the total amount of loans drawn may not exceed 60% of the value of the underlying investment property. The applicable interest rates on loans are partly dependent on the loan-to-value ratio at the moment the interest rate is being set. If the loan-to-value ratio increases, the interest costs will therefore rise. The ratios to which the company has committed itself in the loan agreements are monitored on a regular basis, at least once every six months.

If NSI were not able to meet these criteria and were not able to reach an agreement about this with the banks involved, this could result in the financing arrangements being renegotiated, terminated or prematurely repaid. If NSI does not have sufficient cash or alternative funding sources of funding to meet its obligations, any “default” or “cross-default” situation can occur.

At the end of 2019 the interest coverage ratio was 6.8 (2018: 5.5), which is higher than the level of 2.0 agreed with the banks. At the end of 2019 the Loan-to-Value was 27.4% (2018: 36.9%), which means that NSI is compliant with all the covenants of the outstanding loan agreements.

Variable-interest rate loans expose NSI to uncertainty about interest expenses. Derivatives are used to manage interest rate risk. NSI’s policy regarding the hedging of interest rate risk is defensive by nature, NSI does not take speculative positions. NSI aims to hedge the majority of the outstanding loans for the medium to long term. On 31 December 2019 NSI held financial derivatives with a nominal value of € 187.5 million (2018: € 315.0 million) for the purpose of managing the interest rate risk on its loans.

Sensitivity of interest rate

If the variable interest rate were to rise 100 basis points compared to 31 December 2019, the theoretical interest expenses for 2020 would decrease by € 0.7 million (2018: decrease by € 0.7 million), due to the effect of interest rate swaps based on three-months Euribor with no floor against loans with a Euribor floor of zero, assuming no changes to the portfolio or financing (including margins). In case the variable interest rate would be 100 basis points lower, the interest expenses would increase by € 1.9 million (2018: increase by € 3.2 million). The financial derivatives are discounted (inclusive and exclusive of derivatives) in this calculation, but potential changes to the fair value of the derivatives are not.

Analysis of effective interest rates and interest rate revisions

The table below shows the effective interest rate (the variable interest rate is based on 3-month Euribor as per 31 December) of financial assets and liabilities for which interest is payable at the balance sheet date, together with the dates when the rates will be reviewed.

2019

	Effective interest	TOTAL	< 1 year	1 - 2 years	2 - 5 years	> 5 years
Fixed interest loans	2.1%	154,540	25,025			129,516
Variable interest loans	1.5%	-551	700	700	-1,951	
Fixed interest as a result of swaps	2.0%	187,500			187,500	
Total	**2.1%**	**341,490**	**25,725**	**700**	**185,549**	**129,516**
Redemption obligations		25,725	25,725			
Balance as per 31 December 2019		**315,765**		**700**	**185,549**	**129,516**

2018

	Effective interest	TOTAL	< 1 year	1 - 2 years	2 - 5 years	> 5 years
Fixed interest loans	2.3%	115,060	550	25,025		89,485
Variable interest loans	1.5%	7,597	700	700	6,197	
Fixed interest as a result of swaps	2.7%	315,000			315,000	
Total	**2.0%**	**437,657**	**1,250**	**25,725**	**321,197**	**89,485**
Redemption obligations		1,250	1,250			
Balance as per 31 December 2018		**436,407**		**25,725**	**321,197**	**89,485**

Credit risk

Credit risk is defined as the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet their contractual obligations. Credit risks mainly arise from tenant receivables. The book value of the financial assets represents the maximum exposure to credit risk.

The maximum credit risk on the balance sheet date was as follows:

	31 December 2019	31 December 2018
Derivative financial instruments		323
Debtors and other receivables	813	1,398
Cash and cash equivalents	1,433	245
Credit risk	**2,246**	**1,966**

Banks

The risks associated with a possible non-performance by counterparties are minimised by entering into transactions for loans and derivative financial instruments and cash management with various reputable banks. These banks have credit ratings of at least A3 (Moody's) or BBB+ (Standard & Poor's). Management actively monitors the credit ratings.

Tenants

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

The maturity of (gross) receivables was as follows:

	31 December 2019	31 December 2018
Up to 1 month expired	164	686
From 1 to 3 months expired	72	30
From 3 months to 1 year expired	226	298
More than 1 year expired	794	599
Gross debtors	**1,255**	**1,612**

Aside from bank guarantees, security deposits for € 3.9 million (2018: € 4.1 million) were obtained to cover for potential loss of creditworthiness of tenants with regard to the receivables, of which € 1.7 million is relating to expiring lease contracts within one year.

Movement in the provision for impairment of doubtful debts was as follows:

	2019	2018
Balance as per 1 January	**556**	**1,047**
Addition to / release of provision	207	-120
Write-off bad debts	-18	-371
Balance as per 31 December	**745**	**556**

Impairment losses recognised at 31 December 2019 were related to various tenants who indicated that they would not be able to pay outstanding balances due to the economic circumstances.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared characteristics and the days past due date. On an individual basis, where it is certain the receivable will not be collected, NSI deviates from this approach; in these cases the full receivable will be considered as doubtful.

On this basis the expected loss rate for trade receivables which are less than 90 days expired is below 2.5% and for trade receivables more than 90 days expired these rates per segment are:

	> 90 days expired
Offices	62.98%
HNK	54.33%
Other	79.58%

20. OTHER NON-CURRENT LIABILITIES

	31 December 2019	31 December 2018
Security deposits	3,868	4,080
Lease liabilities	1,497	
Other non-current accounts payable	**5,365**	**4,080**

The average term of the leases relating to the security deposits included in this overview is 2.1 years (2018: 3.0 years).

As from 1 January 2019, the new IFRS 16 standard for leases was adopted by NSI. At the end of December 2019, the net present value of non-current future lease obligations amounts to € 1.5 million, consisting of leasehold obligations (€ 0.9 million) and car lease obligations (€ 0.6 million).

21. CREDITORS AND OTHER PAYABLES

		31 December 2019		31 December 2018
Creditors		2,750		3,402
Taxes		1,249		2,259
Interest		1,633		1,249
Lease liabilities		367		
Deferred income	7,870		10,760	
Accruals	9,423		7,788	
Deferred income and accruals		17,293		18,548
Other current payables		638		145
Creditors and other payables		**23,930**		**25,602**

After adoption of IFRS 16, the current part of future lease obligations is included under creditors and other payables. As per 31 December 2019, the net present value included for leasehold obligations amounts to € 0.1 million and for car lease obligations € 0.3 million.

22. DEBTS TO CREDIT INSTITUTIONS

The item Debts to credit institutions concerns cash loans and current account overdrafts with banks. NSI has concluded credit arrangements with a number of banks, of which a part is available as overdraft facility. In the case of cash-pool arrangements, cash and cash equivalents and debts to credit institutions are offset if allowed under IFRS9. The weighted average interest on available credit facilities as per yearend 2019 was 1.3% (2018: 1.3%) per annum including margin.

	31 December 2019	31 December 2018
Credit facilities	25,000	25,000
Unused	-12,424	-14,503
Debts to credit institutions	**12,576**	**10,497**

23. OFF-BALANCE SHEET COMMITMENTS

Shopping center ‘t Loon, Heerlen

In early December 2011 the soil subsided under shopping centre ‘t Loon in the Dutch city of Heerlen. As a result of this sinkhole, the municipal authority ordered the demolition of part of the shopping centre (5,041 sqm of the original 25,312 sqm). NSI incurred losses as a result of the sinkhole and the subsequent demolition order for part of the shopping centre. NSI ‘s claim represents a principal sum of approximately € 12 million excluding legal interests. The largest losses are related to the value of the investment property that was demolished, to the reconstruction costs and to the loss of rental income during the reconstruction of the shopping centre. The insurance companies of both NSI and the owners’ association of shopping centre ‘t Loon (“VvE”) refused to cover the damage under the insurance (building insurance).

As a result, both NSI and the VvE initiated proceedings at the District Court of Rotterdam against the insurance companies in 2015. The District Court rendered an interlocutory judgement on 20 June 2018. Both proceedings (that were held simultaneously) had different outcomes. The damage as such is covered under both insurance policies. However, the Court ruled that the VvE has violated her obligation to disclose information to the insurer of the knowledge that it had on earlier reconstructions of the parking garage at the shopping centre when the insurance was taken out. In the proceeding between the insurance companies and NSI, the Court ruled that NSI did not have the same information as the VvE and has not violated an obligation to disclose information. As a result, the VvE (and therefore also NSI for its share in the VvE) is not covered under the first layer policy but the damage suffered by NSI is covered under its (excess) all-risk insurance.

Both VvE and Chubb have brought interim appeal against the interlocutory judgement. All parties have meanwhile brought their statement of grievances and statement of response respectively. An oral hearing (plea) is likely to be scheduled this spring or early summer.

On 20 January 2016 the insurance company of one of the tenants held the VvE and its members, including NSI, liable for the loss of revenue covered by the insurance company, representing a principal sum of € 1.6 million excluding legal interests. On 19 July 2017 the District Court rejected the claim from the insurance company of the tenant. In October 2017 this insurance company appealed the District Court' judgement. The Court of Appeal has meanwhile rendered judgement and hereby rejected the claims against NSI and 3W. However, the VvE and Q-Park were sentenced to pay to the insurance company. This judgement that the VvE is liable for damages to tenants affects also NSI as it has a 63.46% share in the VvE. All parties have meanwhile appealed the judgement in cassation.

Other

The company has entered into investment commitments for an amount of € 2.1 million (2018: € 1.5 million) relating to investment properties. For maintenance, technical property management, IT-providers etc. the company has entered into other contractual obligations for € 5.5 million (2018: € 1.9 million).

The company has unused credit facilities amounting to € 247.4 million (2018: € 214.5 million).

24. RELATED PARTIES

The following parties qualify as related parties:
- The company and its group companies;
- Its Supervisory Board members and;
- Management Board members.

NSI defines its statutory Management Board as “key management personnel”.

Interests of major investors

Notifications of shareholdings of more than 3% are disclosed under the Dutch Disclosure of Major Holdings in Listed Companies Act. According to the Dutch Authority for the Financial Markets (AFM) the following shareholders hold a stake of more than 3% on 31 December:

	31 December 2019	31 December 2018
ICAMAP Investments SARL	10.0%	10.0%
BlackRock, Inc.	5.0%	5.0%
Phoenix Insurance Company Ltd.	3.7%	3.7%
APG Asset Management N.V.	3.3%	3.3%
Axa Investment Managers S.A.		3.0%
Norges Bank	3.0%	3.0%

Supervisory Board and Management Board Members

The members of the Supervisory and Management Boards of NSI N.V. have no direct 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 investment property 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

	2019	2018
Luurt van der Ploeg	53	53
Margreet Haandrikman	38	38
Karin Koks - Van der Sluis	53	49
Harm Meijer	38	38
Nico Tates (up to 20 April 2018)		13
Remuneration of the Supervisory Board	**180**	**189**

The schedule above includes the payment the Supervisory Board members receive as a member of the Audit Committee, the Remuneration Committee, the Selection & Appointment Committee and the Real Estate Committee.

The Supervisory Board members did not hold any shares in the company at the end of 2019 (2018: 0), except for Mrs. Koks - van der Sluijs who holds 154 shares (2018: 154 shares adjusted for share consolidation). Furthermore, Mr. Meijer is one of the share-holders at ICAMAP Investments SARL, holding 10.0% of NSI shares as per 31 December 2019 (2018: 10.0%).

Remuneration of the Management Board

2019

	Salary	Variable	Social security	Pension	Other	TOTAL	Equity holding # shares
Bernd Stahli	415	313	11	13	2	754	14,174
Alianne de Jong	275	178	11	11	-2	472	922
Anne de Jong	345	296	11	13	1	665	4,172
Remuneration of the Management Board	**1,035**	**786**	**32**	**37**	**1**	**1,891**	**19,268**

2018

	Salary	Variable	Social security	Pension	Other	TOTAL	Equity holding # shares
Bernd Stahli	385	186	10	13	1	595	13,744
Alianne de Jong	240	56	10	10	2	319	
Anne de Jong	310	147	10	13	4	483	2,553
Remuneration of the Management Board	**935**	**389**	**31**	**36**	**7**	**1,398**	**16,297**

NSI shares held by directors are purchased at their own risk and expense.

The Annual General Meeting of Shareholders (AGM) of 27 April 2012 adopted an amended remuneration policy for the Management Board. At the Extraordinary General Meeting (EGM) of 25 August 2016 an amendment was adopted regarding the ratio between the fixed and variable remuneration components.

The remuneration of the Management Board consists of a fixed annual salary, a variable remuneration and secondary employment benefits.

For the CEO the variable component has consisted solely of a long-term share plan (LTSP) since January 2012. It covers a three-year period and is capped: the maximum to be awarded to the CEO under the LTSP amounts to 180% of the average fixed annual salary during the LTSP period.

Of the remuneration under the LTSP 80% is based on the total shareholder return (TSR) during the LTSP period. This TSR takes into account the NSI share price at the beginning and at the end of the period as well as dividends distributed during the period. In addition, NSI's TSR is compared with a benchmark TSR. This benchmark consists of Wereldhave, VastNed Retail, Alstria, Befimmo, Cofinimmo and Eurocommercial Properties. The LTSP remuneration is determined based on the relative performance of NSI in relation to the benchmark. This is based on a scale. Of the LTSP reward 20% is based on personal targets that are determined and assessed by the Supervisory Board.

The LTSP contract of the current CEO commenced on 1 January 2017 and expires on 31 December 2019.

As from 1 January 2019, the variable component of the CFO and the CIO consists of a long-term incentive (LTI) and a short-term incentive (STI). The LTI concerns a rolling cash incentive plan covering a three-year period. The LTI is capped to 45% of the base salary at the moment of the grant and is based on the TSR during the LTI-period. As the new remuneration policy was adopted in 2019, the 2019 LTI will be based on one year only.

The short-term incentive concerns an annual performance related cash incentive. The collective performance measures in the STI represent short-term results needed for sustainable value creation with respect to the most important achievement areas of the company. These could include occupancy rate, like-for-like net rental income, EPRA earnings per share, organisational targets like personnel retention rate and sustainability performance. Next to these collective measures the company could also apply individual targets, related to the individual roles of the members and specific short-term achievements needed for NSI.
The STI is capped to 36% of the base salary.

The variable remuneration is a cash-settled, share-based payment transaction. Its allocation is paid in cash under the condition that the respective Management Board member uses two-thirds of the net amount of the LTI / LTSP and one-third of the amount of the STI to purchase NSI shares until the shareholding requirement has been met.

During 2019, LTSP-payments over prior years were made to the CFO and the CIO of respectively € 69 thousand and € 117 thousand. The provision included in the balance sheet as per end of December 2019 amounts to € 1,124 thousand. The provision for the CEO amounts to € 682 thousand, consisting of € 568 thousand based on the TSR (at maximum) and € 114 thousand based on individual targets, of which € 73 thousand already achieved in 2017 and 2018 (for 2019 in line with previous years). The provisions for the CFO and CIO on 31 December 2019 amount to respectively € 165 thousand and € 277 thousand (both at target). The provision for the CIO includes € 70 thousand for the first four months of 2020.

The variable component in the remuneration overviews consists of the balance of the release of prior year provisions versus the actual payments made to the CFO and the CIO and the additional provision taken in the course of 2019.

No share options and no loans

No members of the Management Board or Supervisory Board hold option rights in NSI N.V.. No loans, advances or guarantees have been provided to members of the Management Board or Supervisory Board by NSI N.V..

25. COST RATIO

Under the Dutch Financial Supervision Act (Wet financieel toezicht) NSI is required to report its ratio of expenses to its net asset value. In 2019 this ratio is was 3.0% (2018: 3.2%). This cost ratio is calculated as total expenses (operational costs, non-recharged service costs, administrative expenses and corporate tax) divided by the weighted average net asset value for the latest financial year.

COMPANY BALANCE SHEET

(BEFORE PROPOSED PROFIT APPROPRIATION)

	Note	31 December 2019	31 December 2018
Assets			
Financial fixed assets	1	1,267,150	1,191,889
Derivative financial instruments			323
Tangible fixed assets		866	63
Intangible fixed assets		366	510
Non-current assets		**1,268,383**	**1,192,784**
Debtors and other receivables		184	289
Cash and cash equivalents		9	186
Current assets		**193**	**476**
Total assets		**1,268,576**	**1,193,260**
Shareholders' equity			
Issued share capital	2	69,617	68,353
Share premium reserve	2	919,661	920,935
Participations reserve	2	246,051	145,930
Retained earnings	2	-528,318	-493,460
Total result for the year	2	196,297	91,525
Shareholders' equity		**903,308**	**733,283**
Liabilities			
Interest bearing loans		315,765	436,407
Derivative financial instruments		3,978	5,327
Other non-current liabilities		589	
Non-current liabilities		**320,332**	**441,733**
Redemption requirement interest bearing loans		25,725	1,250
Derivative financial instruments		208	43
Creditors and other payables		6,428	6,454
Debts to credit institutions		12,576	10,497
Current liabilities		**44,936**	**18,244**
Total liabilities		**365,267**	**459,978**
Total shareholders' equity and liabilities		**1,268,576**	**1,193,260**

The notes on pages 116 to 120 form an integral part of these company financial statements.

COMPANY INCOME STATEMENT

	Note		2019		2018
Administrative costs	3		-7,960		-7,895
Other income and costs			-77		59
Financing income	4	0		13	
Financing costs	4	-10,144		-12,526	
Movement in market value of financial derivatives	4	-5,110		-4,497	
Net financing result			-15,253		-17,011
Corporate result before tax			**-23,290**		**-24,847**
Corporate income tax			3		
Corporate result after tax			**-23,287**		**-24,847**
Result from participations			219,583		116,372
Total result for the year			**196,297**		**91,525**

The notes on pages 116 to 120 form an integral part of these company financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

GENERAL

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

The company financial statements have been prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code regarding financial reporting. 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 Super- vision Act.

PRINCIPLES OF DETERMINATION OF THE RESULT

The company 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 company financial statements, unless stated otherwise. For a description of these principles, please refer to pages 80 to 87. If required notes have been incorporated in the consolidated financial statements these notes have not been incorporated here.

Financial fixed assets

Shares in group companies are valued at net asset value. In determining the net asset value, all assets, liabilities and profits and losses are subject to the accounting principles used for the consolidated financial statements, in accordance with the provisions of Article 362 Paragraph 8 (final sentence) of Book 2 of the Dutch Civil Code.

All receivables from group companies are considered as an extension of net investments in group companies.

1. FINANCIAL FIXED ASSETS

	31 December 2019	31 December 2018
Balance as per 1 January	**1,191,889**	**1,092,844**
Result from participations	219,583	116,372
Changes in receivables from group companies	-144,322	-17,327
Balance as per 31 December	**1,267,150**	**1,191,889**

2. SHAREHOLDERS EQUITY

2019

	Issued share capital	Share premium reserve	(Statutory) participations reserve	(Statutory) translation reserve	Retained earnings	Result for the year	Shareholders' equity
Balance as per 1 January 2019	**68,353**	**920,935**	**145,930**		**-493,460**	**91,525**	**733,283**
Total result for the year						196,297	196,297
Total comprehensive income for the year						**196,297**	**196,297**
Profit appropriation - 2018					91,525	-91,525	
Distribution final dividend - 2018	646	-651			-13,926		-13,931
Interim dividend - 2019	618	-624			-12,335		-12,340
Realised revaluation			-9,923		9,923		
Addition to participations reserve			110,045		-110,045		
Contributions from and to shareholders	**1,264**	**-1,274**	**100,122**		**-34,858**	**-91,525**	**-26,271**
Balance as per 31 December 2019	**69,617**	**919,661**	**246,051**		**-528,318**	**196,297**	**903,308**

2018

	Issued share capital	Share premium reserve	(Statutory) participations reserve	(Statutory) translation reserve	Retained earnings	Result for the year	Shareholders' equity
Balance as per 31 December 2017	**67,583**	**921,715**	**96,624**	**0**	**-504,837**	**91,602**	**672,688**
Change in accounting policy following IFRS 9					956		956
Balance as per 1 January 2018	**67,583**	**921,715**	**96,624**	**0**	**-503,881**	**91,602**	**673,644**
Total result for the year						91,525	91,525
Exchange rate differences				0	0		
Total comprehensive income for the year				**0**	**0**	**91,525**	**91,525**
Profit appropriation - 2017					91,602	-91,602	
Distribution final dividend - 2017	402	-407			-16,407		-16,412
Interim dividend - 2018	368	-373			-15,469		-15,474
Realised revaluation			-841		841		
Addition to participations reserve			50,146		-50,146		
Contributions from and to shareholders	**770**	**-780**	**49,305**		**10,420**	**-91,602**	**-31,887**
Balance as per 31 December 2018	**68,353**	**920,935**	**145,930**		**-493,460**	**91,525**	**733,283**

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

For further details on movements in shareholders' equity, please refer to the consolidated financial statements (see disclosure 17 to the consolidated financial statements).

Statutory reserves

The statutory reserves in the company balance sheet are reserves which must be retained pursuant to the Dutch Civil Code and consist of the participation reserve and the reserve for foreign currency translation.

Participation reserve

The revaluation reserve relates to investment properties and consists of the cumulative positive (unrealised) revaluations of these investments. This statutory reserve is a non-distributable reserve in accordance with the Dutch Civil Code. The revaluation reserve was determined at individual property level in 2018 and 2019, before appropriation of profits.

Reserve for foreign currency translation

The reserve for foreign currency translation contained all exchange rate differences resulting from 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 subsidiaries in Switzerland and the conversion differences on results in foreign currency (difference between year-end rates and average rates).

Dividend

Taking into consideration the interim dividend of € 1.04 per share already distributed (2018: € 1.04; adjusted for stock consolidation), a final dividend of € 1.12 per share has been proposed (2018: € 1.12).

Proposed profit appropriation

The Articles of Association of NSI N.V. stipulate that the allocation of the result after tax for the financial year is determined by the General Meeting of Shareholders. For the 2019 financial year the Management Board, with the approval of the Supervisory Board and in line with the applicable dividend policy (i.e. a pay-out of at least 75% of the direct result), has proposed a final dividend of € 1.12 per share.

This puts the total dividend for 2019 at € 2.16 per share, of which € 1.04 per share was already distributed as an interim dividend in August 2019. Subject to the approval of the General Meeting of Shareholders, NSI will offer shareholders the option to receive the final dividend in cash and/or fully or partly in shares.

Based on the number of outstanding shares eligible for dividend (18,917,764), the total amount of the final dividend is € 21.2 million and will be withdrawn from the retained earnings (excluding dividend paid in shares).

Provided that the General Meeting of Shareholders approves this dividend proposal, the final dividend will be made payable from 19 May 2020.

	2019
Total result for the year - 2019	196,297
Interim dividend - 2019	-19,500
Proposed final dividend - 2019	-21,188
On balance added to the reserves	**155,609**

NSI is offering shareholders the option to receive this final dividend in cash and / or partly in shares. In anticipation of a decision on the matter by the General Meeting of Shareholders the non-allocated result after tax for the financial year is accounted for separately in equity as the result for the financial year.

3. ADMINISTRATIVE COSTS

		2019		2018
Salaries and wages	-5,623		-4,683	
Social security	-536		-509	
Pensions	-281		-248	
Depreciation right of use tangible fixed assets	-226			
Other staff costs	-1,173		-1,063	
Staff costs		-7,839		-6,502
Compensation supervisory board		-202		-211
Office costs		-1,507		-1,352
Audit, consultancy and valuation costs		-1,074		-1,257
Other administrative costs		-684		-1,237
Administrative costs		**-11,306**		**-10,558**
Allocated administrative costs		**3,347**		**2,663**
Administrative costs		**-7,960**		**-7,895**

4. NET FINANCING RESULT

	2019	2018
Interest income	0	13
Financing income	**0**	**13**
Interest costs	-8,471	-8,688
Other financing costs	-1,672	-3,839
Financing costs	**-10,144**	**-12,526**
Movement in market value of financial derivatives	**-5,110**	**-4,497**
Net financing result	**-15,253**	**-17,011**

5. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

NSI N.V. has issued guarantees for 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 FEES

PricewaterhouseCoopers Accountants N.V. charged the following fees to NSI and its subsidiaries:

	2019	2018
Audit financial statements	-210	-149
Other (audit) related services	-8	-9
Audit financial statements	**-217**	**-158**

7. EVENTS AFTER BALANCE SHEET DATE

Since the end of 2019 two office assets In Amersfoort and Zoetermeer and one retail asset in Almelo have been sold and transferred with a combined value of € 15.9 million.

Hoofddorp, 5 March 2020

The Management Board

Bernd Stahli, *CEO*
Alianne de Jong, *CFO*
Anne de Jong, *CIO*

The Supervisory Board

Luurt van der Ploeg, *Chairman*
Harm Meijer
Karin Koks - Van der Sluijs
Margreet Haandrikman

STATUTORY PROVISION IN RESPECT OF PROFIT APPROPRIATION

The provisions in respect of the appropriation of profit are provided for in Article 21 of the Articles of Association of the company. The profit is at the disposal of the General Meeting of Shareholders. The company may only make distributions to shareholders to the extent that shareholders' equity exceeds the amount of paid-up and called-up capital, plus the reserves that must be held by law or in accordance with the Articles of Association. Insofar as possible and justified by law, the company may distribute an interim dividend as proposed by the Management Board and subject to the approval of the Supervisory Board.

INDEPENDENT AUDITOR'S REPORT

To: the general meeting and the supervisory board of NSI N.V.

REPORT ON THE FINANCIAL STATEMENTS 2019

Our opinion

In our opinion:

- the consolidated financial statements of NSI N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2019 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of NSI N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of NSI N.V., Amsterdam. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the following statements for 2019: the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement;
- the notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2019;
- the company income statement for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of NSI N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

NSI N.V. is an investor in commercial real estate. The commercial real estate is held to generate rental income or to benefit from an increase in value, or a combination of both. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

There were no significant changes in the strategy and business of NSI. The company continued to sell a part of their existing investment property portfolio, in total 30 investment properties and they acquired 2 new office buildings. The correct accounting of purchases and sales of investment properties has been addressed as part of our audit. Given the nature of the business of the group, we also gave appropriate consideration to rental income in our audit. However, we did not consider these items as key audit matters.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions

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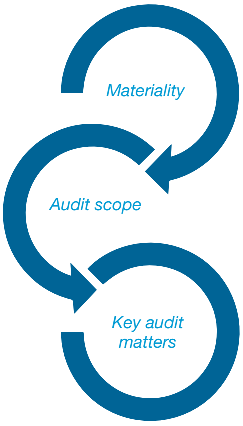
and considering future events that are inherently uncertain. On page 80 of the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of investment properties, we considered this matter as key audit matter as set out in the section 'Key audit matters' of this report. Given the public attention for the risk of fraud and non-compliance with laws and regulations we included separate sections in our auditor's report in which we explained our responsibilities, risk assessment and responses.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a real estate company. We therefore included real estate valuation experts, IT specialists and financial instruments specialists in our team.

The outline of our audit approach was as follows:



Materiality
– Overall materiality: € 2,400,000

Audit scope
– We conducted the audit work centrally, given the fact that the group audit team was able to conduct all audit procedures.

Key audit matters
– Significant assumptions in the valuation of investment property

Materiality
The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€ 2,400,000 (2018: € 2,400,000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 5% of the result before tax, adjusted for the net result on the sale of investment property, revaluation of investment property and movement in market value of financial derivatives.
Rationale for benchmark applied	We have applied this benchmark based on our analysis of the common information needs of users of the financial statements, as the benchmark is an important basis for determining the mandatory dividend distribution for the company given the status of and the requirements for a Dutch 'Fiscale Beleggingsinstelling'. On this basis, we believe that this is an important indicator for the financial performance of the company.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above € 120,000 (2018: € 120,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit
NSI N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of NSI N.V.

For NSI N.V. and all its subsidiaries, the group audit team was able to conduct the audit procedures centrally from the head office of NSI N.V. and no use has been made of other auditors. The audit team has determined per financial statement line item which audit procedures needed to be performed in relation to the audit of the consolidated financial statements.

For the real estate and financial administration application, the management board makes use of an external service provider. As part of our audit procedures, we evaluated the SOC 1 assurance reports that include the scope and the results of the procedures performed rendered by independent auditors. Furthermore, we assessed the objectivity and competence of the independent auditors of the service organizations and we evaluated the design and tested the operating effectiveness of the internal controls in place at NSI over the outsourced services.

Based on the procedures performed, we conclude that in the context of our audit of the financial statements of NSI, we could rely on the SOC 1 assurance report in combination with our substantive audit procedures performed.

We are of the opinion that we have been able to obtain sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Our focus on the risk of fraud

Our objectives

The objectives of our audit in respect to fraud are:
- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

The primary responsibility for the prevention and detection of fraud lies with the management board with the oversight of the supervisory board. We refer to section risk management and internal control of the annual report where the management board included their fraud risk assessment.

Our risk assessment

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated the fraud risk factors to consider whether those factors indicated risks of material misstatement due to fraud. We considered real estate transactions, fictitious rental income and management bias in the valuation of investment property as fraud risks.

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. We refer to the key audit matter, that is an example of our approach related to an area of higher risk due to accounting estimates where the management board makes significant judgments.

Our response to the risks identified

In particular, our procedures consisted of analyzing the results of whistleblowing and complaints procedures with the compliance officer, performing data analysis of high-risk journal entries and testing these entries back to source information, testing for fictitious rental income by tracing the rental income journal entries back to the signed lease contracts and evaluation of significant assumptions and judgements made by the management board (including retrospective reviews of prior year's estimates), mainly in the area of the valuation of investment property. We implemented audit procedures in relation to the risk of fraudulent transactions in the purchases and sales of investment property. We also incorporated an element of unpredictability in our audit.

We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our procedures did not indicate instances of fraud or management bias.

Our focus on the risk of non-compliance with laws and regulations

Our objectives

The objectives in respect to non-compliance with laws and regulations are:
- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of non-compliance with laws and regulations lies with the management board with the oversight of the supervisory board.

Our risk assessment

We performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable for the group. We identified provisions of those laws and regulations, generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements such as the financial reporting framework and tax. We considered, as part of our audit, the risk of non-compliance with the requirements of the 'Fiscale Beleggingsinstelling'.

Our response to the risks identified

We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements, specifically compliance with the requirements of the 'Fiscale Beleggingsinstelling' ('FBI').

As to the other laws and regulations, we inquired with management and/or those in charge with governance as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities. Furthermore, we have read the minutes of meetings of management meetings and meetings of those in charge with governance and we have read the responses in the confirmations received from the lawyers.

Our procedures did not indicate instances of non-compliance with laws and regulations.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matter to the supervisory board. The key audit matter is not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matter and included a summary of the audit procedures we performed on this matter.

We addressed the key audit matter in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on this matter or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context. As the key audit matter is related to the nature of the operations of NSI and there are no significant changes in the strategy and business of NSI, we have no changes in the key audit matters to report compared to prior year.

Key audit matter

Significant assumptions in the valuation of investment property

Note 10 and 16

The Group's investment property portfolio comprises mainly offices. At 31 December 2019 the carrying value of the Group's investment property portfolio was € 1,279 million of which €16 million is presented as assets held for sale (2018: € 1,207 million, resp. €4 million).

Investment properties are valued at fair value at reporting date using the income capitalisation approach as the applied valuation method. The fair value of investment properties is on the one hand depending on the inputs into the valuation models, such as: rental income, duration of the contract and square meters. On the other hand, and most important to our audit, given the sensitivity and impact on the outcome, the valuation is depending on significant assumptions, such as the capitalisation rate and market rent levels. Primary factors, which influence these significant assumptions, are general market conditions and the individual nature, condition and location of each property.

At the end of each reporting period, the management board determines the fair value of its investment property portfolio in accordance with the requirements of IAS 40 and IFRS 13. All properties are bi-annually externally appraised by an external valuation expert, appointed by the management board.

As the valuation of investment property is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance. This also effects the revaluation gains that directly impact the statement of comprehensive income. As a result, the valuation of investment property is subject to significant risk of misstatement either through error or fraud. We therefore considered this area as a key audit matter.

Our audit work and observations

For the external valuation experts appointed by the management board, which we have identified as management experts in our audit, we have assessed the competence and capabilities of the external valuation experts by amongst others checking the registration of the qualification of the external valuation experts and checking the membership of a professional association for the external valuation expert organisations.

We furthermore read the terms of engagements and discussed with the external valuation experts the context and environment in which they have worked with the persons within the Group responsible for the valuation process, to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered other engagements, which might exist between the Group and the external valuation experts' organisations.

We considered the external valuation experts appropriately qualified and we found no evidence suggesting that the objectivity of the appraisal firm was compromised. We therefore considered the valuation reports prepared by the external valuation experts and adopted by the management board to be appropriate to use as part of our audit evidence.

In relation to the significant assumptions in the valuation of investment property we have:

- determined that the management board designed and implemented appropriate internal controls on the valuation process;
- determined that the valuation methods as applied by the management board, as included in the valuation reports, are appropriate;
- evaluated the reasonableness of the estimates made by the management board by performing back-testing and assessed the movements of the assumptions in the valuation reports based on the overall shifts in the market conditions in which the group invests, based on the latest public property market data.
- for a sample of the valuation reports, we have challenged the significant assumptions used (including the capitalisation rate and market rent levels) against available market data. We have involved our internal real estate valuation experts in these assessments.

We found that, with the significant assumptions used in the valuation reports, the valuation of the investment property is valued within an acceptable range.

Furthermore, we have:

- reconciled the final valuation reports with the fair value in the Group's accounting records;
- checked for a sample of leases, that the standing data included in the valuation report such as rental income, the duration of lease contracts and square metres was supported by audit evidence via the lease contract; and
- assessed and corroborated the adequacy and appropriateness of the disclosure, including the sensitivity disclosures, made in the consolidated financial statements.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- Introduction, Management board report, Governance (including the remuneration report 2019 dated 5 March 2020);
- The other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- Supplementary information.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 and the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and the section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the management board's report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Our appointment

We were appointed as auditors of NSI N.V. on 29 April 2016 following the passing of a resolution by the shareholders at the annual meeting. Our appointment has been renewed annually representing a total period of uninterrupted engagement appointment of four years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 6 to the Company financial statements.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

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 Dutch Civil Code; and 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 fraud or error.

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 frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board 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 the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 5 March 2020
PricewaterhouseCoopers Accountants N.V.

Original version signed by S. Herwig MSc LLM RA MRE MRICS

APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2019 OF NSI N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

OTHER DATA

Appraisers

All investment properties in the portfolio have been appraised externally in June and December by qualified international firms Colliers, JLL, CBRE and Cushman & Wakefield. Appraisal methods are compliant with international standards and guidelines as defined by RICS (Royal Institution of Chartered Surveyors).

	% assets	% value
Colliers	26.5%	24.8%
CBRE	29.4%	34.1%
JLL	35.3%	36.4%
Cushman & Wakefield	8.8%	4.7%
Total	**100%**	**100%**

Top 10 tenants

Tenant	# lease contracts	% of total contracted rent
Government	11	14.3%
Spaces	3	8.3%
KPN	7	6.3%
Janssen Vaccines & Prevention.	2	3.9%
ING Bank	5	3.7%
Staples International Group Services	1	1.7%
Ahold Real Estate	9	1.6%
ABN AMRO Bank	1	1.6%
Primark Netherlands	1	1.3%
BDO Holding	1	1.2%
Grand Total	**42**	40.4%

NSI SHARE

Investor relations
NSI strives for a high degree of transparency and continuous communication with existing and potential shareholders, as well as other stakeholders. NSI is committed to providing information through means of road shows, presentations, press releases, quarterly reports, annual reports and other publications, as well as via the Company's website. All relevant publications are placed on the Company's website.

Share capital
At 1 January 2019 NSI had 18, 574,298 ordinary shares outstanding. During 2019, in total 343,466 shares have been issued and distributed in relation the distribution of stock dividend (final 2018 dividend and interim 2019 dividend). At 31 December 2019 NSI had 18,917,764 ordinary shares outstanding.

Share Listing
The NSI share is listed on Euronext (registered under code 29232; ISIN code: NL0000292324; Ticker symbol: NSI). The NSI share has an option listing on Euronext Liffe, the derivatives stock exchange of the Euronext (Ticker symbol: NSI).

Major Shareholders
Pursuant to the Dutch Financial Markets Supervision Act (Wet op het Financieel toezicht) the Netherlands Authority Financial Markets (Autoriteit Financiële Markten) was notified of the following statement of interest of 3% or more in NSI up to 31 December 2019.

	31 December 2019
ICAMAP Investments SARL	10.0%
BlackRock, Inc.	5.0%
Phoenix Insurance Company Ltd.	3.7%
APG Asset Management N.V.	3.3%
Norges Bank	3.0%

Financial Calendar

Publication trading update Q1 2020	16 April 2020
Annual General Meeting	24 April 2020
Publication annual half year results 2020	13 July 2020
Publication trading update Q3 2020	22 October 2020

Dividend policy and Dividend distribution
NSI's dividend policy is to distributes at least 75% of the direct result. The dividend is distributed in cash or optional in stock at the discretion of the Management Board. NSI distributes dividend twice a year.

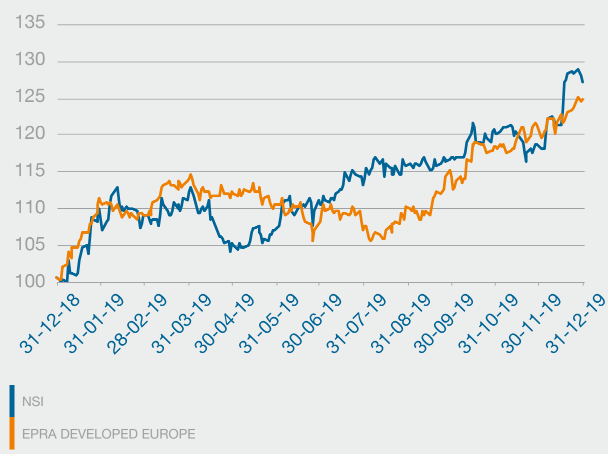
Ex-dividend date (final dividend 2019)	28 April 2020
Record date	29 April 2020
Dividend election period	30 April - 14 May 2020
Payment of final dividend	19 May 2020

Dutch REIT (FBI)
NSI qualifies as a Dutch real estate investment trust (fiscale beleggingsinstelling or FBI) within the context of Article 28 of the Dutch Corporate Income Tax Act 1969 (Wet op de vennootschapsbelasting 1969), which means that NSI is zero-rated for corporate income tax on its investment result. The Act stipulates certain conditions for this, such as the obligation to pay out the total fiscal profit as a dividend.

Performance of the NSI share

Share price low		€33.90
Share price high		€43.95
Closing price on 31 December 2019		€43.40
Proposed dividend per share	Total	€2.16
for the 2019 financial year	Interim	€1.12[1]
	Final	€1.04
# outstanding shares outstanding at 31 December 2019		18,917,764
Market capitalisation at 31 December 2019		€821 million

Share price development



1 already paid as interim dividend in August 2019

GLOSSARY

ASSETS HELD FOR SALE
Investment property will be reclassified to assets held for sale if it is expected that the carrying amount will be recovered principally through disposal rather than from continuing use. For this to be the case, the concerning investment property must be available for immediate sale in its present condition, taking into account the common terms for sale of such property and its sale must be highly probable. This means the property must be actively marketed for sale at a price that is reasonable compared to its current market value and the sale should be expected to be effectuated within one year from the date of reclassification.

AVERAGE RENT PER SQM (€ P.A.)
The total annual contracted rent divided by the total leased square meters.

COST RATIO (EPRA)
EPRA costs include all administrative costs, net service costs and operating expenses as reported under IFRS, but do not include ground rent costs. These costs are reflected including and excluding direct vacancy costs. The EPRA cost ratio is calculated as a percentage of gross rental income less ground rent costs.

DUTCH REIT (FBI-REGIME)
NSI qualifies as a Dutch Real Estate Investment Trust (fiscale beleggingsinstelling or FBI) and as such is charged a corporate income tax rate of 0% on its earnings. The tax regime stipulates certain conditions, such as a maximum ratio of 60% between debt and the book value of real estate, maximum ownership of shares by one legal entity or natural persons, and the obligation to pay out the annual profit by way of dividends within eight months after the end of the financial year.
Before 2014, activities permitted under FBI legislation were limited to portfolio investments activities only. Effective 1 January 2014, new legislation that allows FBI's to perform enterprise-type business activities within certain limits. These activities must be carried out by a taxable subsidiary and must support the operation of the FBI's real estate business.

EARNINGS (EPRA)
EPRA earnings is a measure of operational performance and represents the net income generated from operational activities. It excludes all components not relevant to the underlying net income performance of the portfolio.

EARNINGS PER SHARE (EPRA EPS)
Indicator for the profitability of NSI; portion of the EPRA earnings attributable to shareholders allocated to the weighted average number of ordinary shares.

EUROPEAN PUBLIC REAL ESTATE ASSOCIATION (EPRA)
Association of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors.

ESTIMATED RENTAL VALUE (ERV)
The estimated amount at which a property or space within a property, would be let under the market conditions prevailing on the date of valuation.

HNK
HNK stands for 'Het Nieuwe Kantoor', (which means 'The New Office'). HNK is NSI's flexible office concept and offers an inspiring environment with stylish workplaces, office spaces, meeting areas, catering facilities and various ancillary services. HNK offers different propositions, including memberships (flexible workstations), managed offices (fully equipped offices), bespoke offices and meeting rooms.

INTEREST COVERAGE RATIO (ICR)
Debt ratio and profitability ratio used to determine how easily a company can pay interest on outstanding debt. The interest coverage ratio is calculated by dividing net rental income during a given period by net financing expenses during the same period.

INVESTMENT RESULT - DIRECT
The direct result reflects the recurring income arising from core operational activities. The direct result consists of gross 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 interests.

INVESTMENT RESULT - INDIRECT
The indirect result reflects all income and expenses not arising from day-to-day operations. The indirect result consists of revaluations of property, net result on sales of investment, indirect financing costs (movement in market value of derivatives and exchange rate differences, corporate income tax on the indirect result, and the indirect investment result attributable to non-controlling interests.

INVESTMENT RESULT - TOTAL
The total result reflects all income and expenses; it is the total of the direct and the indirect investment result.

LEASE INCENTIVES
Adjustments in rent granted to a tenant or a contribution to tenants' expenses in order to secure a lease. The impact of lease incentives on net rental income is straight line over the firm duration of the lease contract under IFRS.

LIKE-FOR-LIKE RENTAL INCOME
Like-for-like growth figures aim at assessing the organic growth of NSI. In the case of like-for-like rental income the aim is to compare the rental income of all or part of the standing portfolio over a certain period with the rental income for the same portfolio over a previous period (i.e. year-on-year and/or quarter-on-quarter). In order to calculate like-for-like growth, the nominal increase in rent is adjusted for the impact of acquisitions, divestments and properties transferred to and from the development portfolio and between segments (e.g. office to HNK).

LOAN TO VALUE (LTV, NET)
The LTV-ratio reflects the balance sheet value of interest-bearing debts plus short term debts to credit institutions, net of cash and cash equivalents, expressed as a percentage of the total real estate investments, including assets held for sale.

MARKET VALUE INVESTMENT PROPERTY (FAIR VALUE)
The estimated amount for which a property should change hands on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein each party had acted knowledgeably, prudently, and without compulsion. The market value does not include transaction costs.

NET ASSET VALUE (NAV)
The net asset value represents the total assets minus total liabilities. At NSI this equates to the shareholders' equity (excluding non-controlling interests as stated in the balance sheet). The NAV is often expressed on a per share basis; in this calculation the number of shares outstanding at reporting date is used rather than the average number of shares is used.

NET ASSET VALUE (NAV, EPRA DEFINITION)
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.

(NRV, NTA, NDV, EPRA DEFINITION)
see EPRA BPR guidelines on EPRA website: https://www.epra.com/finance/financial-reporting/guidelines)

NET MARGIN
The net margin measures operating efficiency; it indicates how effective NSI is in managing its expense base. It is calculated as net rental income as a percentage of gross rental income.

NET RESULT ON SALES OF INVESTMENT PROPERTY
The net result on sales of investment property reflects the disposal price paid by a third party for a property minus the value at which the respective property was recorded in the accounts at the moment of sale, net of sales costs made. The sales costs include costs of real estate agents and legal costs, but can also include internal costs made which are directly related to transaction.

RANDSTAD
The Randstad is the central-western area of the Netherlands, consisting primarily of the four largest Dutch cities (Amsterdam, Rotterdam, The Hague and Utrecht) and their surrounding areas.

RENT - EFFECTIVE RENT
The effective rent reflects the contractual annual rent after straight-lining of rent free periods and rental discounts.

RENT - GROSS RENTAL INCOME (GRI)
Gross rental income reflects the rental income from let properties, after taking into account the net effects of straight lining for lease incentives and key money, including turnover rent and other rental income (e.g. specialty leasing and parking income).

RENT - NET RENTAL INCOME (NRI)
Gross rental income net of (net) costs directly attributable to the operation of the property (non-recoverable service charges and operating costs). Income and costs linked to the ownership structure, such as administrative expenses, are not included.

RENT - PASSING (CASH) RENT / CONTRACTED RENT
The estimated annualised cash rental income as at reporting date, excluding the net effects of straight-lining of lease incentives. Vacant units and units that are in a rent-free period at the reporting date are deemed to have no passing cash rent.

REVERSIONARY POTENTIAL
This ratio compares the minimum guaranteed rent and the turnover rent to the estimated rental value and as such indicates whether a unit or property is underlet or over-rented.

REVERSIONARY RATE (RESULT FROM RE-LETTINGS AND RENEWALS)
The reversionary rate measures the rental gain/loss of a deal as the difference between the new rent (after the deal) and the old rent (before the deal).

STANDING PORTFOLIO
Standing portfolio is used in like-for-like calculations and concerns the real estate investments at a specific date that have been consistently in operation as part of NSI's portfolio during two comparable periods.
Note that an investment property can be considered both standing and at the same time non standing, depending on the comparison periods used (e.g. year-on-year and quarter-on-quarter).

TARGET CITIES
Target cities G4 refers to the locations Amsterdam, The Hague, Rotterdam, Utrecht, Eindhoven, Den Bosch and Leiden, being the focus cities of NSI in the Netherlands.

TRIPLE NET ASSET VALUE (EPRA NNNAV)
The EPRA NNNAV is designed to provide a spot measure of NAV including all assets and liabilities at fair value. This measure adjusts the EPRA NAV for the market to market of the financial instruments, debt and deferred taxes.

VACANCY RATE (EPRA)
Vacancy rate (EPRA): reflects the loss of rental income against ERV as a percentage of ERV of the total operational portfolio.

WEIGHTED AVERAGE UNEXPIRED LEASE TERM (WAULT)
This ratio is used as an indicator of the average length of leases in portfolios. It can be calculated over the full lease term of the contracts either up to expiration date or up to break option date.

YIELD
Yield can generally be defined as the income or profit generated by an investment expressed as a percentage of its costs or the total capital invested.

- EPRA net initial yield: annualised net effective cash passing rent (including estimated turnover rent and other recurring rental income) net of non-recoverable property operating expenses as a percentage of the gross market value of the real estate investments in operation;
- EPRA topped-up net initial yield1: EPRA net initial yield adjusted for expiring lease incentives;
- Reversionary yield: the anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.

PROPERTY LIST

Offices

	Property	Property adress	City	Form ownership	NEN-area	Year construction / major renovation	Year acquisition
1.	De Hoefse Wing	Printerweg 1-55	Amersfoort	Freehold	8,891	1991	1999
2.	Centerpoint I	Hoogoorddreef 60	Amsterdam	Leasehold	8,952	2007	2015
3.	Centerpoint II	Hoogoorddreef 62	Amsterdam	Leasehold	6,292	1988	2015
4.	Cruquiusweg	Cruquiusweg 111	Amsterdam	Freehold	3,278	2006	2007
5.	Donauweg	Donauweg 2B	Amsterdam	Leasehold	4,606	2001	2001
6.	Hettenheuvelweg I	Hettenheuvelweg 37-39	Amsterdam	Leasehold	2,474	1987	1997
7.	Hettenheuvelweg II	Hettenheuvelweg 41-43	Amsterdam	Leasehold	2,480	1988	1997
8.	Hogehilweg	Hogehilweg 12	Amsterdam	Leasehold	3,143	1985	1997
9.	Koningin Wilhelminaplein	Koningin Wilhelminaplein 18	Amsterdam	Leasehold	5,019	1995	1997
10.	Laanderpoort	Bijlmerdreef 100	Amsterdam	Leasehold	12,739	2013	2017
11.	Motion Building	Radarweg 60	Amsterdam	Leasehold	15,922	1992	2018
12.	Q-Port	Kingsfordweg 43-117	Amsterdam	Leasehold	12,771	2001	2018
13.	Solaris Eclips	Arlandaweg 98	Amsterdam	Leasehold	4,151	2001	2001
14.	Glasshouse	Changiweg 130, Teleportboulevard 121-133	Amsterdam	Leasehold	22,981	2009	2016
15.	Trivium	Derkinderenstraat 2-24	Amsterdam	Leasehold	8,315	2000	2019
16.	Vitrum	Parnassusweg 101, 103, 126, 128	Amsterdam	Leasehold	11,612	2013	2017
17.	Vivaldi Offices I	Barbara Strozzilaan 201-229	Amsterdam	Leasehold	9,493	2009	2015
18.	Vivaldi Offices II	Barbara Strozzilaan 101-125	Amsterdam	Leasehold	8,778	2009	2015
19.	Delf-Techpark	Delftechpark 35-37	Delft	Freehold	2,817	2001	2002
20.	Het Binnenhof	Magistratenlaan 156-186	Den Bosch	Freehold	10,436	2005	2015
21.	Bentinck Huis	Lange Voorhout 7	Den Haag	Freehold	6,048	1992	2018
22.	Bezuidenhoutseweg	Bezuidenhoutseweg 2	Den Haag	Freehold	1,876	1986	1996
23.	De Rode Olifant	Zuid-Hollandlaan 7	Den Haag	Freehold	9,993	1993	2007
24.	Neuhuyskade	Neuhuyskade 92-94	Den Haag	Freehold	2,687	1928	2008
25.	Fellenoord	Fellenoord 310-370	Eindhoven	Freehold	4,183	1987	1996
26.	Hooghuisstraat / Keizersgracht	Hooghuisstraat 18-30, Keizersgracht 3-11	Eindhoven	Freehold	10,917	1970	2008
27.	Kennedyplein	Kennedyplein 101	Eindhoven	Freehold	6,643	2000	2017
28.	Beukenhaghe	Neptunusstraat 15-37	Hoofddorp	Freehold	4,754	1991	1991
29.	Kruisweg I	Kruisweg 661-665	Hoofddorp	Freehold	1,057	1998	1998
30.	Kruisweg II	Kruisweg 577	Hoofddorp	Freehold	1,620	2000	2000
31.	Wegalaan	Wegalaan 2-8	Hoofddorp	Freehold	2,961	2005	2006
32.	Archimedes	Archimedesweg 17-25	Leiden	Leasehold	2,522	2001	2001
33.	Archimedesweg I	Archimedesweg 6	Leiden	Leasehold	7,239	2000	2017
34.	Archimedesweg II	Archimedesweg 30	Leiden	Leasehold	2,686	1999	2019
35.	Newtonweg	Newtonweg 1	Leiden	Leasehold	9,408	1993	2015
36.	Stationade II	Schipholweg 68	Leiden	Freehold	2,292	1991	1998
37.	Alexanderhof	Marten Meesweg 141-145	Rotterdam	Freehold	3,095	1987	2015
38.	Alexanderpoort	Marten Meesweg 93-121	Rotterdam	Freehold	9,324	2010	2015
39.	Haringvliet	Haringvliet 72	Rotterdam	Freehold	2,962	2003	2009
40.	Hoofdveste	Hoofdweg 216-222, 224, 228	Rotterdam	Leasehold	2,409	1994	1996
41.	Hoofdweg	Hoofdweg 230-236	Rotterdam	Leasehold	1,996	1994	2000
42.	Park Office	K.P. van der Mandelelaan 41-43	Rotterdam	Leasehold	7,367	2008	2006
43.	Vareseweg	Vareseweg 105-109	Rotterdam	Leasehold	6,306	2001	2001
44.	Veerhaven	Veerhaven 16-18	Rotterdam	Freehold	1,641	2002	1996
45.	Veerkade	Veerkade 1-9C	Rotterdam	Freehold	5,783	1915	2000
46.	Jacobsweerd	Sint Jacobsstraat 200-499	Utrecht	Freehold	14,779	1987	2018
47.	Uniceflaan	Uniceflaan 1	Utrecht	Leasehold	12,083	1989	2017
48.	Europaweg	Euroapaweg 205	Zoetermeer	Freehold	7,172	1991	1997

HNK

	Property	Property adress	City	Form ownership	NEN-area	Year construction / major renovation	Year acquisition
1.	HNK Amsterdam Houthavens	Van Diemenstraat 20-200	Amsterdam	Leasehold	10,513	2014	1999
2.	HNK Amsterdam Schinkel	Anthony Fokkerweg 1	Amsterdam	Freehold	5,373	2018	1997
3.	HNK Amsterdam Zuidoost	Burgemeester Stramanweg 102-108	Amsterdam	Freehold	11,403	2016	1997
4.	HNK Apeldoorn	Boogschutterstraat 1-41	Apeldoorn	Freehold	13,969	2014	2002
5.	HNK Den Bosch	Europalaan 28	Den Bosch	Freehold	7,513	2014	1997
6.	HNK Den Haag	Oude Middenweg 3E, 11-19	Den Haag	Freehold	14,390	2014	2008
7.	HNK Dordrecht	Burgemeester De Raadtsingel 93B-C	Dordrecht	Freehold	5,764	2016	2008
8.	HNK Ede	Bennekomseweg 41-43	Ede	Freehold	9,898	2014	2007
9.	HNK Groningen	Zernikepark 12	Groningen	Freehold	3,260	2014	2002
10.	HNK Hoofddorp	Antareslaan 65-81	Hoofddorp	Freehold	3,195	2013	1998
11.	HNK Rotterdam Centrum	Westblaak 180	Rotterdam	Leasehold	8,395	2016	2001
12.	HNK Rotterdam Scheepvaartkwartier	Vasteland 42-110	Rotterdam	Freehold	21,532	2012	2008
13.	HNK Utrecht Centraal Station	Arthur van Schendelstraat 650-698, 700-748	Utrecht	Leasehold	8,884	2015	2006
14.	HNK Utrecht West	Weg der Verenigde Naties 1	Utrecht	Leasehold	2,961	2013	2007

Other

	Property	Property adress	City	Form ownership	NEN-area	Year construction / major renovation	Year acquisition
1.	De Hagenborgh	Hagenborgh 1-217, Schouwburgplein 11-30	Almelo	Freehold	3,483	1989	2000
2.	't Loon	Apollolaan 22-31, 154, Homeruspassage 1-17	Heerlen	Freehold	22,228	2003	2002
3.	Zuidplein	Zuidplein 2-65, 480-622, Zuidplein Hoog 605, 869C, Zuiderterras 127, 128, 152, 154	Rotterdam	Leasehold	21,648	2001	2001

EPRA SUSTAINABILITY PERFORMANCE MEASURES

Impact area	EPRA Code	GRI Standard	Units of measure	Indicator		Absolute performance (Abs) 2018*	Absolute performance (Abs) 2019	Like-for-like performance (LfL) 2018*	Like-for-like performance (LfL) 2019	% change
Energy	Fuels-Abs, Fuels-LfL	GRI Standard 302-1	annual kWh	Fuels	**Total direct landlord-obtained fuels**	21,057,757	12,814,918	9,328,166	9,062,877	-2.8%
					Proportion of fuels consumption from purchased and self-generated renewable sources	0%	0%	0%	0%	-
					Total tenant-obtained fuels	6,610,265	5,617,057	4,130,980	3,664,708	-11.3%
					Total landlord- and tenant-obtained fuels	27,668,022	18,431,976	13,459,146	12,727,585	-5.4%
			Covered applicable properties		**Fuels disclosure coverage**	60 out of 63	40 out of 40	27 out of 63	27 out of 40	-
			Covered applicable sqm			95%	100%	49%	67%	-
			%		**Proportion of fuels estimated**	0%	0.0%	0%	0%	-
	DH&C-Abs, DH&C-LfL	GRI Standard 302-1	annual kWh	District heating and cooling	**Total landlord-obtained district heating and cooling**	12,280,974	10,612,863	7,479,823	7,275,614	-2.7%
					Proportion of landlord-obtained heating and cooling from renewable resources	0%	0%	0%	0%	-
					Total tenant-obtained heating and cooling	4,283,023	13,094,271	1,363,900	1,091,398	-20%
					Total landlord- and tenant-obtained heating and cooling	16,563,997	23,707,134	8,843,723	8,367,011	-5.4%
			Covered applicable properties		**District heating and cooling disclosure coverage**	27 out of 29	25 out of 25	14 out of 29	14 out of 26	-
			Covered applicable sqm			95.1%	98.4%	52.6%	55.3%	-
			%		**Proportion of district heating and cooling estimated**	0%	0%	0%	0%	-
	Elec-Abs, Elec-LfL	GRI Standard 302-1	annual kWh	Electricity	**Total landlord-obtained electricity**	26,161,249	21,861,857	15,663,125	15,079,748	-3.7%
					Proportion of landlord-obtained electricity from renewable resources	100%	100%	100%	100%	
					Total tenant-obtained electricity	18,021,990	17,784,066	7,595,372	7,188,055	-5.4%
					Total landlord- and tenant-obtained electricity consumption	44,183,239	39,645,924	23,258,497	22,267,803	-4.3%
			Covered applicable properties		**Electricity disclosure coverage**	87 out of 95	68 out of 68	41 out of 95	41 out of 68	
			Covered applicable sqm			93%	100%	51%	61%	
			%		**Proportion of electricity estimated**	0%	0%	0%	0%	
	Energy-Int	GRI Standard CRE1	annual kWh / sqm	Energy Intensity	**(sum of) annual kWh energy consumption**	88,415,258	81,785,033	45,561,366	43,362,399	-4.8%
					(sum of) floor area (m^2)	726,913	612,793	372,376	372,376	-
					Building energy intensity	122	133	122	116	-4.8%

* 2018 data are restated

						Absolute performance (Abs)		Like-for-like performance (LfL)		
Impact area	**EPRA Code**	**GRI Standard**	**Units of measure**	**Indicator**		**2018***	**2019**	**2018***	**2019**	**% change**
Green-house gas emissions	GHG-Dir-Abs	GRI Standard 305-1	annual kg CO2e	Direct	**Scope 1**	3,863,996	2,351,475	1,711,673	1,662,994	-2.8%
	GHG-Indir-Abs	GRI Standard 305-2	annual kg CO2e	Indirect	**Scope 2**	2,253,499	1,947,409	968,569	942,126	-2.7%
			annual kg CO2e		**Scope 3**	13,463,836	14,268,152	5,864,024	5,478,830	-6.6%
	GHG-Int	GRI Standard CRE3	annual kg CO2e / sqm	GHG emissions intensity	**(sum of) annual GHG emissions**	19,581,331	18,567,036	8,544,267	8,083,950	-5.4%
					(sum of) floor area (m²)	726,913	612,793	372,376	372,376	-
					Building carbon intensity	27	30	23	22	-5.4%
			No. of applicable properties		**Energy and associated GHG disclosure coverage**	91 out of 95	68 out of 68	41 out of 95	41 out of 68	-
			Covered applicable sqm			98%	101%	51%	61%	-
			%		**Proportion of energy and associated GHG estimated**	0%	0%	0%	0%	-
Water	Water-Abs, Water-LfL	GRI Standard 303-1	annual cubic metres (m³)	Water	**Total water consumption**	160,785	133,967	69,115	67,672	-2.1%
	Water-Int	GRI Standard CRE2	annual m³ / sqm	Water Intensity	**(sum of) floor area (m²)**	642,517	583,023	317,787	317,787	-
					Building water intensity	0.250	0.230	0.217	0.213	-2.1%
			No. of applicable properties		**Water disclosure coverage**	85 out of 95	66 out of 68	36 out of 95	36 out of 68	-
			Covered applicable sqm			85%	96%	43%	52%	-
			%		**Proportion of water estimated**	0%	0%	0%	0%	-
Waste	Waste-Abs, Waste-LfL	GRI Standard 306-2	annual tonnes	Waste type	**Hazardous waste**	0	0.018	0	0	-
					Non-Hazardous waste	606	857	198	202	2.3%
					Total waste created	606	857	198	202	2.3%
			proportion by disposal route (%)	Disposal routes, hazardous	**Reuse**	0%	0%	0%	0%	-
					Recycling	0%	0%	0%	0%	-
					Incineration (with or without energy recovery)	0%	0%	0%	0%	-
					Landfill (with of without energy recovery)	0%	0%	0%	0%	-
				Disposal routes, non-hazardous	**Reuse**	0%	0%	0%	0%	-
					Recycling	24%	24%	29%	24%	-
					Incineration (with or without energy recovery)	76%	76%	71%	76 %	-
					Landfill (with of without energy recovery)	0%	0%	0%	0%	-
					Biodiesel production	0%	0%	0%	0%	-
			No. of applicable properties		**Waste disclosure coverage**	45 out of 95	39 out of 68	7 out of 95	7 out of 68	-
			Covered applicable sqm			47%	53%	8%	10%	-
			%		**Proportion of waste estimated**	0%	0%	0%	0%	-

* 2018 data are restated

Impact area	EPRA Code	GRI Standard	Units of measure	Indicator		Absolute performance (Abs) 2018*	Absolute performance (Abs) 2019	Like-for-like performance (LfL) 2018*	Like-for-like performance (LfL) 2019	% change
Certific	Cert-Tot	% total floor area	Level of certification	BREEAM In-use: Asset Performance	Oustanding	**0%**	**0%**	**0%**	**0%**	**-**
			Covered value of properties		Excellent	0%	0%	0%	0%	-
					Very Good	0%	0%	0%	0%	-
					Good	0%	36%	0%	36%	-
					Pass	0%	19%	0%	19%	-
					Acceptable	0%	2%	0%	2%	=

* 2018 data are restated

SOCIAL PERFORMANCE MEASURES[11]

		2018		2019		
Diversity-Emp	Employee gender diversity	Female	Male	Female	Male	Percentage of employees
		33%	67%	34%	66%	
Diversity-Pay	Gender pay ratio	NA		NA		Ratio
Emp-Training	Employee training and development	NA		27		Average training hours per employee
Emp-Dev	Employee performance appraisals	100%		100%		Percentage of employees
Emp-Turnover	New hires & turnover (headcount)	7		8		New hires
		36%		14%		Turnover
H&S-Emp	Employee health and safety	1.2%		3.3%		absentee rate
		0%		0%		Injury rate
		0		0		# of work related fatalities
H&S-Asset	Asset health and safety assessments	NA		NA		Percentage of assets
H&S-Comp	Asset health and safety compliance	NA		NA		Number of incidents
Comty-Eng	Community engagement, impact assessments and development programs	NA		Narrative on page 52-54		Percentage of assets

1 NA means that data is not available.

GOVERNANCE PERFORMANCE MEASURES

		2018	2019	
Gov-Board	Composition of the highest governance body	Page 56	Page 64-67	Total number
Gov-Selec	Process for nominating and selecting the highest governance body	Page 56	Page 64-67	Narrative on process
Gov-CoI	Process for managing conflicts of interest	Page 56	Page 64-67	Narrative on process

EPRA KEY PERFORMANCE MEASURES

Key performance indicators

	2019		2018	
	€ ‘ 000	per share (€)	€ ‘ 000	per share (€)
EPRA earnings	49,439	2.64	48,745	2.64
EPRA cost ratio (incl. direct vacancy costs)	28.4%		26.5%	
EPRA cost ratio (excl. direct vacancy costs)	26.3%		25.0%	
EPRA property related capital expenditure	46,012		178,539	

	31 December 2019		31 December 2018	
	€ ‘ 000	per share (€)	€ ‘ 000	per share (€)
EPRA NAV	907,493	47.97	738,330	39.75
EPRA NNNAV	896,695	47.40	728,076	39.20
EPRA NRV	984,732	52.05	811,173	43.67
EPRA NTA	907,127	47.95	737,820	39.72
EPRA NDV	896,437	47.39	727,730	39.18
EPRA net initial yield (NIY)	4.6%		5.2%	
EPRA topped-up net initial yield	4.9%		5.6%	
EPRA vacancy rate	7.1%		13.8%	

Notes to the EPRA key performance indicators

EPRA Earnings

	2019	2018
Gross rental income	82,831	83,721
Service costs not recharged	-1,601	-1,237
Operating costs	-14,003	-13,256
Net rental income	**67,227**	**69,228**
Administrative costs	-7,948	-7,950
Net financing result	-9,840	-12,506
Direct investment result before tax	**49,439**	**48,773**
Corporate income tax	-1	-28
Direct investment result / EPRA earnings	**49,439**	**48,745**
Direct investment result / EPRA earnings per share	2.64	2.64

EPRA Vacancy

	31 December 2019	31 December 2018
Estimated rental value of vacant space	6,504	14,085
Estimated rental value of the whole portfolio	91,949	101,766
EPRA vacancy	7.1%	13.8%

EPRA Cost ratio

	2019	2018
Administrative costs	7,948	7,950
Service costs not recharged	1,601	1,237
Operating costs (adjusted for municipality taxes)	14,003	13,256
Leasehold	-47	-245
EPRA costs (including direct vacancy costs)	**23,504**	**22,196**
Direct vacancy costs	-1,680	-1,237
EPRA costs (excluding direct vacancy costs)	**21,824**	**20,960**
Gross rental income	82,831	83,721
EPRA gross rental income	**82,831**	**83,721**
EPRA cost ratio (incl. direct vacancy costs)	28.4%	26.5%
EPRA cost ratio (excl. direct vacancy costs)	26.3%	25.0%

EPRA Capex

	2019	2018
Acquisitions	31,687	146,245
Development	5,958	15,062
Like-for-like portfolio	7,088	14,792
Other	1,279	2,440
EPRA capital expenditure	**46,012**	**178,539**

EPRA Yield

	31 December 2019	31 December 2018
Investment property including assets held for sale	1,287,310	1,214,430
Developments	-30,650	-15,500
Property investments	**1,256,660**	**1,198,930**
Allowance for estimated purchasers' costs	87,966	83,925
Gross up completed property portfolio valuation	**1,344,626**	**1,282,855**
Annualised cash passing rental income	76,262	82,118
Annualised property outgoings	-14,510	-15,150
Annualised net rent	**61,752**	**66,968**
Notional rent expiration of rent free periods or other lease incentives	4,790	4,491
Topped-up annualised net rent	**66,542**	**71,459**
EPRA net initial yield	4.6%	5.2%
EPRA topped-up net initial yield	4.9%	5.6%

EPRA NAV

	31 December 2019		31 December 2018	
	€ ' 000	per share (€)	€ ' 000	per share (€)
Equity attributable to shareholders	903,308	47.75	733,283	39.48
Fair value of derivative financial instruments	4,185	0.22	5,047	0.27
EPRA NAV	**907,493**	**47.97**	**738,330**	**39.75**
Fair value of derivative financial instruments	-4,294	-0.23	-5,211	-0.28
Fair value of debt	-6,505	-0.34	-5,043	-0.27
EPRA NNNAV	**896,695**	**47.40**	**728,076**	**39.20**

EPRA NAV (New reporting standard)

	31 December 2019			31 December 2018		
	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	**903,308**	**903,308**	**903,308**	**733,283**	**733,283**	**733,283**
Hybrid instruments						
Diluted NAV	**903,308**	**903,308**	**903,308**	**733,283**	**733,283**	**733,283**
Revaluation of investment property in operation (if IAS 40 is used)						
Revaluation of investment property under construction (if IAS 40 is used)						
Revaluation of other non-current investments						
Revaluation of tenant leases held as finance leases						
Revaluation of trading properties						
Diluted NAV at fair value	**903,308**	**903,308**	**903,308**	**733,283**	**733,283**	**733,283**
Deferred tax in relation to fair value gains of investment property						
Fair value of financial instruments	4,185	4,185		5,047	5,047	
Goodwill as a result of deferred tax						
Goodwill as per IFRS balance sheet						
Intangibles as per IFRS balance sheet		-366	-366		-510	-510
Fair value of fixed interest rate debt			-6,505			-5,043
Revaluation of intangibles to fair value						
Real estate transfer tax	77,239			72,844		
NAV	**984,732**	**907,127**	**896,437**	**811,173**	**737,820**	**727,730**
Fully diluted number of shares	18,917,764	18,917,764	18,917,764	18,574,298	18,574,298	18,574,298
NAV per share	**52.05**	**47.95**	**47.39**	**43.67**	**39.72**	**39.18**

Colophon

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