ANNUAL REPORT 2020

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KEY FINANCIAL METRICS

REVENUES AND EARNINGS

	2020	2019	Change (%)
Gross rental income	76,854	82,831	-7.2%[1]
Net rental income	60,466	67,227	-10.1%[1]
Direct investment result	44,943	49,439	-9.1%
Indirect investment result	-65,357	146,858	-144.5%
Total investment result	-20,414	196,297	-110.4%
Earnings per share (€)	-1.07	10.47	-110.2%
EPRA earnings per share (€)	2.35	2.64	-10.9%
Dividend per share (€)	2.16	2.16	
EPRA cost ratio (incl. direct vacancy costs)	30.6%	28.4%	2.2 pp
EPRA cost ratio (excl. direct vacancy costs)	28.4%	26.3%	2.1 pp

BALANCE SHEET

	31 December 2020	31 December 2019	Change (%)
Investment property	1,240,192	1,263,089	-1.8%
Assets held for sale		15,903	-100.0%
Net debt	-366,194	-352,632	3.8%
Equity	854,438	903,308	-5.4%
IFRS equity per share (€)	44.29	47.75	-7.2%
EPRA NTA per share (€)	44.44	47.95	-7.3%
Net LTV	29.2%	27.4%	1.8 pp
Number of ordinary shares outstanding	19,291,415	18,917,764	2.0%
Weighted average number of ordinary shares outstanding	19,138,717	18,751,178	2.1%

KEY PORTFOLIO METRICS

	31 December 2020					
	Offices	HNK	Other	TOTAL	31 December 2019	Δ
Number of properties[2]	43	13	4	60	65	-7.7%
Market value (€m)[3]	931	249	73	1,253	1,287	-2.7%
Annual contracted rent (€m)[4]	58	19	7	84	81	4.0%
ERV (€m)	63	23	7	93	92	1.4%
Lettable area (sqm k)	296	124	53	473	491	-3.7%
Average rent / sqm (€/p.a.)	206	190	153	197	188	4.8%
EPRA vacancy	4.2%	14.9%	6.9%	7.0%	7.1%	-0.1 pp
EPRA net initial yield	4.4%	4.3%	6.1%	4.5%	4.6%	-0.1 pp
Reversionary yield	6.8%	9.2%	9.6%	7.5%	7.3%	0.1 pp
Wault (yrs)	4.1	3.2	5.2	4.0	4.2	-6.2%

1 On a like-for-like basis GRI growth is 3.5% and NRI growth is 0.8%
2 Two office assets were reclassified in 2020 to the category “Other” due to usage as community college and student housing complex.
3 Reported in the balance sheet at book value including right of use leasehold (IFRS 16), excluding lease incentives and part of NSI HQ (own use).
4 Before free rent and other lease incentives.

NSI AT A GLANCE

PROFILE

NSI NV is a commercial property investor, specialised in Offices, and the only Dutch real estate investment trust (FBI) focused solely on the Netherlands.

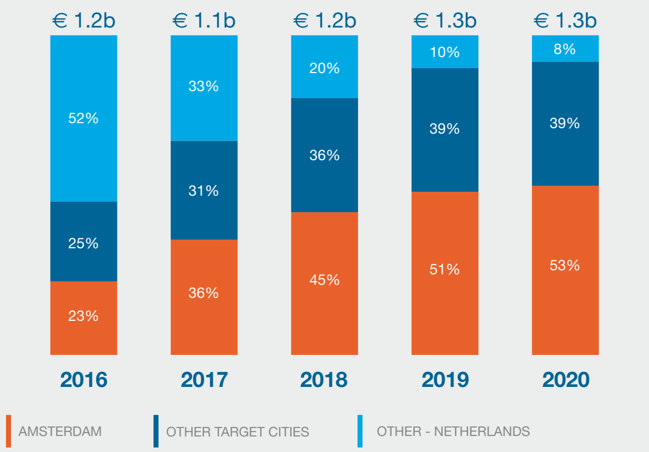
MISSION

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.

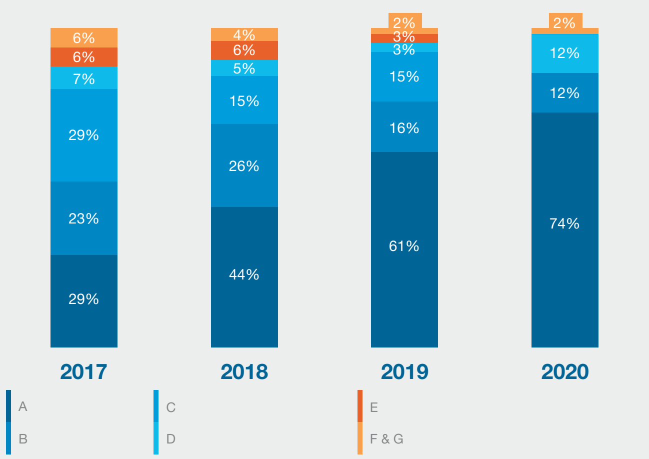
PORTFOLIO BREAKDOWN (YEAR-END 2020)

	# assets	Value €m	Value %
Offices	43	931	74%
HNK	13	249	20%
Other	4	73	6%
Total investment properties	**60**	**1,253**	**100%**

PORTFOLIO SPLIT



EPC SCORE (BY VALUE)[1]



HIGHLIGHTS 2020

(LFL) OCCUPANCY

+ **0.7%**

(LFL) ERV GROWTH

- **0.6%**

AVERAGE PORTFOLIO VALUE GROWTH

- **4.5%**

RENT COLLECTION

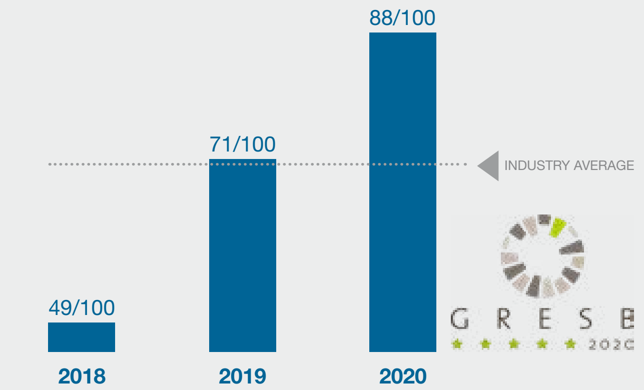
98%

GRESB SCORE

★ ★ ★ ★ ★

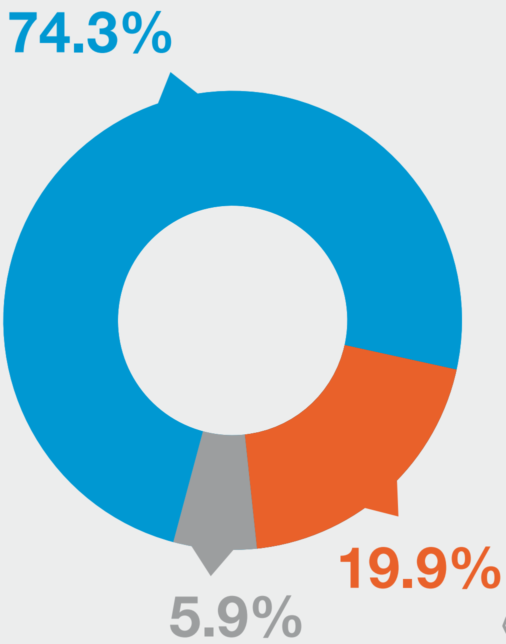
MAXIMUM SCORE IS 5 STARS

GRESB



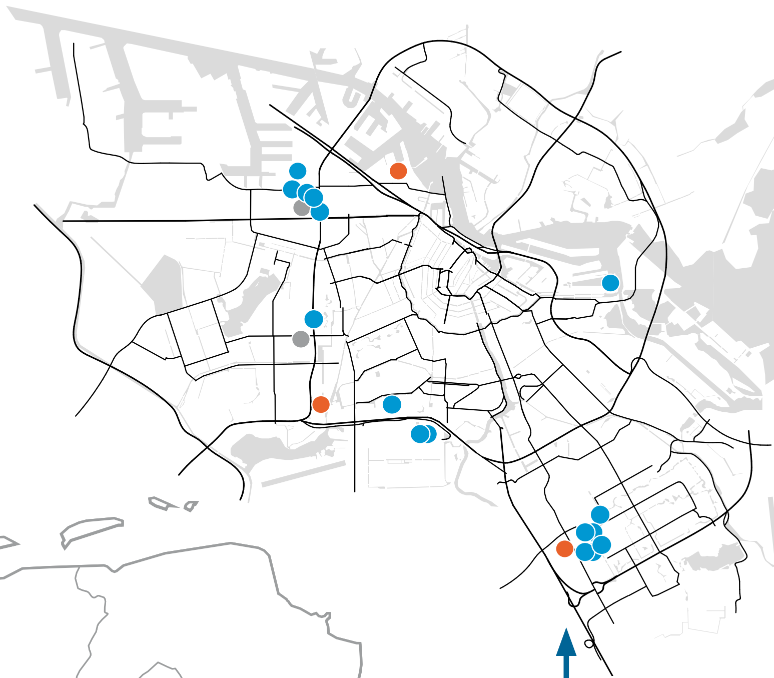
[1] Based on value, excluding: (re)developments Donauweg, Bentinckhuis, Laanderpoort, Vitrum, and Koningin Wilhelminaplein

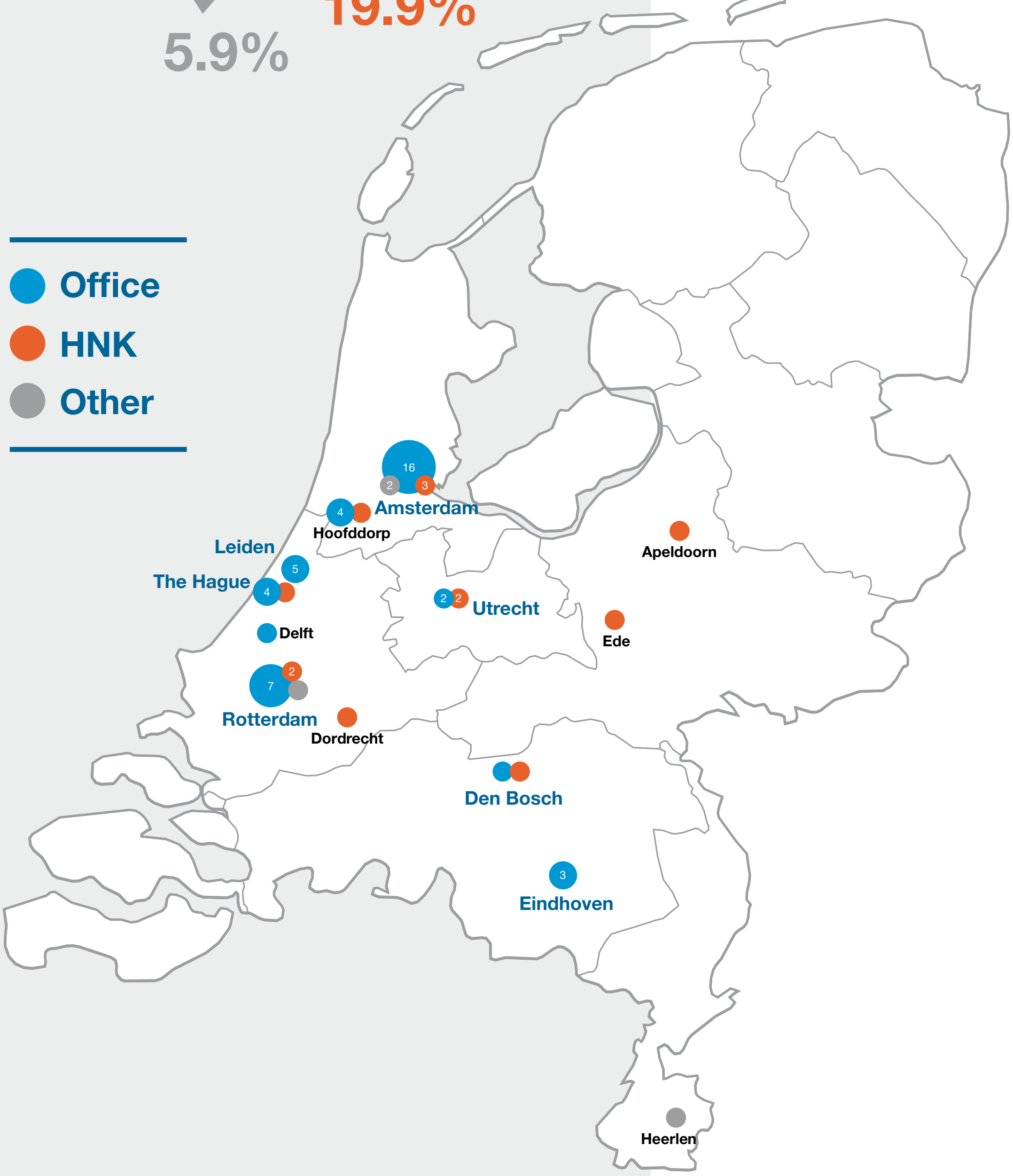
TOTAL PORTFOLIO



- Office
- HNK
- Other

AMSTERDAM





53%

of portfolio (in €)

- **16** offices
- **3** HNK
- **2** other

CEO COMMENTS

We are looking back on the year 2020 with mixed feelings. The global coronavirus pandemic has touched almost all aspects of personal and business life during the year.

The lock downs, the new work from home (WFH) advice, the on-and-off shutdowns of parts of the economy and the resulting economic contraction were formidable challenges.

Yet throughout this period NSI, as a business and especially as a team, has proven to be robust and resilient, and has been able to navigate these challenges with relative ease.

A robust operational performance

At the onset of coronavirus in March, the key focus for the team was first and foremost the health and well-being of our customers and to facilitate the safe usage of our buildings. We intensified the dialogue with our customers, to understand their immediate needs and possible changes to their long-term requirements. Operationally, the focus was on occupancy levels and rent collection.

The vacancy rate at year-end is 7.0%. This is down 0.1% year-on-year in absolute terms and down by 0.7% on a like-for-like basis. Given the challenging environment this is a particularly good result, testament to the strength of the portfolio in terms of location and quality, the strength of our asset management team and our realistic approach to pricing.

Rent collection for 2020 stands at 98.0%. This is below the 99%+ we tend to achieve in normal years, but respectable in light of the business disruption some of our tenants faced during the year. A more detailed discussion of this subject can be found on page 21 of this report.

EPRA EPS for 2020 is € 2.35 per share, in line with guidance, and net of a € 0.08 per share negative impact related to lost revenues and costs incurred due to the coronavirus pandemic.

> **"NSI, as a business and especially as a team, has proven to be robust and resilient"**

More asset rotation to come

In Q4 we completed the disposal of HNK Groningen and of two smaller assets in Rotterdam, for a total of € 13.9 million. Total disposal proceeds for the year amount to € 30.1 million. One building was acquired during the year, the ONE20 building in Amsterdam in March, for € 34.0 million. ONE20 went from 31% vacant at the time of acquisition to fully let by year-end 2020.

Whilst 2020 may have been a relatively quiet year on the asset rotation front, we continue to see regular asset rotation as an integral part of our business. Going into 2021 we have circa € 125 million in non-core assets left, including our two remaining retail assets. Over time we will dispose of these and aim to re-invest the proceeds in new acquisitions in our target cities and/or in our development programme.

The Q4 disposals were done at 3.9% above the June 2020 valuation and 0.7% below the December 2019 valuation. Whilst these disposals form a small sample of our portfolio, we believe these sales results still help confirm our overall investment portfolio valuations.

Key milestones achieved in development

2020 was a very active year for the new development team. Additional external capacity has been brought in to help steward all ongoing initiatives, in their different phases.

In September we announced our plans to build an innovative, wooden, office tower in the Zuid-as submarket of Amsterdam. Good progress was made on both Laanderpoort and Vitrum, whilst potential projects at Centerpoint and Motion were cancelled for the foreseeable future.

The key development milestones achieved in 2020 include:

- Agreement ('Afsprakenbrief') with municipality of Amsterdam on terms and conditions for construction of Vivaldi III
- LOI with municipality of Amsterdam for Laanderpoort
- Architects and design teams selected for all three projects

There are further milestones to be achieved in 2021, such as finalising scope and plans, obtaining all relevant permits and confirming costs with building contractors, before works can commence in 2022.

As it stands all three projects are likely to - at least - partially overlap in time and in capex/capital needs. We recognise that we have to carefully manage this, given the relative size, risk and complexity of our plans, not only in the context of our existing portfolio and balance sheet, but also relative to the risk/return profile of new acquisition opportunities that may arise.

Our strong balance sheet is an asset

Whilst we appreciate the uncertainty over what may happen to demand for offices once the coronavirus pandemic has subsided, we still see capital actively searching for good quality income and willing to chase some of the best assets at ever lower yields – a trend that is also strongly driven by structurally low interest rates.

Asset valuations fell by 4.1% in H1, followed by a more modest fall in H2 of 0.4%, more or less in line with movements in the wider investment market in 2020. This negative revaluation results in a NTA of € 44.44 per share at year-end, underpinned by a focussed investment portfolio with an attractive EPRA net initial yield of 4.5% and which does not yet include any of the potential upside in Laanderpoort or Vivaldi III.

The year-end LTV is 29.2%, a very comfortable level. Given the volume of non-core assets that we still intend to dispose of in combination with the potential capital requirements for our development programme, our LTV offers room for selective further acquisitions. In February 2021, after balance sheet date, we signed the purchase agreement regarding the acquisition of a portfolio of three assets in our target cities Amsterdam and Rotterdam at an acquisition price of ca. € 80 million, as stated in our post-closing events on page 20 of this report.

Outlook for 2021 and beyond

Going into 2021 we acknowledge the general uncertainty over what may happen to the structural demand for offices and to the wider economic environment. Also, we are now nearing the equilibrium vacancy rate of the portfolio, having lowered the vacancy on a like-for-like basis every year over the past five years. As such, whilst we will continue to push hard to attract new business, a further fall in the vacancy rate in 2021 is not a given.

We believe we have the right team and the right portfolio with significant value-add initiatives to look to the future with confidence. It is up to us to make sure that we continue to offer the right space in terms of location, specifications, sustainability, flexibility, amenities and price, so that we remain attractive for both existing and potential customers.

In 2020 we obtained the highest (5-star) rating in GRESB and given the rising importance of ESG for all our stakeholders (including the NSI team itself) we will continue in 2021 to invest and push for a greater impact.

Whilst there are still lots of moving variables so early in the year, based on the in-place portfolio and before any possible further COVID-related costs, we forecast an EPRA EPS of € 2.25–2.35 for 2021. This is in line with earlier guidance that our EPRA EPS in 2021 would be affected by the lease expiry at Vitrum and the agreement that ING will pay half rent at Laanderpoort in 2021 ahead of the redevelopment of this asset.

Medium term the development activities, which to this date are not fully committed, will materially impact the business and our key KPIs. Whilst there are still lots of moving parts, our current estimate for 2025, including the disposal of our non-core assets, is an EPRA EPS in the range of € 2.60– 2.70, as explained in detail on page 13 of this report.

We are pleased to propose our shareholders a stable dividend of € 2.16 per share for the year just passed, a year we are happy to leave behind.

Bernd Stahli
CEO

STRATEGY

NSI set out a new strategy in early 2017. As the objectives of this strategy have been achieved, in terms of asset rotation, balance sheet, team and systems/processes, the focus is now on 1) strengthening its existing clusters in targeted cities, 2) developing healthy and sustainable offices of the future, and 3) driving customer excellence by putting the customer front and centre in everything NSI does. 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.

OUR VALUE CREATION MODEL

The core of our value creation model, geared towards becoming the Dutch leading office specialist, is the combination of the right assets mixed with the right level of services. The right asset portfolio is achieved through optimisation, accretive investments and adding new developments, whilst the right level of services is tailored to the target customer. All of this is underpinned by prudent balance sheet management and a clear and strong sustainability ambition. NSI strives to constantly improve the quality of its offering, whilst continuously improving its operational excellence, and so lower the cost of capital.

SOUGHT-AFTER PORTFOLIO

NSI focuses on larger office assets in economic growth locations based on the view that long-term rental and value growth can only be achieved in locations where economic activity itself is growing, creating natural demand for space. The global trend of urbanisation means the existing larger economic conurbation will continue to grow. We believe that the growth of cities will mostly take place around major transport hubs, as mobility is and will remain an issue in congested metropolitan areas. We therefore concentrate our investments, acquisitions and developments predominantly around the major train stations of these growth locations in The Netherlands.

The necessary size of assets, tenant activity and scale of the investment market to drive returns is concentrated mostly in the five largest cities in the Netherlands (Amsterdam, Utrecht, Eindhoven, Rotterdam and The Hague, generally referred to as G5) and selective other economically vibrant areas. NSI defines the G5 as its target market. We expect these hubs will continue to evolve into vibrant city districts where ‘work, education, healthcare, sleep, eat and play’ are being offered on an integrated basis. Where appropriate and where possible we will take an active role in contributing to this multi-functional vibrant future.

The substantial depth of the investment market in these locations has a genuine positive effect on the risk profile of the overall business as liquidity is often one of the most underestimated risks in property.

CREATING THE RIGHT PLATFORM

In its quest to be the leading Dutch office specialist NSI needs to have a solid, well-functioning operating platform. Only with the right team, culture and processes NSI will be able to deliver leading results in an optimal and cost-efficient way. The right team at NSI is a diverse team that embraces a culture of open debates, professionalism and the will to push boundaries.

At NSI we are constantly assessing if the organisation and associated costs are justified by the size and performance of the portfolio. Whilst NSI has a lean team, the aim is not to minimise costs, but to pursue the optimal cost structure befitting an active value-add manager and developer.

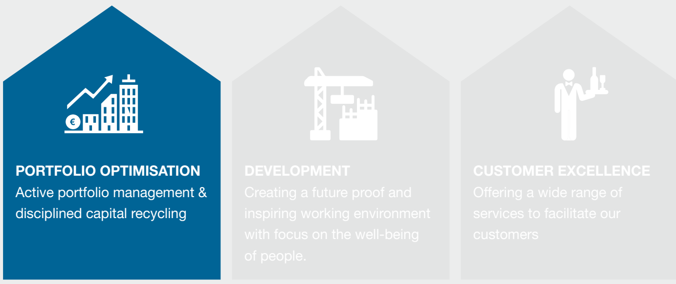
PRUDENT BALANCE SHEET MANAGEMENT

The NSI balance sheet should support the business, not the other way around. At NSI we have no view on the level of direction of interest rates and prefer to finance the business with long term debt, in line with the long duration nature of the assets. We believe the optimal capital structure is one that recognises (and adjusts to) the evolving nature of the asset portfolio and the size and risks embedded in the development programme.

Whilst equity capital is typically permanent, debt financing is not and so key for NSI is to have constant access to a diverse pool of debt funding sources by maintaining solid relationships with existing and potential debt providers and to stagger the maturities of its debt portfolio in order to avoid having a material concentration of debt due in any specific year.

EXECUTION OF OUR STRATEGY – PROGRESS IN 2020

PORTFOLIO OPTIMISATION



Disciplined capital recycling

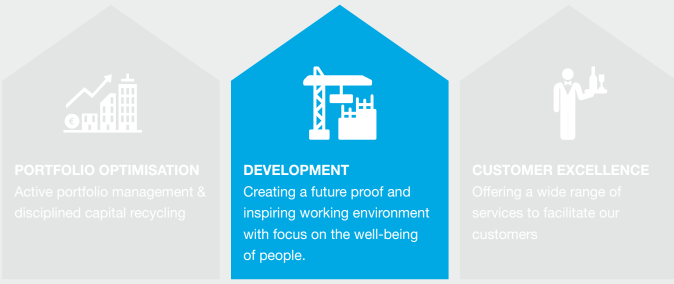
The year 2020 has been a relatively quiet year on the asset rotation front. NSI acquired only one office asset in 2020, the 9,700 sqm ONE20 office building in Amsterdam Sloterdijk. Moreover, HNK Groningen, a few smaller office assets and one retail asset were sold in 2020.

Asset rotation will continue to be an integral part of our business. We have approximately € 125 millions in non-core assets left, including our two remaining retail assets, which will be disposed over time, in order to re-invest the proceeds in new acquisitions in our target cities and/or in our development programme.

Active portfolio management

NSI continuously strives to identify and implement new value add initiatives in its portfolio. In 2020, the total offensive capex amounted to € 14.6 million. The largest completed project was Bentinck Huis in The Hague, a large-scale renovation project that perfectly showcases NSI's vision on future-proof buildings, meeting the highest sustainability standards. Another large-scale renovation involved the office property at Donauweg in Amsterdam, leading to a significant quality and sustainability upgrade of the space offered.

DEVELOPMENT



NSI pursues selective (re-)development opportunities to expand its asset portfolio with modern assets in the best locations, at better risk-adjusted returns relative to acquiring comparable assets in the open market. Development as such can enhance prospective returns and drive shareholder value creation, on a risk-adjusted basis, if managed well. NSI will carefully manage the balance sheet to allow for selective development and is keen on mitigating development risks by selecting the right location, securing pre-letting arrangements and working with reputable partners.

Our development projects enable us to shape our buildings and portfolio around the changing needs of our customers and provides new insights that can be used to improve the attractiveness of our standing assets. In our development vision we anticipate changes in demographics, the ways people work, shop and live, and the ever-growing importance of sustainability to ensure a future-proof design. Furthermore, we incorporate services and technology into our developments to create flexible and adaptable workspaces to maximise usability.

2020 was a very active year for the new development team and additional external capacity has been brought in to help steward all ongoing initiatives – all of which are located in Amsterdam. More detailed information on our projects in our development pipeline (Vivaldi III , Laanderpoort and Vitrum,) can be found on page 24.
Multiple development milestones were achieved in 2020, including the signing of the agreement ('Afsprakenbrief') with the municipality of Amsterdam on terms and conditions for construction of Vivaldi III, signing of the LOI with the municipality of Amsterdam for Laanderpoort and the selection of the architects and design teams for all three projects.

We have prepared the balance sheet for the development projects through a.g. a low LTV and by 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.

CUSTOMER EXCELLENCE

In 2020 NSI created a Customer Excellence team to help improve the product offering and customer experience across the entirety of our asset portfolio.

In 2020 NSI embarked on a series of discussions and initiatives aimed at obtaining a deeper understanding of our customer needs, and translating these into a new customer journey, new concepts and new services to be provided. This has led to a number of new business concepts that are currently being piloted, the planned installation of a permanent 'office lab' to continuously test innovations and which can serve as a blueprint for the wider portfolio.

We recognise that customer behaviour and demands are structurally shifting, with flexibility, hospitality, services and amenities increasingly becoming key considerations for most of our tenants. In line with the upgrade of our portfolio (due to the asset rotation of recent years) our tenant profile is changing, the focus of our tenants 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. These developments call for a genuine customer centred approach and a drive for customer excellence in all aspects of operations.

AMBITION & LOOK THROUGH 2025

A year ago we updated our strategy and purpose to put the customer at the centre of everything we do. We stated "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".

In 2020, boosted by a very strong balance sheet, we continued to invest in our buildings, our product offering and in the relationships with our customers, in line with our purpose. The immediate fruits of these efforts were a retention rate of circa 70% and a 0.7% fall in the vacancy rate on a like-for-like basis.

Notwithstanding these achievements, going into 2021, with coronavirus still significantly impacting business life, with WFH a new phenomenon for corporates to address and with a less certain economic outlook, we consider it appropriate to re-evaluate our strategy.

In essence the strategy is still valid. The role of real estate as an asset class is undisputed, in what is now arguably a 'low forever' interest rate environment. Meanwhile, the office remains a highly relevant concept for all sorts of businesses, irrespective of WFH, which still require a home base to showcase their brand and identity, to load their culture and to attract new talent. Also, the relationship with tenants has become more important still, as their requirements have likely changed and their negotiation position has improved ever since the onset of the coronavirus pandemic.

Basically, as always, it comes down to offering the right product in the right location to the right customer, and understanding how this combination of factors evolves. This is the basis for sustainable and growing valuations of the underlying real estate.

Right location; right product

The right location is a well-connected vibrant economic growth location, where corporates want to be because that is where their wider network is located and where the potential talent pool is greatest. As such, we continue to focus predominantly on the major transport hubs in the G5 cities of Amsterdam, Utrecht, Eindhoven, Rotterdam and The Hague.

The right product is much harder to determine. At NSI it is definitely not our ambition to be everything to everyone, as this would be a recipe destined for failure. We do need to make sure our buildings are vibrant locations, with the right mix of spaces and amenities, offering a wide range of services, including flexibility, so that our customers can focus on their business and thrive, knowing that the real estate and its complexities are fully taken care off. This is how we define customer excellence. Space-as-a-service is in our view just one element of this, one where we provide a wide range of fit-out solutions and services, potentially working with established third parties to deliver these.

Anticipating a change in office demand/use

Many corporates will use 2021 and 2022 to critically review how much space is required to run their business, in light of all the new insights being gained from the ongoing WFH experiment.

We reckon that once the coronavirus pandemic subsides (partial) WFH will prove to be a permanent feature, accepted by most corporates as a way to attract and retain talent and to generally improve the work/life balance of its employees.

The larger enterprises may increasingly embrace the broader concept of WFA (work from anywhere), especially the more mobile, knowledge-based, service-industry enterprises. This will be especially the case for businesses that have used the past year to innovate and improve the level of digitisation of the organisation, systems and processes.

On balance, over time we suspect large enterprises will probably end up using less space. Some of this will happen by way of consolidation into fewer buildings, which will accelerate the ongoing polarisation of office markets, with good buildings in prime locations resilient and older buildings/weaker locations bound to lose out.

We are not immune, but we believe we are well positioned thanks to the asset rotation in recent years, which has left us owning a much better portfolio of assets, and our ability to continuously connect with our tenants, by having an open dialogue. Our proactive stance also works in our favour as we continue to create/build the right partnerships, enabling us to adapt our services and/or offered space to provide tenants appropriate solutions for their day-to-day business.

NSI 2016-2025

Office real estate is a capital-intensive asset class which is becoming more service-oriented and operationally leveraged. We are trying to be successful at both the capital-intensive asset side and the operational side. Successfully blending the two, up to now largely separate worlds, is really the ultimate goal.

Still, for now and for the foreseeable future, the prospective returns for NSI are almost entirely being generated by the capital intensive, asset, side of the business. This includes the effects of our asset management initiatives, asset rotation and development activities.

At the same time, we continue to invest in our HNK concept. We are in the process of significantly enhancing our AV offering, we are introducing a new catering concept in most of our HNKs, and we have brought in new on-site team members to improve our service level. In due course these initiatives could potentially be rolled out over a larger part of our portfolio.

An important driver of shareholder returns over the period to 2025 is the potential success of the development programme. For the Laanderpoort development we have signed a cooperation agreement with ING. At this stage we are uncommitted for the other two development projects This programme will impact all KPIs of the business.

Whilst we have made significant progress in improving the business in recent years, the transition is far from complete as we discuss above. In 2025 we expect the business to be in far better shape than when we embarked on the new strategy in 2016, offering better returns at a lower risk profile.

The 2025 estimates in the table below are fluid and are likely to change, as it assumes the disposal of all non-core assets, no further valuation changes and execution of the business plan for the standing portfolio and all three development projects.

	2016	2020	2025E
Number of assets (#)	165	60	45
Average value per asset (€million)	7	21	30-35
% of assets in offices	66%	94%	100%
% of assets in Amsterdam	23%	53%	65-70%
LTV	44.1%	29.2%	34-36%
EPRA EPS(€)	2.64	2.35	2.60-2.70

If we exclude the disposal of non-core assets from the above analysis the EPRA EPS for 2025 would end up in the range of € 2.90 – € 3.00, underpinned by a still comfortable LTV of circa 40%. As such, there is still capacity to invest beyond the current development pipeline.

CASE

THE OFFICE VERSUS WORKING FROM HOME DEBATE

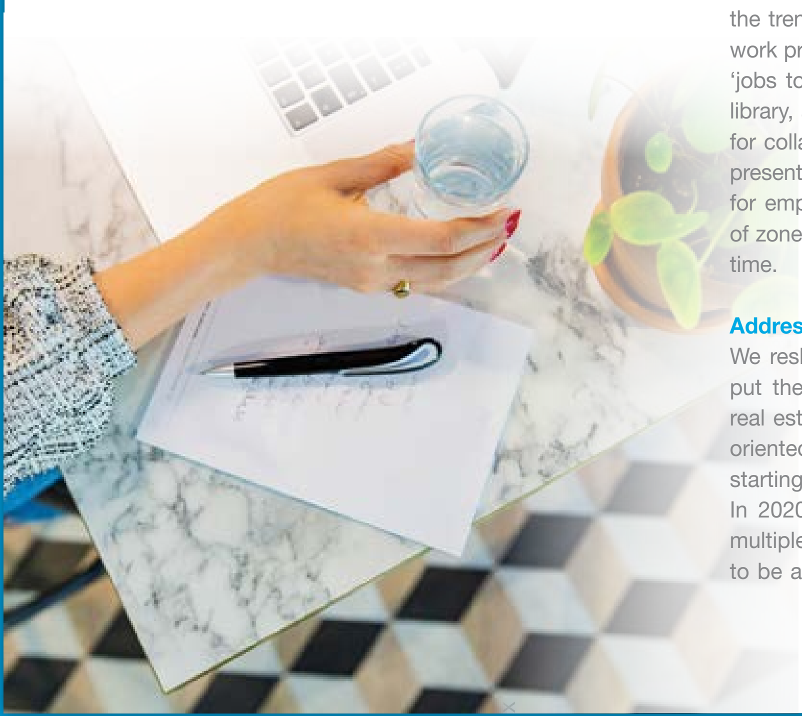
Ever since coronavirus forced large parts of the working population to work from home (WFH), with corporates following Dutch Government guidelines to WFH as much as possible, there is a debate on the virtues of working in the office vs WFH. The debate is in fact a global one, as most countries have or had, one way or another, specific guidelines for WFH as a result of coronavirus.

The debate up to now includes expert opinions, plenty of highly biased views, anecdotal evidence, results from quality surveys like Leesman (www.leesmanindex.com), corporate employee surveys, and individual corporate and personal experiences. The debate will probably continue for years to come and will really only become more meaningful when it starts to include an analysis of the meta effects of shifts in the balance office vs WFH on corporate identity and culture, the ability to innovate and long-term employee health and well-being.

WFH - Dutch context

The Netherlands is not an 'everyone in the office, from 9 to 5, five days a week, in 6 sqm cubicles' office market. It is already one of the more flexible markets in Europe, with just under half of employees (48%) working less than 35 hours a week and 32% working less than 28 hours a week. The average work week equates to 31 hours. Meanwhile, in 2019 already about 25% of employees worked incidentally from home.

Most occupiers have been increasing office 'density' for years, reducing their space requirements, as an office is generally seen as a cost to the business that needs to be minimised. The average ratio of office desks to employees in The Netherlands is circa 70-80%, whilst at the same time the average office space per desk is down to circa 13 sqm (Amsterdam: circa 11 sqm), from nearer 20 sqm in 2001.



The Dutch model of part-time working, flexible hours, incidental home working and high desk efficiency could perhaps suggest that a further shift in the balance of WFH and office may well have a relatively modest impact on the space requirement of corporates.

The jobs to be done

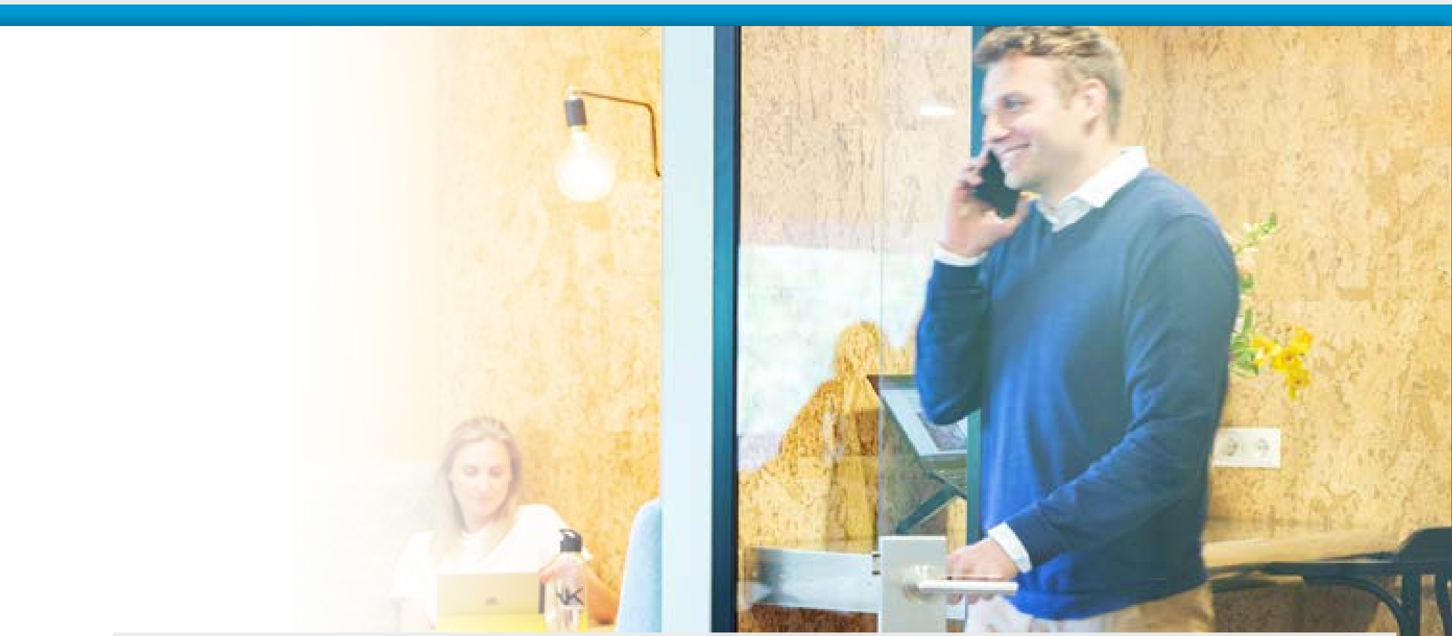
The evidence so far from employee surveys such as Leesman is that some activities are better done at home, achieving higher productivity. This includes in particular individual focus work, standardised process work, planned meetings with a clear agenda and video conferencing. In contrast, collaboration, sharing knowledge, creative thinking, training new employees, informal meetings and social interaction work better in an office environment.

The conclusion therefore must be that most office set ups currently do not work for everyone or, to be specific, not for every task. This leaves corporates with a clear choice. Should corporates accept that certain things are better done at home and facilitate this? Or should corporates improve the office set up so that what is now better done at home can be done as well (or even better) in the office? We expect corporates to try and take ownership of the issue and do both.

Coincidentally, this situation occurred at the same time NSI was extensively exploring customer needs, which clearly confirmed the trend now being accelerated by Covid-19; for an office to work properly there need to be different 'zones' to facilitate the 'jobs to be done', such as a 'quiet space' zone, much like a library, a zone for social interaction, including catering, a zone for collaboration, including scrum rooms, meeting rooms, and presentation space, but also a zone with normal workstations for employees that cannot effectively WFH. The sort and mix of zones will be different for every corporate and will shift over time.

Addressing changing needs

We reshaped our strategy last year and clearly spoke out to put the customer at the centre of everything we do. Office real estate has over the years become a much more service-oriented, operational, business. We are at the forefront of this, starting our flexible HNK office concept already back in 2012. In 2020, we explored our customer needs in detail through multiple in-depth interviews and started to pilot new concepts to be able to offer the workplace of the future (see page 16),



WORKING FROM HOME VERSUS THE OFFICE

We have collected several observations and anecdotal evidence from the many conversations we have had with tenants, prospects, agents and other partners. The observations below should not be considered as a complete set of firm conclusions, but will be included in the mix in further optimizing our propositions going forward.

Balance WFH versus office

- Most corporates recognise that WFH is actually working well and in more parts of the business better than initially expected.
- WFH will be a way for corporates to attract and retain talent.
- Corporates are seeing that senior employees generally seem to cope well with WFH, but that younger employees that WFH are largely disconnected, are ‘standing still’ in their careers and are proving less loyal.
- Corporates recognise that the cultural and social capital that has been built up by working together in proximity for years is being used up as a result of WFH and are looking for ways to replenish this, with a (partial) return to the office as one of the solutions.
- Corporates have mixed experiences with productivity levels. Some corporates now recognise they need to better understand/measure/monitor employee productivity.
- Health and well-being is actively being monitored, with a focus on signs of psychological stress, fatigue and burn-out.
- Multinational mega corporates are actively studying the body of evidence of WFH experiments to understand lessons learned and see what the right balance is in the office vs WFH debate. Smaller corporates with few employees (<100) just get on with business.
- Senior management ultimately sets the tone, employees follow. If management favours office working, the organisation will follow.

Future space requirements

- Corporates do want more flexibility, but will not go entirely flex as there is still a need for a long term ‘home base’ to showcase their brand and identity. Flex space will end up supplementing this.
- Many of the larger corporates are uncertain how things will evolve and are for now delaying decisions on future office usage. Smaller corporates (<1,000 sqm) are operating as usual.
- Larger corporates expect that they may need less space going forward, but they worry how they should manage load distribution, so that the office is being used efficiently, and not just on Tuesday to Thursday.
- Employees that want to WFH part of the week will probably not be able to claim a full time personal desk in the office in the future.
- Subletting is back. Especially in Amsterdam Zuidas. Most of this space is available for periods of up to three years, which is not considered a long enough period for other tenants to step in.
- Many corporates located in Amsterdam recognise that their locally resident employees are living in smaller apartments and are often co-habiting, which is not helpful to achieve productive WFH, and so may longer term not be able to economise much on space.

CASE

EXPLORING CUSTOMER INSIGHTS

The restructuring of the investment portfolio over the period 2016-2019 has significantly impacted our tenant roster, our customer profile. With a more stable portfolio from here we can now put in place a more structural plan to connect with our customers. Our customers and their needs are at the heart of everything we do and we try to enable them to achieve maximum productivity and growth, in what is a changing environment. Already prior to Covid-19, we started to explore in detail our customer needs and started to pilot new concepts to be able to offer the workplace of the future, though the urgency of our efforts was accelerated by the pandemic.

Exploring customer insights

As an office investor we need to constantly monitor how office needs are changing and how an office can make a more meaningful contribution to the success of a business and its users. In 2020 we held multiple multidisciplinary sessions to engage with the customary industry experts, users, customers and non-customers, but also engaged a futurologist, an interior designer, sustainability specialists, successful entrepreneurs from the hospitality industry and representatives of the next generation, understanding the impact, threats and above all opportunities that lie ahead for the future workplace.

Numerous in-depth interviews were held with a multitude of office users, such as small enterprises, scale ups and multinational organisations, to understand their needs and see how this may impact our offering, both functionally and customer experience-wise. The interviewees were generally happy to engage, especially so once Covid-19 put the topic of accommodation on the strategic agenda of almost every organisation. These sessions were mutually beneficial, as we gained significant insights into their thinking, but we were also able to give back our perspective.

All the insights as to 'why do people come to the office?', 'what role does the way they work play in this?', 'what would the perfect office look like?' and 'how does it contribute to what they eventually want to achieve?' we subsequently explored systematically. We have noticed that answers to these questions are changing and that the debate has elevated to a board level discussion, arguably as a result of the potential long term/structural impact of covid-19/WFH.

The main takeaways from these discussions were the increasing need for flexibility and for the variety of workplaces needed to contribute to the 'job to be done', but the discussions also revealed the understanding of the social importance of working in an office or office environment. The office has to play a facilitating role for people to be productive and to be a place where they like to go because they feel connected with colleagues and with the organisation itself. In a nutshell, a place where they can thrive as part of something bigger.

As part of the above process we have decided in 2020 to set up an office lab in two of our offices, to experiment with workspaces in the broadest sense and learn, adjust, adapt and innovate. This is not only relating to the physical workspace, but also in terms of hospitality.

We are convinced that office real estate is increasingly becoming an operational, hospitality-driven, business. That is why we have started to rethink the optimal experience and services we want to provide. Mystery visits to a variety of offices – including HNK and other concepts - by a specialist advisor has provided valuable insights in the level of services, how these are offered, the consistency of the offering and the general customer experience for a variety of office providers. In 2021 this information will be used in setting our own desired level of experience and services. In our view the benchmark is not the office industry, but the hotel industry, which is all about experiences.

Piloting three new value propositions

The interviews and trend analyses provided the basis for a brain storm session with the NSI team to come up with as many new business ideas as possible. The most promising of these were selected and are being turned into concepts/business cases to be subsequently validated. The theme these new propositions have in common is flexibility and level of services, along with a wider variety in the types of workplaces offered, to specifically cater to the job to be done.

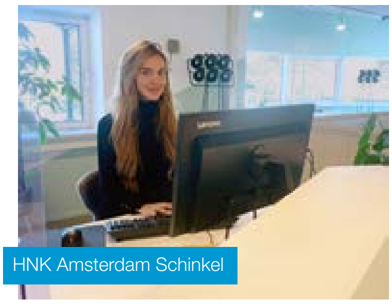
In close collaboration with users, through a pilot, a service that is being worked out in more detail is the provision of office space as a platform service that gives users (at a company, team or individual level) easy and safe access to high-quality serviced offices with options to easily scale up or down depending on their needs, needs that can differ from time to time or even from day to day.

“The office has to be a place where people can thrive as part of something bigger. ”

CASE

MEET OUR HNK HOSTS
BE WELCOME


HNK Utrecht West


HNK Amsterdam Schinkel


HNK Den Haag


HNK Hoofddorp


HNK Utrecht CS


HNK Ede


HNK Hoofddorp


HNK Utrecht West


HNK Rotterdam Scheepvaartkwartier


HNK Apeldoorn


HNK Rotterdam Scheepvaartkwartier


HNK Utrecht CS


HNK Rotterdam Centrum


HNK Utrecht West


HNK Amsterdam Houthavens


HNK Apeldoorn


HNK Ede


HNK Utrecht CS


HNK Rotterdam Scheepvaartkwartier


HNK Den Haag

INCOME, COSTS AND RESULT

Introduction
EPRA EPS for 2020 is € 2.35, of which € 1.14 in H1 and € 1.21 in H2. The EPRA EPS is lower compared to last year, due to the net disposal of assets during 2019, a rise in operating costs (primarily coronavirus-related) and a larger average number of shares outstanding. Lower rental revenues and higher expenditures entirely related to Coronavirus initiatives have negatively impacted EPRA EPS in 2020 by € 0.08.

The EPRA NTA per share is down € 3.51 or 7.3% per share, primarily as a result of a negative revaluation of the investment portfolio of € 3.39 per share.

Rental income
Gross rental income is down by 7.2% compared to the same period last year, due to net disposals in 2019. On a like-for-like basis gross rental income is up 3.5%, driven by a very strong 5.1% like-for-like growth for the Offices segment, reflecting a fall in the vacancy rate in this segment over the past 12 months.

Net rental income is down 10.1% year-on-year, due to a lower GRI and a lower NRI margin. The NRI margin is down by 2.5 percentage points to 78.7%, On a like-for-like basis net rent is up by 0.8%. In the Offices segment like-for-like net rental growth is 4.7%.

Both revenue and costs are impacted by coronavirus-related events. Excluding € 0.9 million in rent relief given in 2020 would improve like-for-like gross rental growth for the total portfolio to 4.8% and if coronavirus-related costs would also be excluded, the net like-for-like rental growth would improve to 3.5%[1].

Most of the coronavirus-related costs are incurred in the HNK segment, which explains the negative net rental growth of 10.3%. Corrected for these costs like-for-like net rental growth would be +0.6% for HNK.

Service costs
Non-recoverable service charges are up by 11.1% compared to last year. In 2020 higher costs were incurred due to an increased cleaning frequency and expanded fresh air ventilation hours – all with the aim to ensure optimal hygienic conditions in our buildings.

These additional costs have been absorbed by NSI in 2020. Excluding these coronavirus-related costs the non-recoverable service charges are up by 5.1% compared to the same period last year, and this 5.1% increase is mainly due to a positive one-off in Q4 2019.

Operating costs
Operating costs are 4.3% (€ 0.6 million) higher compared to 2019, mostly due to higher maintenance (€ 0.4 million) and higher property management (€ 0.5 million) costs, due to coronavirus-related costs. Letting costs (€ 0.2 million) and contributions to owner associations (€ 0.1 million) were lower compared to the previous year.

Administrative costs
Admin expenses are 10.7% (€ 0.9 million) lower compared to 2019. This is mainly due to the capitalisation of some staff costs in relation to our development projects (€ 0.6 million).

Net financing costs
Financing costs are down 14.2% (€ 1.4 million) compared to last year. This is primarily due to a lower average amount of debt outstanding and the capitalisation of interest costs relating to development projects.

Indirect result
In 2020 the investment portfolio incurred a negative revaluation of circa 4.5% (€ 65.0 million) compared to the end of December 2019.

Including the net result on disposals, a negative mark-to-market effect on interest rate swaps and other indirect costs, the total indirect result for 2020 is € 65.4 million negative (- € 3.42 per share).

Post-closing events and contingencies
On 10 February 2021, NSI sold one office object in Rotterdam for an amount of € 7.6 million.

On 24 February 2021, NSI signed the purchase agreement regarding the acquisition of a portfolio of three assets in our target cities Amsterdam and Rotterdam at an acquisition price of ca. € 80 million. This purchase agreement includes one condition subsequent to be met by seller.

Income segment split 2020

	2020									
	Offices			HNK						
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	Corp.	TOTAL	TOTAL 2019
Gross rental income	29,389	21,553	1,771	4,673	9,368	3,298	6,803		76,854	82,831
Service costs not recharged	-166	-278	-74	-181	-480	-445	-153		-1,778	-1,601
Operating costs	-3,039	-4,509	-184	-999	-2,820	-1,380	-1,679		-14,610	-14,003
Net rental income	**26,184**	**16,766**	**1,513**	**3,493**	**6,068**	**1,472**	**4,970**		**60,466**	**67,227**
Administrative costs								-7,096	-7,096	-7,948
Earnings before interest and taxes	**26,184**	**16,766**	**1,513**	**3,493**	**6,068**	**1,472**	**4,970**	**-7,096**	**53,370**	**59,279**
Net financing result								-8,438	-8,438	-9,840
Direct investment result before tax	**26,184**	**16,766**	**1,513**	**3,493**	**6,068**	**1,472**	**4,970**	**-15,534**	**44,932**	**49,439**
Corporate income tax								10	10	-1
Direct investment result / EPRA earnings	**26,184**	**16,766**	**1,513**	**3,493**	**6,068**	**1,472**	**4,970**	**-15,524**	**44,943**	**49,439**

[1] The adjusted calculation is based on an impact on GRI like-for-like growth of €`0.9m (negative) and on NRI like-for-like growth of € 1.6m (negative).

RENT COLLECTION REVIEW

98% rent collection for 2020

Rent collection has always been a steady part of the business at NSI. For the period 2016-2019 we collected over 99% of invoiced rents, with 0.8% of GRI written-off as doubtful debts. For 2020 rent collection was marginally down, at 98.0%, but still very respectable given the sudden and very disruptive impact of the coronavirus pandemic on our customers.

We recognised the problem early on and saw it confirmed in early April, when rent collection was starting to fall behind its usual pattern and we received numerous requests for rent relief from our tenants.

Requests for temporary leniency, such as monthly payments instead of quarterly payments, or rent payment at the end of the month instead of at the start were usually honoured. We have also selectively given rent relief in exchange for lease extensions, mostly to retail tenants.

During the year we have actively supported tenants with the following coronavirus pandemic-related initiatives:

- **Rent waived for HNK flex customers**. To support our customers we offered HNK flex tenants rent free for the months May, August (half month) and December. This equates to a circa 30% discount over the 9 month period since March. **Cost: € 0.9 million**.
- **Rent restructured:** We have decided to selectively provide some temporary relief to a subgroup of smaller tenants. **Cost: € 0.1 million**.
- **Health & safety**. We have decided to absorb all costs associated with the implementation of coronavirus-related measures in the common areas of our HNK and multi-tenanted office buildings. We also provided, at no cost, Plexiglas dividers between desks for our managed offices. These costs would normally be recharged back to tenants through the service charge. **Cost: € 0.6 million**.

The combined cost of these initiatives is € 1.6 million, or € 0.08 per share, which has negatively impacted EPRA EPS for 2020. We believe it is entirely appropriate as a long term investor with a strong balance sheet, a strong sense of partnership with our tenants and a wider social responsibility as a stock-exchange listed company to step up and provide support in what was a truly unprecedented year.

Low level of debtors at year-end

Due to an active focus on rent collection in recent years we started 2020 with only a minimal rent backlog. This, in combination with a very active dialogue with tenants during the year, has allowed us to finish 2020 again with a relatively low level of debtors.

The total level of debtors at year end is € 1.1million. This is offset by € 0.5 million in cumulative provisions, resulting in a net level of debtors at year-end of € 0.6 million. The comparable numbers for 2019 were € 1.3 million, € 0.7 million and € 0.5 million. As such this year the net level of debtors is up by only € 0.1 million.

Rent collection bridge full year 2020

In 2020 we sent out invoices for a total of € 104.6 million, including service charges and VAT. The overall collection rate is 98.0%, mostly because we waived € 1.1 million and we restructured € 0.5 million (often by way of a lease extension, in which the outstanding rent balance - all or in part - was converted into a lease incentive).

Rent collection outlook for 2021

Some of our tenants continue to be impacted by Government measures related to the coronavirus pandemic. We have received a small number of rent relief requests at the start of 2021. We will judge these on their merit individually and will update investors when appropriate.

Rent collection bridge 2020 (Cumulative) *(€m; as per 31/12/2020)*

DUTCH PROPERTY MARKET OVERVIEW

Economic conditions

The Dutch economy has not been immune to the global corona-virus pandemic in 2020, with an estimated GDP contraction of -4.3%. This is less severe than the -7.3% projected for the Euro-zone as a whole, as the Government provided substantial fiscal support to the economy.

The Dutch Government stimulus has been to businesses facing a major fall in turnover and to the labour market, amongst others. As a result, 2020 was a year with the lowest number of bankrupt-cies in the past 20 years, whilst the unemployment rate at the end of November was still only 4.0%.

Large parts of the economy were impacted in 2020, including the wider tourism industry, bars and restaurants, many retailers and the cultural sector. In contrast, some sectors like supermarkets have performed well. Going into 2021 it is – at least for now – more of the same, and as one of the most open economies in the world, a Dutch economic recovery from here will largely depend on the global economic outlook.

Occupational office market

2020 started as a landlord's market with rental growth in Amsterdam, Utrecht, Rotterdam, Eindhoven and The Hague. The market changed almost overnight in late March, as the uncertainty related to coronavirus forced many corporates to delay relocation decisions and put extension requirements on hold.

Take up for the entire Dutch office market is estimated to be 34% lower than in 2019, according to Cushman & Wakefield. Yet, despite of the lower take up during the year, the overall Dutch office vacancy rate is estimated to be at a near cyclical low of circa 8-9% at the end of 2020.

Starting with a circa 8% vacancy rate the Dutch office market may be able to weather a small increase in corporate bankruptcies and a more structural move to WFH in 2021. Much will dependent on how corporate occupiers view their long term space requirements and when economic activity will return to normal. At NSI we have been discussing the topic of WFH topic extensively and we refer to page 14 for our detailed view on WFH its impact on demand.

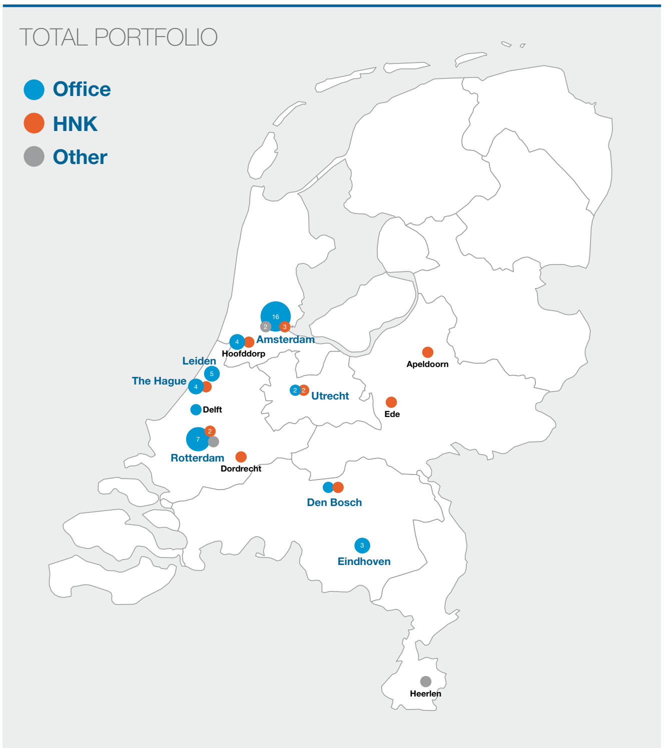
Amsterdam

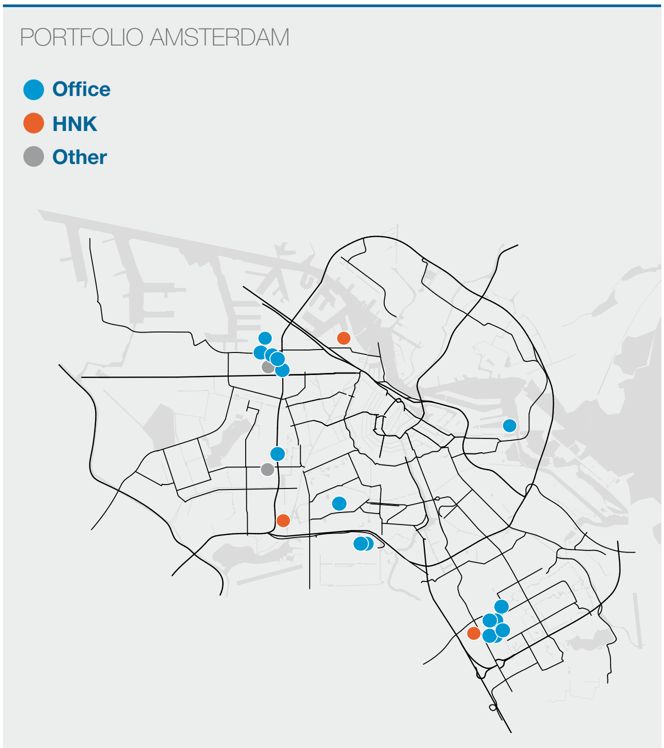
The overall Amsterdam office vacancy rate at the beginning of 2020 was just over 3%, with the vacancy in prime areas like the South Axis and the city centre even lower at 1% and 2.5% respectively, well below frictional rates.

Office take-up in Amsterdam increased in 2020, following a low take-up in 2019 because of the very low vacancy rate at the time. Q1 2020 was strong and by the end of Q3 take-up for 2020 was already close to 2019 levels, according to JLL.

The vacancy rate has increased during the year to about 4%, with an estimated additional 1.5% of stock now available for sublet. Most of the sublet space is being made available for only relatively short periods of up to two/three years.

Rental levels have stabilised in 2020, whilst incentives have increased from 5% to now 10-15%, even for prime product on the





South Axis. The market may have gone from being overheated to a state of equilibrium, with the outlook on balance still favourable.

Medium term there continues to be a clear risk of a shortage of good quality office stock, as a continued flow of domestic and international businesses move to Amsterdam or to the wider Randstad market. New potential future supply remains difficult to predict, but with an elevated uncertainty over tenant demand at present and only limited availability of speculative development finance the probably necessary increase in the office stock is not a given, except perhaps for the best submarkets. Longer term this is bound to fuel further rental growth.

Other markets

The Utrecht market had a difficult year, as some of the large corporates delayed or cancelled requirements. Take-up is down by more than 50% compared to take-up in 2019, admittedly a peak level, and has fallen to a level below the long-term average. Still, due to a high retention rate, the vacancy rate continued to fall in 2020 and now stands at just over 6% at year-end. Utrecht has several new office schemes scheduled to come to the market over the next couple of years, in particular near the main Central Station area, which could have a dampening effect on rental growth, in particular in the short-term.

Rotterdam saw a similar trend as Utrecht with take-up below historical averages. Yet, also in Rotterdam the vacancy rate continued to drop, to just below 9% for the city and significantly lower in the city centre. The vacancy rate in Eindhoven increased marginally to 7%. The Hague remains a very stable office market, as the Dutch Government is still the largest occupier in this market, resulting in a record low vacancy rate of 4%.

Demand for flex offices

Demand for flexible office space has been volatile in 2020. According to Savills requirements were down 54% year-on-year for the month of April, yet bounced back over the Summer with demand picking up in July (+8%) and August (+44%). Whilst subsequent data is not yet available, anecdotal evidence is that demand was steady in the second half of the year.

Amsterdam is the most popular location in terms of demand for flex space, making up 45% of all enquiries for flex space, mainly because of the nature of business activity in the city and the large supply of flex space available. In Amsterdam flex offices are now estimated to make up circa 6% of the total office stock. Utrecht (26% of enquiries) and Rotterdam (10%) are also popular destinations. Industry-wise business services (33%), the creative sector (20%) and tech companies (9%) are dominating demand for flex space in 2020.

Investment market

Investments in Dutch offices slowed in 2020, following a record level of activity in 2019. The investment market effectively froze in Q2 of 2020, as the high level of uncertainty over the long term implications of the coronavirus pandemic saw investors lowball bids or not bid at all for the few assets brought to the market in that period.

Transaction levels improved in the second half of the year and for the right product, in terms of location, quality, lease length, covenants, sustainability characteristics etc, pricing at year-end 2020 in markets such as Amsterdam and other prime locations was back or ahead of pre-crisis levels – especially with investors recognising that interest rates are likely to stay low for longer.

Whilst prime yields in Amsterdam are near 3%, in line with many other core European office markets, average office yields in Amsterdam are still higher relative to most other core European office markets.

Yields in Utrecht, Rotterdam and The Hague are now sub 5% for prime assets. Most of the investment demand for Dutch offices is still from international capital, which continues to be attracted by relatively low rents, a relatively strong economy and a relatively modest development pipeline.

CASE

DEVELOPMENT - CREATING OPPORTUNITIES

Following the strong transformation of the portfolio, the focus has increasingly shifted from asset rotation to strengthening the existing portfolio by increasing its quality. This is being achieved by becoming more sustainable and adding services to the future workplaces. "Development provides excellent opportunities for this", says Sten Karelse, Head of Development at NSI. The portfolio has a lot of potential to add value by renovating, making more efficient use of available space or building new properties.

By being able to convert what the market needs into reality, there is always a market for the right product.", according to Sten Karelse. This is how NSI views its development activities. This applies more than ever this year, a year in which the office market appears to be having to reinvent itself. Development projects provide the best opportunity to respond and anticipate to trends in the market, and in doing so create the desired offices of the future.

NSI's vision on development includes a view on demographics and in the way people work, shop and live. And it is a response to the increasing importance of sustainability to guarantee a future-proof building. The services on offer and application of technological possibilities are incorporated in the plans and design from the start. "Based on research and the many conversations we have with the users of our spaces, we create a vision of how people want to work in the future and the demands this places on an office building.", says Sten Karelse.

NSI has been focusing on the underlying trends, of which a number have been accelerated due to Covid-19. "A growing number of companies are starting to see that working from home is an option.", Sten Karelse explains. At the same time it has become clear that offices cater for a need that is more than just the need for work space. "Employees really miss the office. They miss a place where they can meet colleagues, to learn from each other, to work together and be inspired to come up with creative ideas, a place with a productive atmosphere. Employers are increasingly trying to provide an office that offers all.", Sten Karelse continues.

"The new reality is becoming one in which we do not go to the office all the time, but in which hybrid forms are created that enable us to work both from home and at the office.", says Sten Karelse.Flexibility is becoming the standard. Not only in terms of square meters but particularly in the way the space is used. "We are seeing that users are increasingly thinking in terms of the jobs that need to be done and that office space with the right facilities and services has to slot into this seamlessly. An office will consist of different types of spaces, such as a quiet zone for focused individual work, a zone for collaboration and spaces for social interaction.", Sten Karelse adds. More than ever NSI is sees that the inviting, physical environment is playing a key role as a place to meet up and in enabling the office to be a representation of company culture. "The look & feel has to contribute to the creation and representation of the corporate identity."

The focus on health, well-being and sustainability has always been a key aspect of NSI's program of requirements but was given an extra boost due to Covid-19. "We use the highest attainable sustainability certificate (BREEAM-NL Outstanding) as the starting point for all our development projects.", says Sten Karelse. Not only does this mean that we use sustainable materials and state-of-the-art climate control systems, but it also places conditions on the architecture. The building has to promote the health and well-being of its users, for example by encouraging exercise and making the best possible use of natural light. Sten Karelse: "In most of the existing offices stairwells are hidden away in dark hallways for use in emergency situations. We are placing the stairs in open and light central locations to make them more attractive to use."

As a property owner, NSI is able to make development decisions that require additional near-term investment which contribute to the quality and sustainability when operating the property.

As it stands NSI has built up a substantial and high-quality development pipeline. "We identify development opportunities by looking at the possibilities of large-scale renovation, the optimization of our land by adding new offices or demolish outdated buildings to construct new sustainable and future-proof offices. These three options are represented in the projects we are currently developing.", Sten Karelse explains. The development of Vivaldi III enables NSI to add office space in the attractive Zuidas business district of Amsterdam, close to the Vivaldi I and Vivaldi II office buildings that are already owned by NSI. This enables NSI to make the best possible use of the limited space available in the Zuidas district. The development of Laanderpoort in Amsterdam Southeast involves the replacement of an old inefficient building with a healthy and sustainable future-proof office building. When considering the renovation of an existing building or the construction of a new office, the chance to create a building that will be sustainable for many years to come is the deciding factor. As regards Vitrum, located on the edge of the Zuidas, the existing building is being thoroughly modernised and adapted to the needs and wishes of future users.

“Development provides excellent opportunities to increase the quality of our portfolio”

Architect Diederik Dam (l) from Dam & Partners Architecten and Sten Karelse from NSI

VIVALDI III

VITRUM

LAANDERPOORT

VivaldI III

A new 86-metre high wooden office tower is being constructed next to the Vivaldi I and II office buildings already owned by NSI. Designed by Dam & Partners Architecten, the building with its gross floor area of appr. 22,000 sqm is being designed as a multi-tenant office. The lower floors will feature public facilities, food and beverage and flexible working spaces. The design of the public spaces outside and inside flow into one another.

As with all development projects, NSI aims for the building to achieve a BREEAM-NL Outstanding certificate. The use of wood also provides sustainability benefits. “Wood is an exceptionally sustainable building material. and contributes to a much lower CO_2 footprint compared to using the traditional office building made from concrete and steel.

“The use of wood will also see to it that the building is a real eyecatcher on the Zuidas, with a clearly distinctive look,” says Sten Karelse.
Construction is expected to commence in the first half of 2022 and will take around two years to complete. The investment is estimated at €90 to €110 million euro (excluding ground lease fees).

Vitrum

The preliminary design phase for this 11,600 sqm asset, adjacent to the Amsterdam South-Axis, has started in Q2 2020 and the design team has been contracted. NSI is currently in negotiations with the municipality of Amsterdam regarding the program and conditions for the renovation, including the potential extension. The current tenant is set to vacate this building on 1 July 2021 at the latest. The total capex to be invested is circa €35 to €40 million. Construction is expected to start in Q1 2022 and will take approximately 18 to 24 months. This major renovation will result in an improved sustainability profile. The more inviting office environment, providing a lot of daylight, will support the well-being of its new tenants. The asset is an iconic bridge building, a 5 minutes walk from the Amsterdam Zuid train station which connects the City Centre with Amsterdam Zuidas. The new building will have a total surface of approximately 13,400 LFA sqm.

Laanderpoort

End of 2019 NSI signed a cooperation agreement with ING Real Estate for the redevelopment of Laanderpoort in Amsterdam Southeast, adjacent to ING’s new headquarters and strategically located close to the Amsterdam Bijlmer Arena train station. Laanderpoort is part of the Cumulus Park business district, a new collaborative innovation district full of ambition that is expected to grow in the coming years. This appr. 39.000 sqm (LFA) building is designed as a ‘district connector’ with a transparent all-sided plinth with inviting entrances anda strong link between the outside landscape and the inside of the building. . “By breaking down traditional barriers between organisations and visitors, we feel we can stimulate collaboration,” Sten Karelse added.

Paul de Ruiter Architects has been selected as the architect for the project and the start of the construction is expected in the third quarter of 2022. Delivery is projected in the fourth quarter of 2024.
ING will lease around 31,500 sqm (LFA) for a period of 15 years and NSI intends to open a new location of its HNK flexible office concept of appr. 6,000 sqm (LFA) . The remaining space on the ground floor and the lower levels will consist of high-quality additional amenities and services. Capex for the project is estimated at between €120 and €140 million, making it NSI’s largest asset upon completion.

REAL ESTATE PORTFOLIO

In 2020 NSI acquired one and sold six assets. NSI acquired the ONE20 building in Amsterdam, for €34.0 million, in the first quarter. Total disposal proceeds in 2020 were €30.7 million (excluding costs).

The disposals included three assets classified as held for sale at the start of the year (€ 16.5 million) which left the balance sheet in Q1, and two office assets in Rotterdam and HNK Groningen, which were sold for a total of € 13.9m in Q4. The Q4 disposals were at a 3.9% premium to the June 2020 valuation and 0.7% below December 2019 valuation.

Two assets were reclassified from the category Offices to Other at the start of the year. Solar Eclips in Amsterdam is let to a community college and an asset at Koningin Wilhelminaplein in Amsterdam was transformed years ago into student housing accommodation.

Portfolio breakdown - 31 December 2020

	# Assets	Market value (€ m)	Market value (%)
Offices	43	931	74%
HNK	13	249	20%
Other	4	73	6%
TOTAL	**60**	**1,253**	**100%**

Vacancy

The EPRA vacancy at the end of the year is 7.0%, a 0.1% decrease compared to last year. This is a strong result given the difficulties in the occupier market as a consequence of the Coronavirus pandemic, the completion of two large refurbishments and the acquisition of ONE20, which had circa 31% vacancy at the time of purchase.

On a like-for-like basis the EPRA vacancy rate is down by 0.7% over the 12 months period. This is entirely due to the quality of the team and the progress made in recent years upgrading the quality of the portfolio.

Three assets were not included in the like-for-like vacancy, as Bentinck Huis and Donauweg were transferred to standing investments only in Q4. The third asset is ONE20, which was acquired in H1 of this year.

EPRA vacancy

	31 Dec. 2019	L-f-l	Other	31 Dec. 2020
Offices	4.1%	-1.0%	1.1%	4.2%
HNK	14.5%	0.2%	0.2%	14.9%
Other	8.0%	-0.8%	-0.4%	6.9%
TOTAL	**7.1%**	**-0.7%**	**0.6%**	**7.0%**

Rents

Gross rents are up 3.5% on a like-for-like basis, compared to last year. Split by segment Offices are up 5.1%, HNK 0.3% and Other 0.7%. Net rents increased by 0.8% on a like-for-like basis, with Offices up by 4.7% and HNK and 'Other' down by -10.3% and -2.9% respectively.

In HNK this fall in net rents is entirely due to a rent holiday offered to all tenants on flexible contracts for the months of May and December and for part of August (circa € 0.9m) and higher property management costs in relation to our coronavirus initiatives (circa € 0.5m).

Adjusting for the coronavirus pandemic impact on revenues and costs, like-for-like net rents would been up by 5.1% for Offices, 0.6% for HNK and -1.9% for 'Other', and for the total portfolio 3.5%.

Like-for-like growth net rental income (€ million)

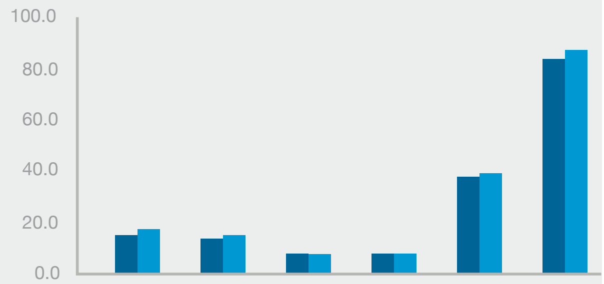
	2020	2019	L-f-l
Offices	41.7	39.9	4.7%
HNK	11.1	12.4	-10.3%
Other	4.8	4.9	-2.9%
TOTAL	57.6	57.2	0.8%

Reversionary potential / ERV bridge

As per the end of 2020 the investment portfolio is estimated to be 2.8% reversionary, down from 5.4% at the start of the year. The fall is a result of a combination of inflation, reversion captured during the year and a decline in ERV of -0.6% on a like-for-like basis.

Lease contracts that are due for renewal in 2021 are on average 10.5% reversionary. This is skewed by Vitrum and Laanderpoort, both offering a high level of reversion, yet this will not be captured in 2021 given that both assets will in time transfer to the development pipeline. Adjusted for these assets the reversion for 2021 leases due is circa 5.5 %.

Annual expirations and reversionary potential (in € million)



	2021	2022	2023	2024	2024+	TOTAL
Contract rent	15.4	14.5	7.9	8.2	38.2	84.3
ERV	17.0	14.8	7.7	7.9	39.1	86.7
# Contracts	387	113	64	60	145	769
Reversion	10.5%	2.6%	-2.7%	-3.7%	2.3%	2.8%

The reversionary potential for Offices is 4.8%, with ERVs slightly down -0.7% for the 12 months period to December. In HNK ERVs are set in line with traditional office ERVS and do not reflect the rent premium HNK achieves for offering flexibility and services. In the segment Other ERVs are down -4.1%, mostly reflecting our remaining retail exposure.

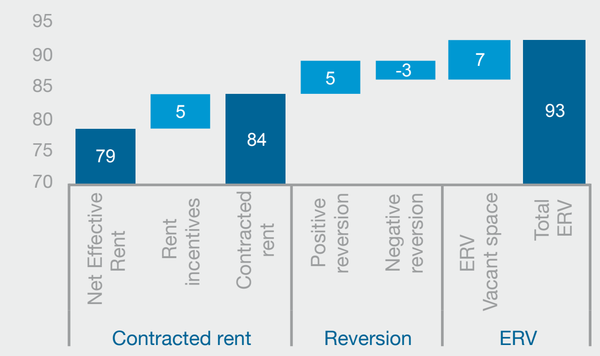
Reversionary potential

	31 Dec. 2020	31 Dec. 2019
Offices	4.8%	7.9%
HNK	0.4%	1.1%
Other	-7.0%	-1.9%
TOTAL	**2.8%**	**5.4%**

Like-for-like growth ERV (€ million)

	31 Dec. 2020	31 Dec. 2019	L-f-l
Offices	59	59	-0.7%
HNK	23	23	1.0%
Other	7	7	-4.1%
TOTAL	**89**	**89**	**-0.6%**

Bridge Contracted rent to ERV - 31 December 2020



EPRA yields

The EPRA net initial yield is 4.5%, basically flat year-on-year. Liquidity in the transaction market returned in H2, so that our external appraisers were comfortable not to invoke the material uncertainty clause as per year-end.

Yields

	EPRA net initial yield		Gross initial yield		Reversionary yield	
	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019
Offices	4.4%	4.5%	6.2%	6.0%	6.8%	6.7%
HNK	4.3%	4.6%	7.8%	7.5%	9.2%	8.8%
Other	6.1%	5.8%	9.6%	8.8%	9.6%	9.4%
TOTAL	**4.5%**	**4.6%**	**6.7%**	**6.4%**	**7.5%**	**7.3%**

Valuations

The full year revaluation of the portfolio is -4.5%, of which -4.1% in H1 and -0.4% in H2. The G5 assets have outperformed assets in provincial locations. Capital values for Offices in Amsterdam have been impacted by coronavirus-related uncertainties and in particular by an adjustment to the valuation of Vitrum, where the upcoming lease expiry in H2 2021 in combination with more conservative assumptions for the upcoming redevelopment have impacted the valuation.

Valuations in the segment Other are down 8.5%, as a consequence of the wider retail industry malaise and an increase in defensive capex estimates. This decline is despite new lettings achieved in Heerlen.

Revaluation (€ million)

	Market value	Revaluation			
		Positive	Negative	TOTAL	%
Offices	931	9	-49	-40	-4.0%
HNK	249	1	-14	-14	-5.2%
Other	73		-7	-7	-8.5%
TOTAL	**1,253**	**10**	**-70**	**-60**	**-4.5%**

Capital expenditure

The coronavirus pandemic resulted in only minor delays to most of the planned work for 2020. The total offensive capex for the year amounted to € 14.6 million, of which € 5.3 million was spent on Bentinck Huis in The Hague and Donauweg in Amsterdam, and € 2.9 million was spent on the other three potential development projects. Defensive capex was € 3.4 million in 2020.

Capital expenditure (€ million)

	Offensive	Defensive	TOTAL
Offices	11.7	2.5	14.2
HNK	2.6	0.6	3.2
Other	0.2	0.3	0.5
TOTAL	**14.6**	**3.4**	**18.0**

Development and renovations

Two re-developments completed in Q4 2020. The re-development of Bentinck Huis was completed and the building was fitted-out for the new tenant, as part of the lease incentives agreed, at a cost of circa € 1.8m. Bentinck Huis was let per 1 December 2020.

The renovation of Donauweg in Amsterdam was completed in Q4 2020 at a total cost of € 3.4 million.

Project	New area LFA (sqm k)	Increase area LFA (sqm k)	Expected start / completion	Current phase
Renovation				
Donauweg, Amsterdam	4.6	0.0	Q2 2020 / Q4 2020	Completed
Bentinck Huis, Den Haag	6.0	0.0	Q4 2019 / Q3 2020	Completed
Vitrum, Amsterdam	c. 13.4	c. 1.8.	Q1 2022/ Q4 2023	Design
Near term				
Laanderpoort, Amsterdam	c. 39.0	c. 26.0	Q2 2022 -Q4 2024	Design
Vivaldi III, Amsterdam	c. 19.0	c. 19.0	Q1 2022 - Q2 2024	Design

Offices

The 4.2% vacancy rate for Offices at year-end is up 0.1% compared to 31 December 2019. The positive effects of a high retention rate (80%) and strong leasing activity on the vacancy rate were more than offset by the transfer of Donauweg back to standing assets following the completion of renovation works in Q4. Donauweg is 100% vacant at year-end and has had a negative impact on the overall EPRA vacancy rate at year-end of circa 0.8%.

In 2020 new leases and lease extensions were agreed at around ERV on average. Lease incentives are up by on average 5-10% compared to the beginning of the year.

Bentinck Huis in The Hague was acquired vacant in 2018 and has been fully refurbished. In Q2 2020 a 10-year firm lease contract commencing on 1 December 2020 was signed with the Central Government Real Estate Agency for the entire building.

Archimedesweg 30 was acquired in 2019 in a sale-and-lease-back deal with a short lease and a 10.5% gross yield. As per 1 December 2020 the asset was fully let to Janssen Vaccines at a higher rent, affirming the continued strength of the Leiden Bioscience park.

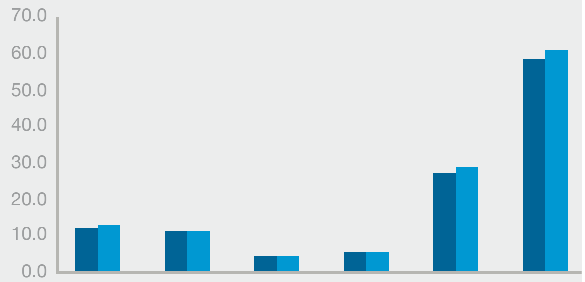
ONE20 in Amsterdam-Sloterdijk was acquired in March 2020 with an EPRA vacancy rate of 31%. Two new leases were subsequently agreed and from 1 December the building was fully let.

Key office metrics - breakdown by segment

	31 Dec. 2020				
	A'dam	Other Target Cities	Other NL	TOTAL	31 Dec. 2019
Number of properties	16	22	5	43	46
Market value (€ m)	555	357	19	931	945
Market value asset (€ m)	35	16	4	22	21
Ann. contract rent (€ m)	32	24	2	58	54
Average rent / sqm	231	185	159	206	194
Reversionary potential	9.6%	-0.6%	-5.8%	4.8%	7.9%
Lettable area (sqm k)	144	139	13	296	308
Market rent (€ m)	36	25	2	63	61
EPRA vacancy	3.3%	5.7%	0.8%	4.2%	4.1%
EPRA net initial yield	4.5%	4.1%	7.9%	4.4%	4.5%
Reversionary yield	6.6%	7.0%	10.7%	6.8%	6.7%
Wault (yrs)	3.7	4.7	3.0	4.1	4.5

In 2021 lease contracts with an annual passing rent of €11.4 million are set to expire, includes €6.3 million for Vitrum and Laanderpoort.

Annual expirations and reversionary potential (€ million)



	2021	2022	2023	2024	2024+	TOTAL
Contract rent	11.4	10.5	4.0	5.0	27.1	57.9
ERV	12.8	10.4	3.9	5.1	28.4	60.6
# Contracts	42	38	24	26	66	196
Reversion	12.5%	-0.4%	-1.0%	1.9%	5.0%	4.8%

HNK

The EPRA vacancy rate for HNK is up by 0.4% to 14.9% at year-end. On a like-for-like basis the HNK vacancy rate HNK is up 0.2%, but this includes a 0.4% increase in vacancy due to intentional vacancy at HNK Amsterdam Southeast to start a major refurbishment in 2021. So, on a clean basis the like-for-like vacancy is marginally down. The retention rate of 44% for 2020 is below historical averages.

HNKs that were almost entirely let at the start of the year (Amsterdam Houthavens, Utrecht Central, Utrecht West) saw a fall in occupancy during the year, whilst HNKs with the highest vacancies (Rotterdam Scheepvaartkwartier, Apeldoorn, Dordrecht) saw major improvements in the vacancy rate during the year. HNK Groningen was sold in Q4.

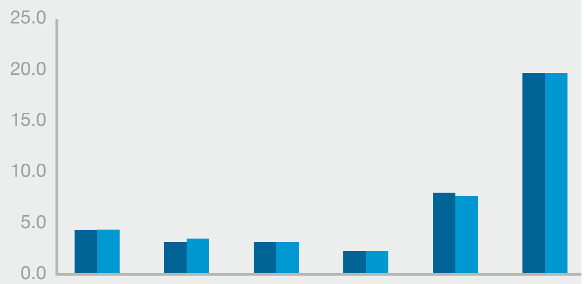
The EPRA vacancy of Managed Offices at HNK is up to 16.7%, from 9.1% at the start of the year. All tenants on flexible contracts were given rent free for the month of May, half a month in August and a full month for December at a cost of € 0.9 million. Whilst this may have helped to keep the level of notices in line with normal churn, new take-up was down circa -30% by number of contracts and -43% by contracted rent in 2020. Leasing activity picked up in Q4 2020, with the vacancy rate improving by 2.0% during the quarter.

Key HNK metrics - breakdown by segment

	31 Dec. 2020				31 Dec. 2019
	A'dam	Other Target Cities	Other NL	TOTAL	
Number of properties	3	6	4	13	14
Market value (€ m)	90	130	29	249	262
Market value asset (€ m)	30	22	7	19	19
Ann. contract rent (€ m)	5	11	4	19	20
Average rent / sqm	231	194	146	190	190
Reversionary potential	9.8%	-1.4%	-8.1%	0.4%	1.1%
Lettable area (sqm k)	27	64	33	124	127
Market rent (€ m)	7	12	4	23	23
EPRA vacancy	15.7%	12.6%	20.2%	14.9%	14.5%
EPRA net initial yield	3.8%	4.5%	5.0%	4.3%	4.6%
Reversionary yield	7.5%	9.3%	14.4%	9.2%	8.8%
Wault (yrs)	2.5	3.4	3.6	3.2	3.1

Leases with an annual contract rent of € 4.0 million are expiring in 2021, of which circa € 2.8 million in flexible contracts rolling over on a monthly basis.

Annual expirations and reversionary potential (€ million)



	2021	2022	2023	2024	2024+	TOTAL
Contract rent	4.0	3.1	2.8	2.0	7.6	19.4
ERV	4.1	3.2	2.8	1.9	7.5	19.5
# Contracts	300	65	31	25	54	475
Reversion	2.3%	3.6%	1.2%	-2.7%	-1,4%	0.4%

Other

The EPRA vacancy for the segment Other is down by 1.1% to 6.9% in 2020, including improvements for both remaining retail assets 't Loon (Heerlen) and Zuidplein (Rotterdam) of 3.1% and 0.6% respectively. On a like-for-like basis the occupancy rate improved by 0.8%.

Gross rents are up by 0.7% on a like-for-like basis, primarily due to occupancy improvements over the current and previous period. On a net basis rents are down by 2.9%. Given the small size of this segment numbers can fluctuate from one period to another depending on single expenditures falling in one period and not in the other.

ESG

Health and well-being is a key part of our ESG strategy, and our ambition here has been decisive in our response to the coronavirus-pandemic. All our multi-tenant buildings remained open in 2020, whilst initiatives were implemented to safeguard the health and safety of all visitors. We completed these initiatives for all 43 multi-tenant offices and HNK buildings by early June and have reviewed these regularly since. These initiatives included additional cleaning, extra ventilation, an increase of air-circulation, better signing and screens.

The energy efficiency of the investment portfolio continues to improve. We are on schedule for the Government requirement of 100% of assets achieving a C-label or better per 2023, with 98% of assets already at the minimum required label.

Three assets still have an EPC label below C, including one asset with significant redevelopment potential and one other being a monument that does not formally require an EPC label. Yet, also for this monument we have plans to improve its EPC score.

The percentage of assets with an EPC score A increased to 73.5% of the portfolio by value by year-end 2020, up from 61.3% the prior year.

As per 2020 all our assets have a BREEAM in-use score. The ambition is that by 2025 all assets have a BREEAM very good score.

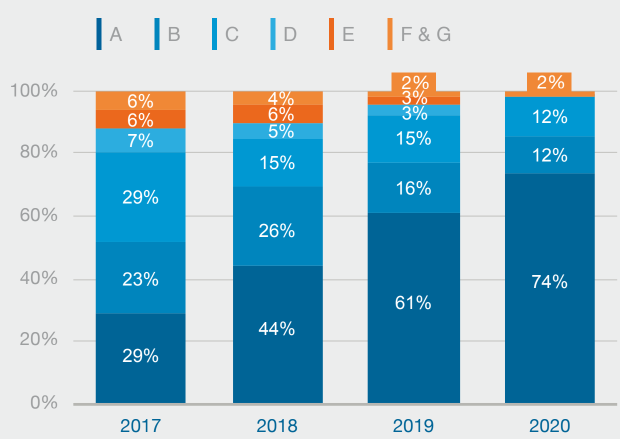
A more detailed description of our ESG policy and progress can be found on page 53. The EPRA Sustainability Performance Indicators are reported on page 133.

GRESB Survey

NSI obtained a five-star GRESB rating in the 2020 survey, the highest rating available. GRESB is a leading, independent organisation offering a global assessment of environmental, social and governance (ESG) performance factors for the real estate and infrastructure industry. The recently published GRESB benchmark relates to 2019 and consists of data gathered from 1,229 real estate portfolios globally, responsible for over 96,000 buildings.

NSI has participated in the GRESB survey since 2018. The 2020 score of 88 points (out of 100) is a significant improvement on the 2019 score of 71 points and an initial score of 49 points in 2018. The improvement highlights the substantial commitment NSI has made to ESG over the past few years.

Portfolio breakdown energy labels by value



CASE

HNK EDE

HNK Ede consists of two buildings located nearby the University of Wageningen and side by side on the edge of a forest. Various developments came together this past year, resulting in a further evolution of the HNK concept, by embracing the activity-based working philosophy and providing next-level facilities.

A significant conventionally let part of a wing at HNK Ede became vacant. NSI Asset Manager Robin Senne realised that not many parties were actively looking for so much space in this region whilst the flexible Managed Offices at HNK Ede were in high demand. "With HNK Ede we are the only provider of flexible space in the region, so there was a clear opportunity for us here."

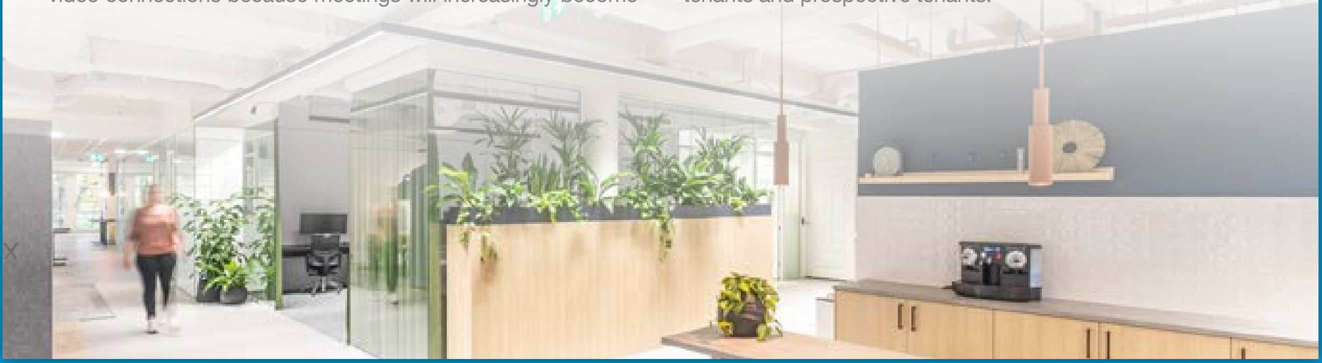
At the same time NSI had been engaging with its customers, exploring their needs. One of the aspects that had become clear was how important it is for office space to provide variation while suiting the different types of activities that need to take place. "Activity-based working calls for different office spaces with facilities that are suited to the job to be done."

Adapting to the market demand for flexible office space, NSI decided to set up another type of office spaces in the vacant wing. "HNK tenants have always had the opportunity to venture out to the club area or a meeting room, but now we had the chance to set up the general spaces much more specifically to meet the need for different working environments."

"That's why we focused on activity-based working as our starting point," Robin said. So now HNK Ede provides quiet spaces for focused work, insulated spaces for confidential telephone calls and informal sitting areas to catch up with others. And there are fully furnished co-working spaces with large monitors to connect your laptop. "We even have a scrum area and a game area. Tenants can use all of these facilities as much as they like and the general space is really an extension of their own office. It also makes it much easier for tenants to meet and connect with other users."

NSI also used the expansion of HNK Ede to further develop the HNK concept. "We have introduced several new services," said Sanne te Ronde, HNK Manager. "We want to upgrade our meetings rooms in every HNK with high-tech audio and video connections because meetings will increasingly become a hybrid between people who are physically present and others who call in. This will be rolled out further in 2021. At the same time HNK Ede specifically provides the option to lease furniture and plants." NSI's 'furniture as a service' and 'green as a service' concepts give tenants more options to set up their office as they see fit, without the need to make large investments. "It's more sustainable and more flexible."

Sanne and Robin are seeing a healthy interest in the expansion of managed offices in HNK Ede. "70% of the added managed offices have already been let despite all the headwinds from the 2020 lockdowns," Sanne said. "As a result of Covid-19 demand for a clean and green working environment appears to be even greater than it was. The location of HNK Ede, nestled at the edge of a forest, is now seen as an even greater benefit by tenants and prospective tenants."



CASE

ONE20: LEASING SUCCESS DESPITE HEADWINDS

In March 2020, NSI acquired ONE20, a nearly 10,000 sqm office building located in Amsterdam-Sloterdijk, fitting the strategy of acquiring interesting value-add investment opportunities in strong office (sub)markets.

NSI strongly believes in the development of Sloterdijk into a multifunctional area. The area is rapidly changing from a monofunctional business district into a diverse neighbourhood, strategically located with excellent transportation links, including Amsterdam's second busiest train station and Schiphol Airport nearby. The property is part of a cluster after NSI acquired Glass House in 2016 and Q-Port and Motion Building in 2018. ONE20 is located next to both the Glass House and Q-port buildings, further cementing our position in this strong sub-market of Amsterdam, which now accounts for 25% of the office portfolio.

The building, constructed in 2001, offers 9,743 sqm office space and has an A-label energy score.

ONE20 had a vacancy rate of over 30% at acquisition. NSI immediately put its active leasing strategy at work. All the vacant areas where renovated and a ground floor reception and coffee bar were introduced. At year end, the building is fully let after NSI was able to secure two new leases for the vacant space and extended the contract of an existing tenant. The WAULT increased from 4.0 to 6.5 years, and the gross initial yield rose from 3.5% (at acquisition) to 5.4%

Peter Stutterheim, Asset Manager Amsterdam comments: 'At ONE20 NSI has shown its ability to proactively invest in its assets to guarantee the best quality and services for its tenants. This has resulted in a fully let asset nine month after acquisition, which is an excellent result during a period that has been dominated by the coronavirus and is testament to the strength of our portfolio, the Amsterdam Sloterdijk area and the team which has made this happen.'

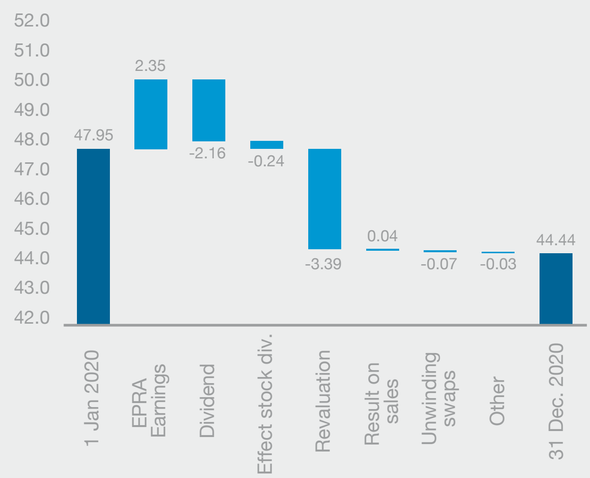
BALANCE SHEET, NTA AND FINANCING

Net tangible assets

EPRA, the European Public Real Estate Association, introduced three new 'NAV' metrics to replace EPRA NAV and EPRA NNNAV. The new metrics are EPRA NRV, EPRA NTA and EPRA NDV. The EPRA NTA metric mostly resembles the old EPRA NAV.

EPRA NTA per December 2020 is € 857 million, down 5.5% compared to the end of 2019 (€ 907 million), largely as a result of the negative revaluation of the investment portfolio. Due to a small rise in the number of shares following the issuance of stock dividend in 2020, EPRA NTA per share decreased by 7.3% from € 47.95 at the end of 2019 to € 44.44 at the end of 2020.

EPRA NTA per share bridge (€)



> **"Our LTV is 29.2%, a very comfortable level"**

Alianne de Jong
CFO

Funding

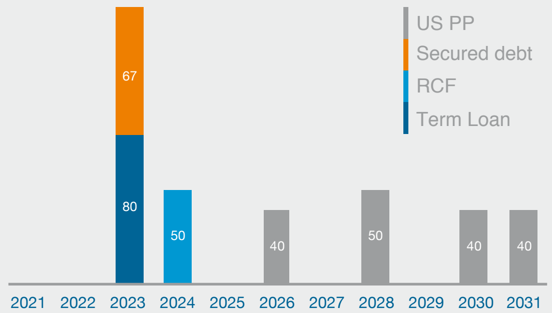
Pricing and availability of funding in financing markets were significantly impacted in Q1 and Q2, due to uncertainty amongst lenders over the near/medium term effects of the coronavirus pandemic.

Increased ECB support in 2020 has kept short time interest rates low, and with lenders now seeing increasing transactional evidence on how the coronavirus pandemic is impacting property valuations, available tenures are lengthening again and pricing levels are returning to levels seen in 2019.

In March 2020 NSI issued € 40 million of 10-year unsecured notes to clients of Metlife Investment Management. The notes are euro denominated and have a fixed coupon of 1.6%.

In July 2020, at maturity, NSI repaid a € 25 million secured facility, drawing down on the RCF. At the end of December 2020 the average loan maturity is 5.2 years (December 2019: 5.4 years) with no further loans maturing until 2023. At year-end 82% of debt drawn is unsecured, with an average cost of debt of 2.1%.

Maturity profile



Net debt

	31 Dec. 2020	31 Dec. 2019	Δ
Debt outstanding	367.1	342.8	24.3
Amortisation costs	-1.1	-1.3	0.2
Book value of debt	**366.0**	**341.5**	**24.5**
Cash and cash equivalents	-0.2	-1.4	1.3
Debts to credit institutions	0.4	12.6	-12.2
Net debt	**366.2**	**352.6**	**13.6**

Net debt is up by € 13.6 million compared to the end of December 2019. This is due to dividends paid, the acquisition of ONE20 and capital expenditures and is partially offset by disposals and retained earnings.

Taking into account debts to credit institutions at the end of December 2020, NSI has circa € 250 million of cash and remaining committed undrawn credit facilities at its disposal. This ensures sufficient flexibility and capacity to fund the development pipeline and selective acquisitions.

Leverage and hedging

The LTV is 29.2% at the end of December 2020, up 1.8 percentage point compared to December 2019 (27.4%), primarily driven by the negative revaluation of the portfolio in 2020 and the increase of net debt over the period.

The modest LTV per year-end 2020: 1) provides capacity to finance the future development programme, 2) offers peace of mind to focus on the operational business in difficult times, and 3) allows acquisitions and additional investments throughout the cycle.

The ICR improved to 7.2x at the end of December 2020 compared to 6.8x at the end of December 2019, largely due to lower financing costs, and remains well above the 2.0x covenant.

Covenants

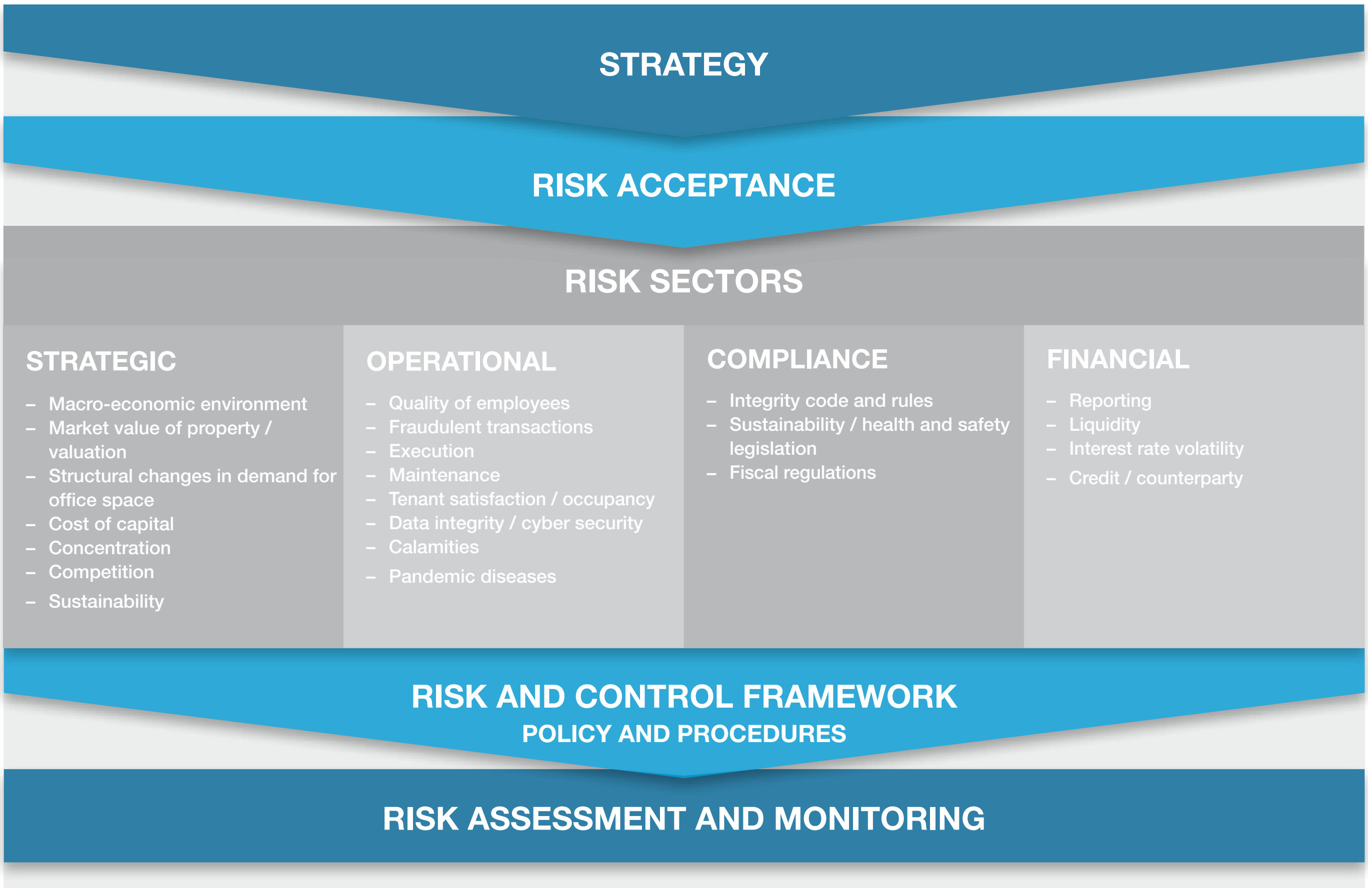
	Covenant	31 Dec. 2016	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019	31 Dec. 2020
LTV	≤ 60.0%	44.1%	36.9%	36.9%	27.4%	29.2%
ICR	≥ 2.0x	3.8x	4.7x	5.5x	6.8x	7.2x

NSI is using swaps to hedge its interest rate risk on variable rate loans. Repayment of the fixed rate secured facility in July by drawing on the RCF has resulted in a volume hedge ratio at the end of December 2020 of 86% (target range: 70-100%). The maturity of derivatives and fixed rate debt is 5.5 years at the end of December 2020 and the subsequent maturity hedge ratio is 105% (target range 70-120%).

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. During the past years, NSI has sold most of its retail portfolio and its office assets in non-core cities. As from 2020, NSI started to increase investments in development of properties, which leads to a change in its risk profile.Inevitably, the implementation of the strategy involves incurring risk.

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 under control as well as possible, 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 and does not allow speculative positions. NSI 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 and quarterly 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 back-up 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 transactions valued below € 5.0m may be entered into by the Management Board without the prior approval of the Real Estate Committee. Approval of transactions valued at between € 5.0m and € 20.0m 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 € 20.0m need approval from the entire Supervisory Board after receiving the advice of the Real Estate Committee.

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; changes are made if required.

In 2020 the full risk and control framework was reviewed. NSI has added "Sustainability" as a separate risk, as part of strategic and business risks. This is based on the fact that sustainability is more and more important and as such is considered as preconditional for our business model and so it,becomes one of the main pillars of our business,. Furthermore, the risk of "Pandemic diseases" is added to operational risks in view of the current outbreak of COVID-19. Other risks have been reformulated to better reflect the actual risk.

Also, the criteria to determine possible impact and likelihood have been reviewed and improved in 2020.

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 the periodically updated forecasts are 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 an average 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 likelihood 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 frequent. By monitoring throughout the year, NSI assesses whether the estimated impact of all identified risks is still in line with the actual situation.

Risk management and control in 2020

Covid-19

The onset of coronavirus in The Netherlands necessitated immediate action to secure the safety and well-being of our team, our tenants and all the people in our buildings.

We rapidly established a detailed program (communication, signage, demarcations, hand sanitisers etc.) to allow for the safe usage of our buildings, and we pro-actively increased our engagement with tenants to discuss their needs.

Also our technical management team performed an analysis of the quality and capacity of the climate control systems for each individual building. Based on these results additional measures have been taken (if required) to comply with the adjusted EU-climate (REHVA) criteria, e.g. by adjusting the operating times of installations.

We fully appreciated the impact the coronavirus pandemic had on our tenants in the course of 2020 and as such have been willing to accommodate reasonable requests on temporary leniency, like monthly payment instead of quarterly payment. NSI has also selectively given rent reliefs.
At the same time, we increased our focus on rent collection by increasing the frequency of monitoring the actual rent collection situation and assessing (changed) credit ratings of our tenants - resulting in a 98% rent collection percentage as per end of 2020.

At the beginning of March 2020, in order to be well prepared for the foreseen government requirements (e.g. stimulating working from home), NSI ran a pilot test to test our working-from-home facilities. As from the first lockdown, NSI encouraged its staff to work from home as much as possible to minimize the risk of spreading the virus. To optimize employees' home office, we provided our staff the opportunity to order office equipment.
During 2020, Management closely monitored the wellbeing of its employees, including the work-life balance, to take proper action if needed.

No major outbreaks of Covid-19 have been detected in anyof our office buildings and the fact that staff has been working from home for most of 2020 did not have an impact on the administrative organization and internal controls.

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 for the period 2019-2021. The plan is based on a high-level risk assessment of NSI's primary and supporting processes. The risk factors applied are based on qualitative factors like 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. NSI appointed a third party for a three-year period to assist (co-sourcing) in fulfilling the internal audit function.

During the three-year period all processes will be reviewed by the external party and the effectiveness of the internal controls are assessed. For high-risk processes, this will be a full scope review, aimed at the effectiveness of the design of the process as well as the effectiveness of the control measures. For a full scope processes, extensive testing of control measures and transactions takes place. For medium or low risk processes a limited scope review will be done, with a focus on reviewing the design of the control measures with limited testing of these measures. Based on the outcome, an action plan is made to make adjustments or improvements to the internal control procedures. Follow-up audits will be performed on an annual basis to review whether prior year management actions were indeed taken.

In 2020, the real estate rental process and the IT processes (full scope audit) as well as the valuation of investment property, financing and liquidity management and development processes (limited scope) were reviewed. Overall, no significant findings were found in the audit of the design, implementation and operational effectiveness of the internal controls of the respective processes. Furthermore, a review of fraud risks in relation to the above-mentioned processes were performed. Also, no significant findings came out of the review process.

A follow-up audit on the processes which were reviewed in 2019 was also performed, being the acquisition and disposal process (full scope audit) and the technical property management and accounts receivable processes (limited scope). The progress with respect to the follow-up was: 47% of the recommendations were completed in 2020, 40% is in progress, whereas for 13% follow-up is still to be started. None of the recommendations that are still pending are considered significant.

The results and findings of the audit were discussed with the Audit Committee, after which the outcome was assessed by and shared with the external auditor.

Sustainability, health and safety

Sustainability is an integral part of NSI's long term value creation strategy. Our business model is geared towards minimising our carbon footprint, offering and developing future-proof buildings and create healthy, inspiring and flexible working environments for our clients and employees

For all objects acquired in the past years, due diligence has shown that the respective buildings comply with applicable laws and regulations. This also applies to all transformation and renovation projects. As part of each acquisition or investment proposal the level of sustainability of the specific asset has been assessed, including the identification of further required or desired improvements (including the financial impact) in line with our ambition.

NSI evaluated the financial impact of complying to energy label C for all properties by 1 January 2023, as stipulated by the European Energy Directive. NSI's strategic portfolio is expected to be effectively compliant with the required level, or above, by the end of 2021 (excluding monuments and assets with development plans). Total costs in 2021 are expected to be around € 1.0m.

Further detailed information on sustainability can be found on pages 53 to 67 on environmental, social and governance performance.

During 2020, 15 of NSI's properties were checked on safety by the insurance company. No major issues were detected during those visits. The minor issues identified will be solved in the first quarter of 2021.

In July 2020, a new software system for technical management was implemented. This software system enables NSI to register the availability of required certificates for our buildings. As from 2021, our external property managers will start using this system to register the certificates, which will give us more insight in certificates which may be overdue to take proper action to obtain the certificates

Information security and cyber threat

During 2020, NSI has developed an Information Security Policy geared to protecting data internally determined as business critical. Based on an analysis of the business processes, a selection of data was deemed to be business critical. Each system or application involved in processing business critical data will be scored with a CIA (Confidentiality, Integrity, Availability) score. This CIA score is internally developed and it stipulates a set of standard security measures that the application has to comply with.

At the end of 2020, the analyses of some applications still need to be finalised. The next steps will be performing the GAP analyses on the applications in order to set up a roadmap to resolve eventual GAPS with the different software suppliers. These steps are planned for the first half of 2021 and will lead to further improvements.

Another measure taken was the implementation of a Vulnerability management tool, which scans the cloud hosting environment of our IT Partner and some of our website and SaaS applications. Next step in this process is setting up a formal procedure to solve the reported vulnerabilities.

Integrity code and rules

The existing Code of Conduct was updated in December 2018, based on the Code of Conduct published by the IVBN. All new employees receive the Code of Conduct, for which they have to sign-off. In December 2020, some small clarifications have been added to the existing Code of Conduct. On an annual basis, all employees need to (re-)confirm these integrity code and rules.

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 pursues focus and growth (in defined locations) with a well-defined portfolio strategy by applying clear acquisition and divestment criteria. Within the framework, NSI is prepared to take risk inherent in the chosen strategy in a responsible way and in line with the interests of its stakeholders.

Risk category	Description of risk	Mitigating measure	Assessment	
			Impact	Probability
Macro-economic 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 seen as most robust in terms in economic outlook and tenant demand and generally have the best levels of transparency and liquidity in the transaction market.	**Below average**	**High**
Market value of properties / valuation Executive responsible: *Alianne de Jong*	The market value of properties is fundamental to an asset rich business as 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 uses only a select number of reputable valuers to appraise its assets. NSI is focusing predominantly on high-quality properties in the G5, which are the most liquid markets, so that relevant and up to date comparable transaction evidence generally exists. NSI also ensures it has its internal asset data information up to date so that all the relevant data is available to support the valuation process.	**Below average**	**Above average**
Structural changes in demand for office space Executive responsible: *Bernd Stahli*	Businesses are increasingly seeing the workplace environment as key to attracting and retaining talent. Working arrangements are therefore changing rapidly, with businesses requiring more flexibly and more services, driven by technological change, automation, changing lifestyles, and to a lesser extent cost efficiency. Furthermore, continued urbanisation will see future tenant demand structurally concentrate in fewer locations. Not being able to meet future tenant demand may result in structurally high vacancy levels, resulting in lower financial results and lower valuations of NSI's properties.	NSI is constantly evaluating whether its properties meet the need of (potential) tenants and whether changes in tenants requirements are foreseen, so that it can effectively respond to market changes and add value to its office buildings. Currently, NSI is focusing on high-quality, larger properties near transport hubs in selective economic growth locations. We believe this is where our potential customers can find the relevant talent to run their businesses and where NSI, because of the location and size of the properties is able to provide relevant services on a profitable basis. NSI also responds to the need for flexibility and services with its in-house HNK flex-office concept. In order to retain customers and accommodate future customer demand, NSI is constantly looking to add property assets in the right locations and to improve its service levels.	**Above average**	**Above averag**
Cost of capital Executive responsible: *Bernd Stahli*	Any listed company 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 high overall cost of capital, which could impair the ability of the business to operate efficiently, competitively or profitably.	NSI is transparent in its communication over the state and future direction of the business. Furthermore, NSI is running a relatively cost efficient operation, benefiting from the size and complexity of the company. NSI aims to offer a stable dividend and, in combination with acquiring high quality assets, value add opportunities and a pipeline of profitable (re-) development opportunities to drive internal growth. The intention is to lower the cost of capital.	**Above average**	**Below average**
Concentration Executive responsible: *Bernd Stahli*	A concentration of assets may result in a high correlation in the performance of assets and so have a significantly adverse impact on the business in certain unforeseen events.	NSI takes the view that it is better to be good in a few things than being average in lots of areas. There is still room for diversification though as the business is focussing on multiple locations in the G5 markets, with each micro location only making up a relatively small percentage of the total property portfolio. NSI also pursues a multi-tenant strategy in its portfolio to spread its tenant risk and increase diversification in the portfolio.	**Low**	**Low**

Risk category	Description of risk	Mitigating measure	Assessment	
			Impact	Probability
Competition Executive responsible: *Bernd Stahli*	By focussing on selective high-demand economic growth markets there is a risk that other investors see 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 to be 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.	**Below average**	**High**
Sustainability Executive responsible: *Bernd Stahli*	A focus on sustainability is increasingly seen as a "licence to operate, a precondition for our business model. As an organisation we need to be able to anticipate and respond to changing needs of our customers, communities, partners and employees with regard to sustainability. The risk of not being able to respond to these changing needs may affect attractiveness of our properties to tenants, as well as the ability to attract new employees and the attractiveness of NSI's shares to (potential) shareholders and could result in reputational damage.	Sustainability is an integral part of NSI's long term value creation strategy. Our business model is geared towards minimising our carbon footprint, offering and developing future-proof buildings and create healthy, inspiring and flexible working environments for our clients and our employees. NSI is continuously checking the status of its current property portfolio with respect to (new) codes and rules in the field of sustainability. Also in 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.	**Below average**	**Below average**

OPERATIONAL RISK

Appetite:	NSI is actively managing its real estate portfolio, driving returns for shareholders through income generation and the pursuit of long term value-add. This comes in a mix of a stable pool of income-generating assets, in combination with asset rotation and the acquisition of potential (re-)development opportunities to provide potential growth. This implies an average risk appetite.

Risk category	Description of risk	Mitigating measure Impact	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 of the labour market or other shortages of qualified employees.	NSI management recognises that recruiting and retaining the right employees is of the utmost importance. The organisation constantly evaluates whether the current staff enables the desired growth and takes action if / when needed. NSI encourages its employees to develop themselves, offering career development through training programmes, providing regular feedback on performance, and offering competitive levels of remuneration. On a regular basis, NSI performs an employee satisfaction survey to obtain insight on how our employees experience the working environment and culture. Based on the outcomes, actions for improvement are identified and rolled-out.	**Below average**	**Below average**
Fraudulent transactions Executive responsible: *Bernd Stahli*	The risk of NSI doing business with parties that are found not to operate in good faith, are fraudulent or have a bad reputation. It also concerns the risk of our employees being part of a fraudulent transaction. Both 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 standard element of the due diligence process for acquisitions and divestments, as well as for new lease contracts, new suppliers or for entering into new partnerships. NSI has a Code of Conduct, which is to signed by each individual employee. This Code of Conduct is also signed by suppliers who act on behalf of NSI. Furthermore NSI has a whistle-blowers' policy to enable employees to report any activity that he / she considers dishonest or illegal.	**High**	**Low**

Risk category	Description of risk	Mitigating measure	Assessment	
			Impact	Probability
Execution Executive responsible: *Alianne de Jong*	This risk relates to changes in the timeline of our (re-) development 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 result in extra costs, lower results, higher vacancy and reputational damage.	Before any (re-)development project is started, all potential project risks are identified and assessed and - where possible - quantified in a risk budget. This risk assessment is regularly updated at least at the start of each phase of the project. Only when the return prospects of a project meets the internal hurdle, taking into account all costs and the risk budget, a project will receive the go-ahead.	**Below average**	**Below average**
Maintenance Executive responsible: *Bernd Stahli*	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 long term value creation at a short term cost to results, with the risk that necessary maintenance is delayed.	NSI prepares a multi-year maintenance planning 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 sustainability ambitions. A minimum requirement is that all properties have to comply with all prevailing laws and regulations. NSI is using suppliers with a good reputation in order to safeguard the quality and reliability of the building works.	**Below average**	**Below average**
Tenant satisfaction / occupancy Executive responsible: *Bernd Stahli*	The risk that rental income is discontinued as a result of tenants not extending their contracts upon expiry, increasing the vacancy ratios.	To mitigate vacancy risk, NSI pursues a multi-tenant strategy. A screening of prospective tenants, aiming for long term contracts and a staggering of lease maturities also reduces vacancy risk. NSI is actively engaging with its customers and timely anticipates maturing lease contracts, whilst regularly monitoring tenant satisfaction. NSI is investing in its assets and its services in order to attract, retain and satisfy clients. When tenants are leaving , NSI aims to have exit interviews to get more insights into the reasons why tenants are leaving.	**Below average**	**Below average**
Information security / cyber threat 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. This in turn may have a negative impact on the decision-making process and can result in systems that support 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 in this. Professionally managing and controlling 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 by NSI 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 fallback and recovery scenarios, minimising the impact.	**Below average**	**Below average**
Calamities Executive responsible: *Bernd Stahli*	The risk of a calamity giving 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 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. Coverage against terrorism, floods and earthquakes is limited due to current market conditions. The cover of risks is compared against the premium cost on an annual basis. Local insurance policies on a property are covered by an overall uniform umbrella insurance policy.	**Below average**	**Low**
Pandemic diseases *Executive responsible:* *Bernd Stahli*	Our business exposes us to risks of pandemic diseases, such as the Covid-19 outbreak, which could affect both people and assets. The above risk can threaten the safe operation of properties, cause disruption to operational activities and impact the well-being of our tenants as well as our staff. This risk can as such have a material adverse effect on our earnings, cash flows and financial condition.	We seek to obtain the best possible information to enable us to assess the impact of such threats and risks. We conduct assessments for all our properties and activities, and implement appropriate measures to avoid, detect and respond to such risks.	**Above average**	**High**

COMPLIANCE RISK

Appetite:	NSI strives to fully comply with laws and regulations, meaning 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 (Wet op het financieel toezicht). The Internal codes are updated regularly in line with new legislation or other relevant changes in the market place. 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.	**Below average**	**Low**
Sustainability / health and safety legislation Executive responsible: *Bernd Stahli*	The risk that the portfolio does not comply with prevailing laws and regulations in the field of sustainability and health and safety. 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 properties. It could also result in reputational damage.	NSI is continuously checking the status of its current property portfolio with respect to (new) codes and rules in the field of sustainability and health and safety, for example the Dutch energy agreement of 2016. 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 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 as a result of these renovation works.	**Below average**	**Below average**
Fiscal regulations Executive responsible: *Alianne de Jong*	NSI has the status of a Dutch REIT (known in The Netherlands as an FBI) 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 pay corporate income tax, provided that certain conditions are met. Failure to meet these requirements 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 a continuous area of focus 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, the so-called 'activities test'. 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 NSI complies with the law, in particular as it relates to HNK and project development. NSI is responsible for internal knowledge sharing with regard to (changing) tax regulations in order to ensure employee awareness, enabling them to identify relevant signals and gain the necessary advice. Twice a year NSI and the external auditor determine whether the FBI requirements have been met. This prevents NSI from being exposed to the risk of non-compliance with tax legislation.	**Above average**	**Low**

FINANCIAL RISK

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

Risk category	Description of risk	Mitigating measure	Assessment: Impact	Assessment: Probability
Reporting Executive responsible: *Alianne de Jong*	The reporting risk relates to the impact of incorrect, incomplete or untimely available 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 on a quarterly basis. Reports are reviewed by management, as well as by 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. The half-year results are assessed by an external auditor prior to publication. 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 prevailing laws and regulations.	**Low**	**Low**
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 the default of 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 loan types, types of lenders, the maturity profile of its loans and repayment dates. NSI also has access to a flexible revolving credit facilities (under which penalty-free redemption and drawdown of funds to agreed amounts are permitted). NSI addresses upcoming (re)financing maturities at a very early stage in order to decrease the risk associated with (re)financing and maintains a good and transparent working relationship with its financiers. NSI prepares a liquidity forecast on a quarterly basis, or more frequently when necessary, in which it performs stress tests and uses scenario analyses to closely monitor its performance and financial indicators in relation to its financial and non-financial covenants and reports on this by means of compliance certificates. In extreme cases additional equity may be issued to deal with impending liquidity issues.	**Above average**	**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 its financial reports and the market value of its derivative financial instruments.	NSI, as a long term investor in real estate, is aiming to secure debt financing on similarly long maturities. NSI is using hedging instruments to manage the interest rate risks on variable rate debt. NSI does not intend to speculate on interest rates.	**Below average**	**Below average**
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.	For every tenant NSI performs a creditworthiness check before entering into a lease. NSI is pro-actively monitoring its current tenants based on external information to assess whether changing circumstances have an impact on the tenant. For tenants NSI is pro-actively managing its debtor open items. In the case of financial counterparties for its hedging instruments NSI only works with reputable financial institutions.	**Low**	**High**

International financial reporting standards (IFRS)

In accordance with European and Dutch laws and regulations NSI has prepared its financial statements for the 2020 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 which 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 Listed Real Estate Association (EPRA). These results are included in the overview that is not a part of the EU-IFRS statements.

Management statement

The effectiveness and functioning of the internal risk management and control systems are discussed each year with the Audit Committee and the Supervisory Board. Taking into account the aforementioned risks and the measures designed to manage them, and in accordance with the best practice provision I.4.3. of the Dutch Corporate Governance Code, the Executive Board declares that to the best of its knowledge:

- the report provides sufficient insights in the effectiveness of the internal risk management and control systems and into any failings thereof;
- the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
- the section on risk management in the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report."

With reference to Section 5.25c(2c) of the Financial Supervision Act (Wft), the Management Board declares that to the best of its knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit of NSI and the companies included in the consolidation;
- the management report gives a true and fair view of the situation on 31 December 2020, the state of affairs at NSI and its affiliated companies during 2020, the details of which are presented in the financial statements, and that the management report describes the fundamental risks facing the company.

CASE

COVID-19

In mid-March NSI faced an enormous challenge. The Covid-19 pandemic forced us to take immediate measures and to make changes in all 38 multi-tenant buildings. This was a huge operation that required the full attention and efforts of Jeroen Solleveld, as Head of Technical Asset Management and one of the members of NSI's internal Covid-19 task force.

This was an unprecedented situation, for which we didn't have a roadmap at hand," Jeroen said. So the first step was to set up a task force in which every discipline was represented. Technical Asset Management, Customer Excellence and Marketing & Communications formed the core team that held consultations every day. This ensured that we were in continuous dialog with customers and safeguarded proactive communication throughout the entire process.

The first task of the task force was to develop a coronavirus crisis plan which included scenario planning to be prepared should a large Covid-19 outbreak hit one of our offices. The task force set up the required internal organisation and protocols, identified stakeholder groups, and formulated the approach and communications strategy to reach out to stakeholders, most prominently our tenants and own employees, as well as a detailed plan at asset level to implement all required health and safety measures.

It goes without saying that the health and well-being of our tenants was our main priority. The Customer Excellence team saw to it that the task force was constantly fed with information about the needs and wishes of tenants. "That also meant being mindful of tenants whose business had been hit hard by the pandemic."

Clear, proactive and intensive communication played an important part in informing tenants and creating the best possible sense of calm. Marketing & Communications Specialist Florine Evers said: "We employed every means and channel. In the offices we were aided by banners, posters and up to date information about

the actual situation on the narrowcasting screens. The FAQ on the website was constantly updated and expanded. As of September we were able to use our Office App for this."

In the meantime, NSI went straight to work making every office as safe as possible as quickly as possible. Some of the measures that needed to be taken were identical and pretty straightforward, such as ramping up the cleaning moments and creating paths and signs to make sure the 1.5-meter distancing rule was adhered to. This was a huge operation due to the volume of work involved and speed at which it had to happen. "In three weeks, our buildings were 1.5 meter proof and safe to use," Florine said.

To urge people to comply with the rules Marketing & Communications put a creative twist on the stickers, known in marketing as nudging. Florine added: "Nudging is all about giving a subtle little push in the right direction to promote the desired behaviour, by presenting measures in an unexpected way." For example, in front of the coffee corner there's a sign saying: 'keep 18 coffee cups distance'.

NSI assumed responsibility for all central facilities and shared spaces, with measures including cough screens at the reception desks and stands with hand sanitiser at the entrance. Moreover, NSI offered to help every tenant who wished to add cough screens and hand sanitiser to their own office. "Once the magnitude of the pandemic became clear there was a huge run on these products, so that thesewere almost unavailable via retail channels. We did have access to these products by buying them in bulk, which we then offered our tenants at cost price."

A more drastic undertaking was mapping out the technical aspects, like climate systems, that play an important role but that cannot be easily changed. NSI has invested heavily in its data and information systems and this turned out to be a huge asset. "Because we have a great understanding of each building, we were able to take action in an extremely focused way," Jeroen said. Ventilation was an important area of attention, one that was getting a lot of media. "Because sustainability is an important spearhead of our maintenance programme, a key part of which is good ventilation and sensor-driven climate control systems, we had information about the buildings' usage, which enabled us to take targeted actions and ventilate the buildings more to make them as

NSI's Technical Asset Management Team Jeroen Solleveld (Manager), Joey van Wijk (m) and René van der Boor (r)

safe as possible.” Furthermore, NSI put additional measures and protocols in place. This included ventilating the buildings with as much outside air as possible and having the systems switched on two hours earlier and two hours longer, thus creating the best possible air quality for each individual building. “We calculated how many square metres each person needs with each type of ventilation system and were able to monitor if we stayed within the required visitor numbers with the help of the newly introduced people counters.”

Regulating the visitor flows was another important point of attention. “Ideally you want to spread out the flow of visitors, particularly in the entrance and lifts areas, but most of our customers had no insights in these flows.” So NSI installed so-called ‘people counters’ to gain insight into this. “Then we performed data analysis to determine the best lift policy, taking into consideration the capacity and speed of the lifts.”

Jeroen and his team worked overtime while the offices were initially largely unmanned due to the call for people to work from home as much as possible. “When the tenants came back after the first lockdown, our buildings were well equipped for their safe return.” Jeroen believes that some of the changes, which involved a total investment of €0.6 million, will be useful in the future too. “Like the people counters that provide more information on how offices are used, which helps us set up things like our climate control systems, security and cleaning more efficiently. And the focus on health and well-being is an important trend that will get a lot more attention in a post-Covid world. That is why we launched a pilot at HNK The Hague with a so-called ‘health wall’ (see insert) that will still be relevant after the pandemic is over.”

To promote health and well-being in our offices we have developed the ‘Health Wall’. The integrated screen features information on nutrition, physical activities and bike rentals. Moreover, tenants can take their temperature and check their oxygen levels. While particularly valuable in these times of Covid-19, this service is likely to stay. The concept is being piloted at HNK The Hague and will be rolled out further if it proves to be successful.

PERSONNEL & ORGANISATION

Next phase, new organisational structure

NSI has a lean and mean organisation in place, aligned with its focused strategy. Now that our significant transformation process has largely been completed, both from a portfolio and an organisational perspective, NSI is increasing its focus on services, development and other value-add initiatives. This is reflected in our revised organisational structure.

As of 1 May 2020 the organisation has been headed by a two-man board consisting of the CEO and CFO and supported by a newly formed management team. By installing a management team, NSI aims to intensify the degree of collaboration, alignment and communication and foster team dynamics throughout the organisation. The disciplines represented in the management team are Portfolio Management, Transaction Management, Project Development and Finance & Control.

In 2020 NSI reshaped part of its HNK team into a Customer Excellence team that serves the entire portfolio in order to put the customer experience even more at the forefront of its operations, to better utilise data-driven insights and to further shape Space as a Service propositions. Furthermore, NSI has expanded the Development team in line with the capacity and skills required to advance the development pipeline.

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.

ORGANISATIONAL STRUCTURE

The number of employees (headcount) increased to 55 at 31 December 2020 (2019: 47), since the hosts (10) of several HNK properties have been included in NSI's workforce as from 1 January 2020.

For the company's legal structure please refer to 'The principles of consolidation' on page 87:

Covid-19 – prioritising health & well-being even more

The health and well-being of our people has always been a priority but it became even more important due to the Covid-19 pandemic. Ever since Covid-19 began impacting our business in March we have responded quickly to ensure our employees and customers continue to be supported and our business remains resilient. In order to be prepared for expected government measures, we ran a pilot to test our working-from-home facilities (in particular our IT systems) prior to the first lockdown. As it turned out, the Netherlands went into its first lockdown only a few days later.

We proved to be ready and well-equipped to deal with the technical requirements of working from home. Subsequently we responded quickly by establishing teams to support employees and customers while safeguarding their health and wellbeing as much as possible during the pandemic. Employees were given the opportunity to order office equipment, which could be largely sourced from second-hand inhouse office inventory, to set up their home workplace the same as in the office, including a desk, a desk chair and a computer screen.

Our Management Board and Management Team provided extra levels of communication via frequent video meetings, emails and regular telephone and video conferences ensuring that every employee had some form of regular daily interaction with others. Also, coaching sessions were held outdoors for those who appreciated face-to-face meetings.

Ensuring that everyone felt connected, engaged and seen by means of social online events was equally as important. Furthermore, employees were rewarded with several small gestures to keep their spirits up during the lockdown periods (see case on page 52), including vouchers for a takeaway dinner and healthy snacks, which NSI tried to source from its regular or local suppliers to support their businesses at the same time. NSI also provided online fitness workouts in which employees were encourage to participate.

Management closely monitored the work-life balance of staff during this unprecedented period. Many employees had to juggle home-schooling and work commitments when the schools and nurseries were closed. As also embedded in NSI's culture, employees have a great deal of flexibility with regard to how they perform their tasks. Providing this flexibility was particularly instrumental during these lockdown periods.

When the first lockdown measures were slightly eased during the summer months, employees were still encouraged to continue to work from home, as much as possible, to take our corporate responsibility and minimise the risk of spreading the virus.

All in all we proved that not only our business was resilient, but also our culture and mindset were well-equipped to deal with this disruptive situation.

CASE

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.

NSI culture and mindset

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. We have clearly defined our core values, as can be found on page 49.

Adhering to these core values will help NSI realise the full potential of its employees, shareholder investments and assets 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.

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.

Safeguarding our corporate culture has management's ongoing attention and is consistently a significant point of attention in internal meetings. Our ability to live up to these core values is included in our assessment and appraisal methodology and discussed in regular and year-end reviews. Moreover, our core values are integrated in job descriptions and NSI has an onboarding programme in place to familiarise new hires with the company's cultural values.

Although the regular two-day team-building programme was cancelled due to Covid-19, several online events were hosted geared at fostering our corporate culture while simultaneously sharing knowledge and having fun.

Healthy workplace

The health and well-being of our employees and tenants is also one of the important pillars 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 decreased to 3.1% in 2020 (2019: 3.3%). Sadly one of our colleagues passed away in 2020.

NSI's efforts and ambitions in this respect are reported in more detail in the ESG chapter on page 57.

Employee satisfaction

Employee surveys are a strong tool used to track the actual and perceived well-being of employees. Given the specific situation in 2020 and to be able to understand what lessons could be learned from it, NSI decided to conduct a working-from-home survey instead of the regular employee satisfaction survey. The survey revealed that employees generally feel even more engaged and connected thanks to the efforts of the entire NSI team and the intensified level of communications to keep everyone on board. On the other hand, employees experienced less effectiveness in interaction in meetings and in particular in teambuilding events. The majority of employees said they would prefer to continue to work from home part-time once all Covid-19 restrictions have been lifted. In February2021, the survey will be iterated to assess if, and how, the length of the lockdown, and consequently the necessity to work from home, impacts the outcome of the survey and thus employee satisfaction.

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. As part of our strong commitment to attracting and retaining the very best talent, we encourage employees to take externally recognised courses by granting annual individual training budgets, making NSI a great place to work.

The Head of HR engages with each individual employee to discuss their personal development plan and ambition level. In 2020 there was a greater need for training which NSI anticipated by offering a wide range of e-learning modules. A specific focus for management has been on coaching skills. At the same time many training programmes in which NSI usually participates were paused or partially cancelled due to Covid-19. However, several employees started (external) education courses, among others in the field of data analytics, project management and real estate management. On balance, employees spent more hours on training than in an average year.

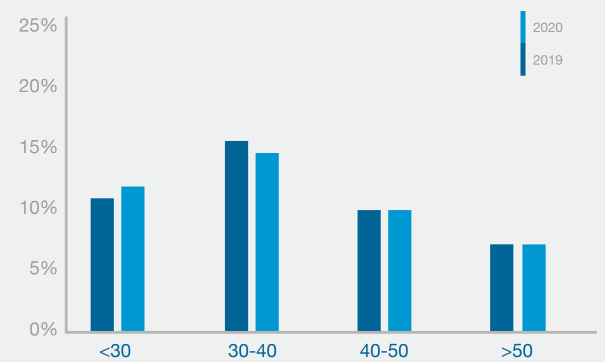
Knowledge sharing through expert sessions is normally also part of the regular learning and development cycle. These initiatives have been largely continued online.

Due to the pandemic the second group of trainees of NSI's Young Talent Programme fast-tracked their traineeship in 2020. NSI decided to not enrol a new trainee class for 2021, as we anticipate a lack of sufficient appropriate starting positions within NSI at this moment

Gender breakdown NSI at 31 December 2020

	FEMALE	MALE
Management Board	50%	50%
Senior management	14%	86%
Operations	80%	20%
Staff	33%	67%
Total	**42%**	**58%**

Age breakdown NSI employees



NSI TEAM

CASE

STAFF ENGAGEMENT INITIATIVES

NSI surprised its staff working from home on several occasions to show our solidarity and ensure they stayed involved, healthy and motivated.

After enabling them to set up a workstation at home similar to the one they have at the office, NSI sent them a work-from-home package with a range of extra things to make working from home more pleasant. Every initiative taken by NSI was focused on supporting small local businesses or preferred suppliers. For example, staff received a fruit and vegetable care package from our preferred fruit supplier who would normally deliver fruit to head office.

Support for the hospitality sector

In May all staff received a voucher they could use to order a takeaway meal from a local restaurant. Sharing photos of dining at home with families or friends brought about a great deal of fun and connection. This initiative enabled us to pull together and support restaurants. Also in December, instead of our annual Christmas dinner staff received a voucher to order a Christmas dinner for their family from their favourite local restaurant.
In the autumn, to celebrate our five-star GRESB rating all staff received a voucher for a one-night stay at a Hilton hotel (in the Netherlands) of their choice (Hilton being our partner for the ‘NSI After Summer Event’, which was cancelled this year due to Covid-19 restrictions).

Promoting a sense of togetherness

Several online events were organised to promote a sense of togetherness. The Lunch & Learn sessions were packed with content – often featuring guest speakers – in which topical issues were discussed such as the working from home / working at the office results of the Leesman Index. Regular Teams meetings were arranged for all staff members to update each other on the state of affairs, and for departments to present ongoing projects. Friday afternoon drinks was a regular online feature that included a property quiz, a home drinks hamper or a singer performing. To encourage staff to stay in shape, everyone was sent a yoga mat and a personal trainer provided a series of workouts via Teams. These workouts with a personal trainer will continue in 2021 due to the extended lockdown.

In 2020 the regular employee satisfaction survey was replaced by the working-from-home survey. The survey revealed that employees generally felt even more engaged and connected thanks to all the initiatives and efforts of the whole NSI team and the intensified level of communications to keep everyone on board.

ENVIRONMENTAL, SOCIAL & GOVERNANCE PERFORMANCE

Sustainability is an integral part of NSI's value creation strategy. Our business model is geared towards offering and developing future-proof buildings, minimising our carbon footprint, and creating inspiring, flexible working environments articulated around the health and well-being of their occupants.

We recognise that our industry significantly contributes to the global carbon footprint, and we are committed to reducing our impact on the environment. By making our spaces more efficient, developing in a sustainable way, and always looking for new and better ways of doing things we deliver on our ESG targets while offering the very best experiences for our customers.

The health and wellbeing of our employees and customers has always been our priority but gained even more importance in the past year due to Covid-19 and accelerated our efforts to further optimise our portfolio in this respect. Technically, design-wise and socially, the office space proves to be an important element in worker's well-being.

NSI stepped up its ESG efforts over the past years, which was confirmed by the significantly improved GRESB score, awarding NSI with the full 5 stars.

An Environmental Management System (EMS) will act as a structured programme for the roll-out of our ESG program. It will not only support disclosure and reporting, but also ensures a consistent inclusion of ESG factors in all our processes and investment decisions.

Climate risks an integral part of our approach towards a future-proof portfolio

Climate change and the associated risks are increasingly weighing on investment and portfolio decisions. NSI's climate risk analysis in 2019 focused on the four most apparent climate-related physical risks in the Netherlands: waterlogging, flooding, drought and heat.

In 2020, the climate risk assessment of NSI's real estate portfolio has been expanded. A more extensive approach has been taken to understand both the physical and transition risks, including the socio-economic consequences of these risks. The climate risk assessment performed in 2020 includes both an assessment of the updated 2020 portfolio against the most apparent climate risks, as well as an assessment of additional physical risks, socio-economic consequences and transition risks (related to the transition to a low-carbon economy). These analyses provide a better understanding of the risks that is needed to better adapt to, and mitigate the risks of climate change. The focus for 2021 on this matter will be setting up a mitigation plan and start executing this throughout our portfolio. Furthermore, this will also be translated into our policies with regard to acquisitions, divestments and capex plans.

Our materiality matrix and ESG Strategy

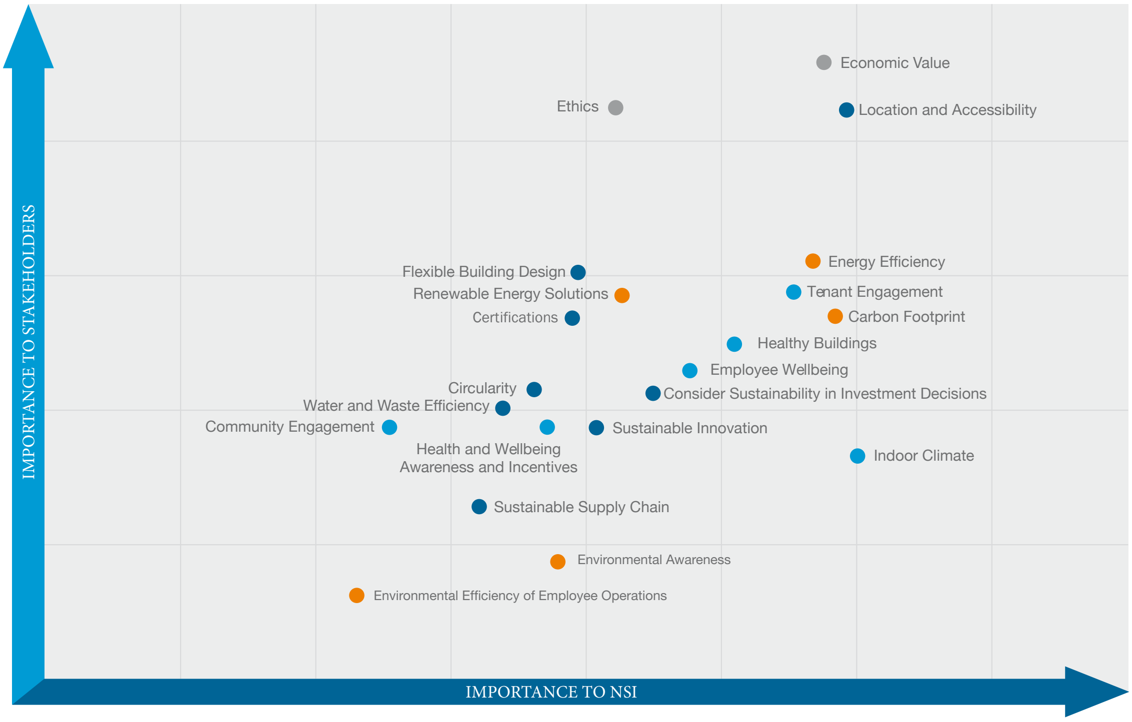
Materiality matrix

Our 2018 materiality assessment, which was based on 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, has been recalibrated in 2020.

As part of a broader project to identify how we could further increase the relevance of our offering to our customers, we also evaluated our role as employer for our employees. Furthermore, we continued our regular and ongoing dialogue and engagement with our shareholders. In all these meetings our ESG agenda was part of the discussions.

The feedback collected during all these sessions resulted in a slight reorder of the material topics. The impact of the Covid-19 pandemic has increased the awareness and the importance of health-related topics. Indoor climate, employee wellbeing and healthy buildings have become more important compared with the 2018 assessment.

SUSTAINABILITY MATERIALITY MATRIX



Sustainable development goals

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

Our ambition level

Our ESG strategy is built around three focus areas addressing the most relevant environmental and social trends to create value for our stakeholders: Future-proof buildings, Energy & Carbon and Health & Wellbeing.

Improving our ESG performance has been an integral part of our long-term value creation strategy. Over the past years, the implementation of the NSI ESG program had a pragmatic approach to each sustainability theme. NSI appreciates the importance of continuous improvement of the ambition level against market developments and trends.

In 2020, the progress towards reaching our strategic ESG targets in the long-term was re-assessed, which resulted in a recalibration of our targets and implementation plans for each ESG theme. In theme sessions, we improved the process, ambition level and targets to better reflect the actions that are needed to achieve our long-term sustainability and future-proof ambition.

AMBITION

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

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

PROGRESS IN 2020

STARTED ON TRACK ACHIEVED ONGOING

FUTURE-PROOF BUILDINGS

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 cities with a positive economic outlook as urbanization is set to continue. The locations are vibrant multifunctional areas with excellent public transport connections to guarantee long-term tenant demand. To align our sustainability ambitions with our customers, green leases are used to improve awareness amongst occupiers.

Future-proof buildings should be designed for future-proof exploitation and therefore should be flexible in usage or suitable for potential transformation. The focus should be on circularity (choice of materials), both in the construction and exploitation phase. Furthermore, Future-proof buildings have a positive impact on their community and have a minimal impact on the environment.

Ambition	*Progress in 2020*	*Status*
FLEXIBLE BUILDING DESIGN		
The majority of the portfolio should be suitable for multi-tenant leasing and mixed function use to allow flexibility	– Asset rotation and renovations have let to 73% multi-tenant assets, 19% single-tenant leased but are suitable for multi-tenant leasing without mayor renovations and 8% not suitable for multi-tenant leasing – See case Donauweg on page 69.	Ongoing
SUSTAINABILITY AS AN INTEGRAL PART OF (D)INVESTMENT DECISIONS		
Integrate sustainability aspects during the investments and divestment decisions	– The disposal and acquisition due diligence processes contain provisions for sustainability aspects	Ongoing
ENVIRONMENTAL MANAGEMENT SYSTEM		
An integrated Environmental Management System that is ISO14001 certified	– EMS policy document is updated to align with ISO14001 guidelines, focusing on EMS integration throughout the organisation – Approval for formal certification of the NSI headquarters	Started
SUSTAINABILITY INNOVATIONS		
Consider sustainability innovation opportunities in all CAPEX	– Sustainability measures are included in all long-term maintenance plans and asset business plans	Ongoing
ENVIRONMENTAL CERTIFICATIONS		
All developments to achieve BREEAM Outstanding	– For our new construction projects, the design is geared towards achieving BREEAM Outstanding	On track
All standing assets and redevelopments to achieve BREEAM Very Good certificate	– All standing assets have been certified with a BREEAM In Use label (case page 58) – NSI has identified measures to improve the BREEAM performance in the Asset Business Plans to achieve Very Good – For our major renovation projects, the design is geared towards achieving BREEAM Excellent	Ongoing
SUSTAINABLE SUPPLY CHAIN		
Improve the sustainable supply chain engagement program and include suppliers and property managers (reduce the upstream supply chain, training, procurement policy, etc.)	– Property manager agreements have been updated, including new policy on procurement and other sustainability issues. – Property managers have attended sustainability trainings	Started
GREEN LEASES		
100% of contracts should include sustainability requirements by 2030	– NSI has finalised the format for green lease requirements that is now included in the NSI standard lease agreement	On track
Implement standardised NSI Fit-Out Guide for tenants / occupiers	– A general guide has been developed for tenants on sustainable and circular fit-out and refurbishment	Achieved
LOCATION AND ACCESSIBILITY		
(All) assets are situated in strategic, prime locations in the seven target cities	– Embedded in acquisition and disposition strategy – Biannually analysis of the location split of the portfolio – Allocation impact on the total portfolio is part of analysis in acquisition due diligence process	Ongoing
WATER AND WASTE EFFICIENCY		
Reduce waste production/improve water efficiency of standing investments	– The implementation of the NSI waste separation programme has been completed in 2020. – Installation of taps and toilets using touchless sensors to reduce water consumption and improve hygiene	Ongoing
100% water and waste data completeness in all offices	– All water meters in multi-tenant assets have been upgraded with automatic readings – Continuous collaboration with waste contractors to improve data completeness	On track

STARTED ON TRACK ACHIEVED ONGOING

ENERGY & CARBON

In a world where climate action is increasingly important, NSI continues to commit to reducing energy consumption and moving towards a climate neutral real estate portfolio. With the understanding that the built environment and real estate sector accounts for around 36% of global final energy consumption and nearly 40% of total CO_2 emissions (source: International Energy Agency), the Paris Climate Agreement signed in 2015 is a stringent guideline for NSI to help restrict average global temperature increase. By increasingly focusing on reducing the impact of individual assets and our real estate portfolio, we aim to contribute to achieving the Paris Climate Agreement goals.

Energy & Carbon is one of the three main themes in the NSI ESG programme. Our ambition is to achieve carbon neutrality of our real estate portfolio by 2035. Key measures that will be taken to reach this goal is improving energy efficiency and transitioning to renewable energy sources throughout the entire lifecycle of our assets. One of the key steps that NSI has taken in2020 towards realising this goal by 2035 is finalizing its Paris Proof roadmap. This roadmap provides a step-by-step guideline over time that allows for pragmatic climate action in energy efficiency and carbon neutrality, including measurable targets towards energy reduction and climate neutrality. For example, NSI aims to stop using natural gas in its existing portfolio by 2032. In 2021, NSI will identify which investments are required on asset level according to the Paris Proof Roadmap, including investigating which assets are suitable for thermal storage units. The roadmap is key for this strategic theme on which the relevant targets are based and will be used as a framework to collaborate with our tenants and supply chain to achieve energy reductions.

Ambition	*Progress in 2020*	*Status*
CARBON FOOTPRINT		
Carbon neutral portfolio based on energy usage (Paris proof <50 kWh/m2, no gas connection, offset of carbon, only consume renewably generated electricity)	– Paris Proof roadmap for implementation on asset level – Continuous energy efficiency improvements throughout the portfolio – 22.7% of portfolio has solar panels (based on total asset value) (18 assets) – Where on-site renewable energy consumption is not possible, energy is supplied from off-site sources (European wind initiatives) for all multi-tenant assets – Redeveloped asset Bentinckhuis is equipped with a thermal energy storage system (see case page 68)	
ENERGY EFFICIENCY IMPROVEMENTS		
All buildings (excluding monuments, retail, strategic decisions) in the portfolio should have an energy label A by 2023	– 74% of the NSI portfolio, based on asset value, has an energy label A	
Perform more technical building assessments to get an overview of the sustainability performance	– Technical building assessments have been performed throughout the entire portfolio using the BREEAM framework	
Perform risk assessments within the whole portfolio	– Extension of climate risk assessments in the portfolio by adding more risk types in the analysis and assessing against the updated 2020 portfolio	
ENERGY CONSUMPTION MONITORING		
Improve the data collection process (100% data coverage, smart (sub)metering and analytics, narrow casting)	– All energy and gas meters of multi-tenant assets have been replaced with smart meters, allowing for automatic meter readings – 100% data completeness for office buildings – All multi-tenant assets provide energy consumption data to tenants through the installation of narrow casting screens	
ENVIRONMENTAL EDUCATION AND AWARENESS		
Create transparency around ESG performance towards relevant stakeholders	– Introduction of ESG metrics in annual performance targets of the board of directors – Implementation of ISO50001 standard that helps improve reporting of ESG performance to stakeholders	
Improve knowledge sharing and education amongst employees	– Continuous learning through courses/engagement sessions	
ENVIRONMENTAL EFFICIENCY OF EMPLOYEE OPERATIONS		
Include sustainability factors in the annual performance targets of the employees that have an impact on it	– All NSI employees have annual performance targets that include ESG factors	
FACILITIES FOR ELECTRIC CARS		
Electric car charging facilities at all parking spots in portfolio	– Partnership with Vattenfal for efficient installation of electric car charging facilities – Electric car charging facilities as key focus area (commercially) for asset management	

STARTED ON TRACK ACHIEVED ONGOING

HEALTH & WELL-BEING

NSI aims to create healthy, inspiring and flexible working environments for its tenants and promotes a healthy way of working for its employees. NSI aims for customer excellence by continuously engaging with its tenants and providing a healthy indoor environment. In our Healthy Offices plan, we include measures such as choosing materials criteria and technologies that are designed to improve the indoor space in terms of air quality, comfort, installations, lighting and sound, and designing public spaces and stairways in ways that encourage people to walk. Furthermore, the facilities and amenities provided intend to support and promote a healthy lifestyle.

An active lifestyle contributes to the health and well-being of employees, and NSI therefore promotes physical activity, healthy nutrition and a healthy work-life balance.

The importance of Health & Well-being came in particular more in focus in 2020, due to the effects of the Covid-19 pandemic. In its responsibility as employer and as a landlord, NSI took multiple actions to safeguard the health, safety and well-being of its staff and tenants as much as possible (read more on page 46).

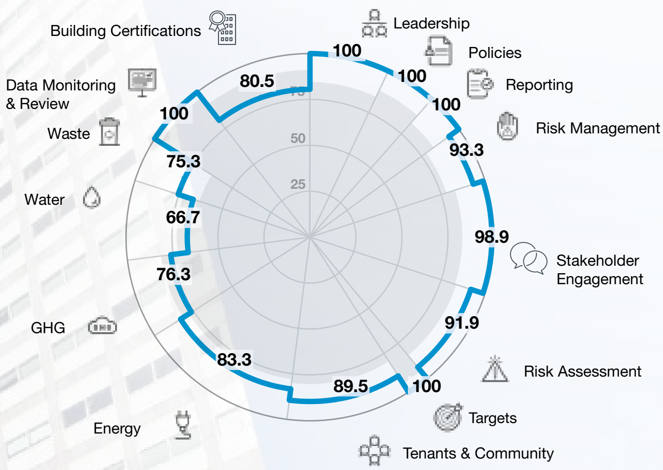
Ambition	*Progress in 2020*	*Status*
TENANT ENGAGEMENT		
Tenant satisfaction rating of at least 7.5 (out of 10)	– Tenant satisfaction survey across all tenants and HNK users in 2020, – Tenant satisfaction survey includes NPS (Net Promoter Score) metric – Tenant engagement meetings to discuss results and improvements based on feedback	Ongoing
Encourage sustainable consumption and green practices amongst our tenants	– Inform tenants on sustainability through narrow casting – NSI installed a pilot with a ‘health wall’ (see page 46)	Ongoing
EMPLOYEE WELLBEING		
Overall and individual satisfaction rating of at least 8 out of 10 (individual topic)	– Ongoing yearly employee satisfaction survey.	Ongoing
Encourage Work-Life balance for NSI employees	– Continuous assessment of work-life balance amongst NSI employees – NSI encouraged exercise by providing a trainer for all employees	Ongoing
COMMUNITY ENGAGEMENT		
Program to improve community engagement (yearly)	– Digital communication platforms have been setup to improve communication with and amongst tenants and community – HNK online platform to improve community engagement – Uptown Sloterdijk: collaboration with key stakeholders to improve area development	Ongoing
HEALTHY BUILDINGS		
Standard package at (core) assets: AEDs, showers, (e-)bicycles, sport, etc.	– Set up of asset specific assessments of health and wellbeing needs, especially in relation to Covid-19 (see page 46) – Improvement plans in order to increase health and wellbeing in assets – AED have been placed at all assets	Started
AWARENESS AND PARTNERSHIPS		
Promote Healthy Offices through assets and external partnerships	– New healthy food partnerships for HNK assets	Ongoing
Network events and knowledge sharing	– Continuous knowledge sharing by participation in a European think thank for real estate investors – Knowledge sharing through partnerships with educational organisations	Ongoing
INDOOR CLIMATE		
Improve indoor climate quality based on existing frameworks (WELL)	– Overall improvement of indoor air climate and quality in relation to Covid-19 – Upgrade ventilations at HNK Houthavens (case page 59)	Ongoing

FUTURE-PROOF BUILDINGS

FIVE-STAR RATING IN 2020 GRESB REAL ESTATE ASSESSMENT

In 2020 NSI achieved a five-star rating in the annual GRESB Real Estate Assessment. This is the highest GRESB rating possible and recognition for being an industry leader. This year's result of 88 points (out of 100) is NSI's best score so far and a significant improvement on last year's score of 71 points and initial score of 49 points in 2018. The improvement highlights the journey NSI has been on the past few years.

NSI's score compares favourably to the global industry average of 70 points and an average score of 71 points for the wider listed property sector. The significant improvement in the score in 2020 was mainly the result of detailed initiatives and the substantial amount of consumption data provided on energy, water and waste for each individual asset, a significant increase in the number of BREEAM-certified buildings and better stakeholder engagement.



88 / 100 GRESBscore GREEN STAR

GRESB AVERAGE 70 PEER AVERAGE 85

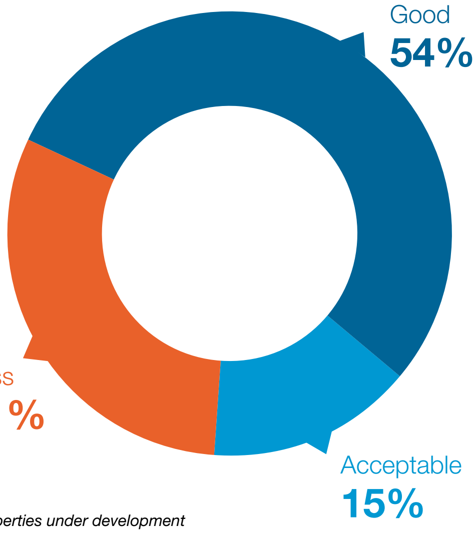
GRESB ★★★★★ 2020

THIS ENTITY

PEER GROUP AVERAGE

100% OF ALL OFFICE SPACE CERTIFIED BREEAM NL IN-USE

BREEAM-NL In-Use is an important method 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. After 50% of the office space (GLA) in the NSI portfolio was certified in line with BREEAM standard in 2019, NSI extended its BREEAM certification programme to the rest of the portfolio excluding developments in 2020. The ultimate goal is to achieve an average BREEAM-NL Very Good certificate for the portfolio. NSI launched a performance improvement asset plan in its certified buildings in the field of waste separation, water usage and air quality based on the BREEAM standards in 2020.



Excluding properties under development

BREEAM — CODE FOR A SUSTAINABLE BUILT ENVIRONMENT

MAJOR UPGRADE OF HNK AMSTERDAM HOUTHAVENS

HNK Amsterdam Houthavens is a listed building dating back to 1912 that was extensively renovated over the past few years. The upgrade of this former warehouse was completed in 2020. This included renovating the front and back facades and putting in new window frames.

The building is largely equipped with LED lighting and the climate control systems have heat pumps so that the building can be heated with electricity (instead of gas) in the spring and autumn. The roof is covered with 385 solar panels that are good for around 113 GWh.

The previously dark hallways used by tenants to access their offices have now been renovated and brightened up, and complemented with multifunctional furniture and greenery. These spaces are now also used as lounges, making them an extension of the tenant's office. The building's Social Heart has been upgraded with a green wall and energy consumption is measured in each individual zone so that we can save energy together with our tenants. Moreover, a gym, yoga area and relaxation space are added, supporting the health and wellbeing of the users. The combination of all these measures has resulted in major sustainability improvements.

CAR-SHARING PILOT AT HNK THE HAGUE

The Amber car-sharing platform recognises that vehicles are parked around 95% of the time, because they are in a car park or at home in the driveway. It is Amber's mission to change this by providing electric car sharing, which it currently offers from more than 90 hubs in the Netherlands.

NSI is proud to contribute to this mission. In September we opened an Amber hub at HNK The Hague with two electric BMW i3s. This gives drivers the chance to book an electric car if they need to go to meetings. The hub allows us to help making the business-related kilometres driven by our tenants greener. They can use the Amber app to reserve, start, charge and park the car. It is a pay-per-use service and customers receive a price estimate before embarking on their trip. We are seeing the number of reservations growing on a monthly basis despite the ongoing Covid-19 measures and the fact that most tenants are working from home. The pilot will be evaluatedin 2021.

'FURNITURE AS A SERVICE'

More and more tenants want to create a certain atmosphere in their office, with office furniture being a large part of this. NSI started a pilot 'furniture as a service' in HNK Ede, offering a wide range of furniture for rent in partnership with an office furniture rental company. 'Furniture as a Service' gives tenants more options to set up their office as they see fit, sustainable and flexible, without the need to invest huge sums upfront.

ENERGY & CARBON

PEOPLE COUNTERS

To better track the number of people present in the offices people counters were installed at 15 NSI buildings in the summer of 2020. Sensors are keeping track of how many people are in the building at any given time. This gives NSI a better insight into occupation levels at different times in the week assisting in decisions about ventilation, cleaning and the management of the climate control system.

In 2021 information gathered by the people counters will also be used to support safety and security. This information will also be shared with tenants so that they can make better-informed decisions about the best time to visit the office. At least another two offices will be equipped with people counters in 2021 and we will review if a further roll out is desirable.

VENTILATION MEASURES TO ENSURE A HEALTHY WORKING ENVIRONMENT

Due to Covid-19 and the related uncertainty about the spread of the virus in buildings, in 2020 NSI took several additional measures to create working environments that are as healthy and safe as possible for everyone. NSI has always followed the guidelines and advice of the Dutch National Institute for Public Health and the Environment (RIVM) with regard to ventilation. In addition to these guidelines we have followed the advice of the Federation of European Heating, Ventilation and Air Conditioning Associations (REHVA) and implemented the following additional measures. Air-handling units are ventilated with as much fresh outside air as possible and the climate control systems are switched on two hours earlier and two hours longer than was customarily the case. Bathroom extractor fans were running non-stop.

With the help of air quality sensors NSI has carried out two pilots on air purification techniques. Sensors were installed in spaces with and without air purification systems to be able to measure improvements. The results will be evaluated in 2021 and the use of sensors will be expanded if the pilot proves to be a success. With the use of the people counters, we could validate the available space in square metres per person and the amount of fresh air blown into the space. The REHVA guidance that there be at least 60 cubic metres available per person per hour was never in danger of being infringed.

3,118 SOLAR PANELS ON OUR ROOFS

NSI installed solar panels on five more buildings in 2020. This brings the total number of solar panels in the portfolio to 3,118, generating approximately 840 MWh per year. That equals the energy consumed by around 250 homes a year. The new buildings were hooked up in December 2020 and will start generating power in 2021. Overall, 26% of the portfolio based on property value is equipped with solar panels.

SMART BUILDING PLATFORM FOR GREATER INSIGHT AND EFFICIENCY OF CLIMATE INSTALLATIONS

This past year NSI opted for a new system that controls our climate installations. This system consists of two parts, the first of which is gaining more insight into data and actively managing the climate in the buildings. In the past NSI had many different systems for controlling the energy data and this was time-consuming. The data from the buildings was not utilised optimally because the individual systems were not combined. The new cloud-based solution connects the building management system, the power consumption and data from the building like submeters and extra sensors in a portal. This will be implemented throughout the portfolio and provides the technical asset management team the insight it needs to manage the climate in the buildings more efficiently. These scenarios are taking the location of the building into account, current weather conditions, such as solar radiation, temperature, humidity and the wind force and direction, together with the weather forecasts. To monitor the indoor climate even more accurately, NSI is adding extra sensors in the buildings.

The second part is controlling energy use in the buildings in the most efficient way. The algorithm used by the system ensures that the level of comfort in the buildings remains as high as possible with the lowest possible energy consumption. The desired comfort level has been defined by NSI. Almost 1,000 scenarios are calculated every five minutes and the best scenario is executed by the system.

In 2020 NSI ran a successful pilot on this in Motion Building. This resulted in a reduction in CO_2 emissions of approximately 64 tons. The system is now being implemented across 28 locations. The rollout is expected to take throughout 2021.

HEALTH & WELL-BEING

HEALTH WALL AT HNK THE HAGUE

We have developed the HNK Health Wall to promote good health and wellbeing at our offices and to ensure that tenants are mindful of their health. The Health Wall is a green wall that is easily accessible at a central location in the building. The wall is covered with moss and plants on both sides. A screen is installed in the middle of the wall that provides animated tips about nutrition, sleep, exercise and the HNK bikes that tenants can rent. Tenants can take their temperature with an infrared thermometer on the wall and check their oxygen level. The pilot was launched at HNK The Hague and will be rolled out to other locations if it proves to be successful. The use of the Health Wall will be reviewed during a tenants' feedback session in 2021.

OFFICE APP

The Office App was launched at 11 HNK locations in September 2020. It was a conscious decision to launch at these 11 locations so that the app could be further tweaked based on customer experience and feedback. In 2021 it will be rolled out to other multi-tenant buildings in the portfolio. The Office app is the place where tenants can arrange everything for their workday and catch up on the latest news. This includes booking a meeting room, getting vouchers for the restaurant or coffee corner and reporting any maintenance issues in the building.

In times like these when tenants are working more from home, the app is the easiest way to stay in touch with and help other tenants. Tenants can expand their network by creating a personal profile and posting their own information in the community. NSI itself can use the app to organise events and send out surveys. This enables NSI to stay in touch better with the end users instead of merely with the usual contacts. The app and how it is used is constantly monitored, updated and expanded with new functionality that makes it more fun and easier for tenants to use.

FIRST HARVEST OF HONEY FROM BEES RESIDING ON OUR ROOFTOPS

In collaboration with BeeLife, NSI has added another nine beehives on the rooftops of its office buildings to contribute to an ecosystem for bees to thrive. In the past 30 years the global bee population has halved - an alarming statistic given the importance of bees as pollinators. NSI now houses a total of 18 beehives inhabited by 720,000 Buckfast bees, enough to pollinate 6.4 million flowers and plants a year. In 2020 the bees produced around 60 to 100 kg of honey, the vast majority of which was eaten by the bees themselves. This is important because the best food bees can get is their own honey. Around 10 kg of the leftover honey was harvested and used to fill over 500 jars that were shared with tenants and our catering partners, who made healthy granola and cake using honey as ingredient.

18
beehives

720,000
bees

6,400,000
pollinated flowers

60 – 100 kg
honey

HUNDREDS OF CHRISTMAS CARDS FOR LONELY ELDERLY PEOPLE

Loneliness has become a huge problem in society due to social distancing and the 1.5-meter guideline that have become engrained in our lives as a result of the Covid-19 pandemic. For NSI , nobody should be lonely at Christmas so HNK and its tenants worked together to write hundreds of Christmas cards for lonely elderly people. Special HNK Christmas cards were designed and tenants working at the office could leave heartfelt Christmas messages on the cards. HNK teamed up with the Amsterdam-based care organisation Amsta to distribute the cards to various locations. The elderly people were extremely surprised and grateful for the messages and the tenants were excited to take part in this initiative.

EUROPEAN THINK TANK

NSI and six other leading European real estate companies (Alstria, Castellum, COIMA RES, Colonial, Gecina and Great Portland Estates) are pooling best practices and experiences in a sustainability and innovation think tank. NSI is further improving its environmental, social and governance (ESG) performance by collaborating in this European round table in a joint effort to achieve a carbon neutral real estate portfolio. All meetings in 2020 were held online, with items on the agenda including the Covid-19 measures, technologies such as apps and sensors, the road to Paris-proof buildings and research into the development of an approach to reduce energy consumption across the participating companies' respective portfolios.

'GREEN AS A SERVICE'

To accommodate the increasing focus on health and wellbeing in office environments, NSI offers 'green as a service', giving HNK tenants the opportunity to lease plants (including maintenance). Having plants at the office not only improves the air quality but also boosts creativity, productivity and the acoustics of a space. This 'green as a service' concept is currently being piloted in HNK Ede and makes having a green office space accessible for everyone, even short-term tenants.

CLIMATE CHANGE ASSESSMENTS

In 2019, NSI assessed their real estate exposure to the most relevant physical impacts of climate change in the Netherlands. A more extensive assessment was performed on the 2020 portfolio. The results of these climate assessments will be used to help guide a mitigation and adaptation approach in 2021.

Physical risks

Physical risks in this assessment included looking at a range of acute and chronic weather changes. An assessment of the current and future impacts of four relevant physical risks to the Netherlands was undertaken: heavy rainfall and surface level flooding, river flooding and coastal surges, drought and heat stress.

Heavy rainfall and surface level flooding

It is expected that the amount of rainfall in the Netherlands will increase significantly in the coming 30 years[1]. Increase in heavy rainfall increases the risk of surface level flooding. The results of this risk assessment indicate that there are 20 NSI assets in areas which could experience over 20cm of surface level flooding during a heavy rainfall event (70mm in two hours, expected once every 100 years under the current climate conditions and expected to occur more frequently in the future[2]). The vulnerability of NSI's assets however will depend on their design and construction and therefore their ability to cope with surface water floods. These assessments will be included in the mitigation and adaptation approach in 2021.

River flooding and coastal surges

More than half of the Dutch land surface is prone to flooding, as the country is a delta that is partially situated below sea level. The Dutch Delta Works is a national effort in protecting the country from flooding. Regardless, it is important to assess the probability of river flooding and coastal surges, as flooding is likely to cause large disruptions and damage to the buildings and infrastructure. There are no assets in NSI 2020 portfolio that are deemed to have a high probability of experiencing a significant river flooding event (i.e. more than 50cm of water depth) more than once every 30 years. However, this latest assessment shows that there are two assets (representing 2.1% of the portfolio value and 1.6% of the GRI) that are at risk of experiencing this type of severe flooding event potentially between once every 30 years and once every 300 years by 2050.

Drought

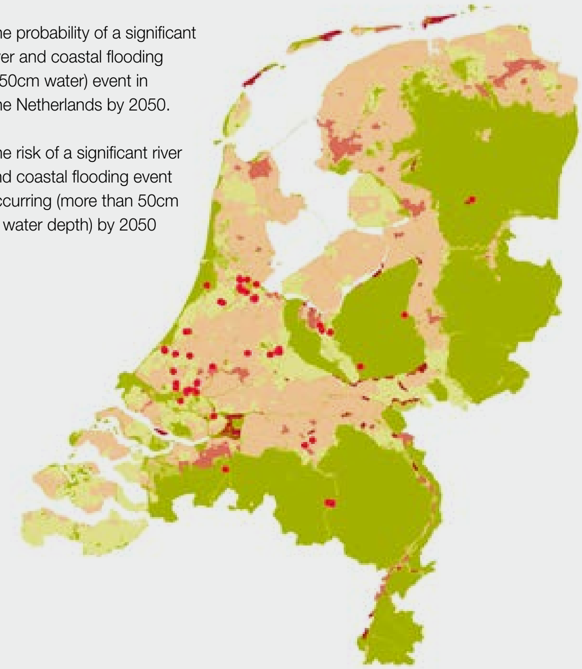
Drought is measured according to the potential lack of rainfall over a longer period. As our climate changes, the Netherlands is expected to experience longer periods of warmer weather and a lack of precipitation[3].

While increased droughts can greatly affect the Dutch ecosystem and the agricultural sector, buildings can also be severely affected through land subsidence and rotting of wooden pile foundations as groundwater levels decrease. Although analysis highlights those assets that are potentially vulnerable to wooden foundation rot

FLOODRISK

The probability of a significant river and coastal flooding (>50cm water) event in The Netherlands by 2050.

The risk of a significant river and coastal flooding event occurring (more than 50cm of water depth) by 2050



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

(due to when they were constructed and the soil they are built on) NSI knows that only four assets are at risk. These were built before 1960. Two have already been checked and approved as resilient to drought, while in 2021 the other two (representing 3.1% of the portfolio value and 2.8% of the GRI) will be checked.

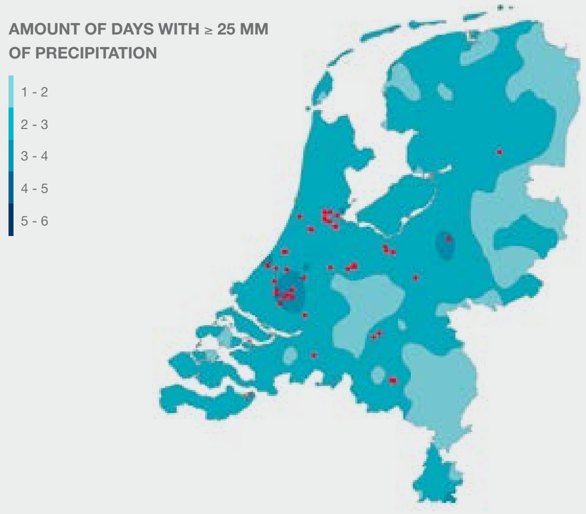
Heat

Heat stress is commonly described by the number of tropical days (≥ 30°C) experienced per year. In 2020, most of the Netherlands endured eight subsequent tropical days[4]. By 2050, the Netherlands is likely to experience temperatures higher than 35ºC at least once or twice a year[5]. Since people spend on average 90% of their time indoors, managing this impact on buildings ability to retain a productive working climate and temperature will be crucial.

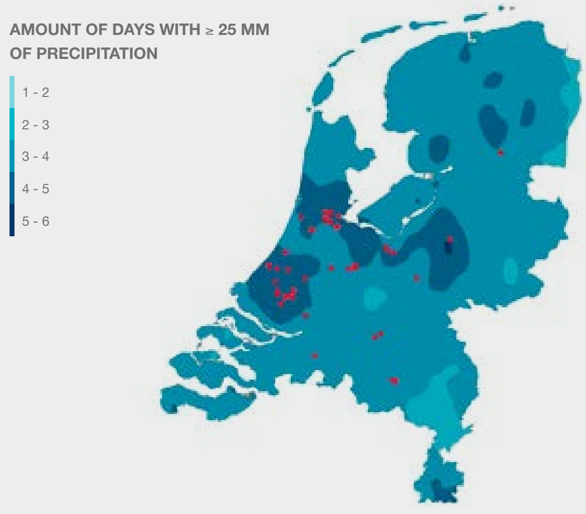
To identify assets most at risk of being exposed to heat stress, the Urban Heat Index was used. This index shows the temperature difference between urban and rural areas. Nine of NSI's assets are in areas predicted to experience a difference of over 2°C and most of NSI's other assets (36) are identified as vulnerable to heat stress i.e. a difference of 1.5°C and 2°C. This difference will have a direct impact on the cooling demands of a building but also the occupants comfort and productivity. Studies[6] have shown a 6% reduction in performance at warmer temperatures.

1 http://www.klimaatscenarios.nl/images/Brochure_KNMI14_NL.pdf
2 https://www.knmi.nl/kennis-en-datacentrum/uitleg/regenintensiteit
3 http://www.klimaatscenarios.nl/images/Brochure_KNMI14_NL.pdf
4 https://www.knmi.nl/kennis-en-datacentrum/uitleg/tropische-dagen
5 https://www.knmi.nl/over-het-knmi/nieuws/extreme-hitte-in-nederland
6 See report Health, wellbeing and productivity in offices on ukgbc.org

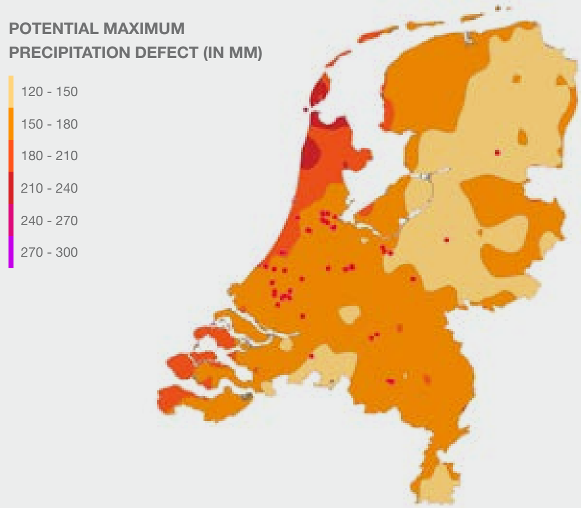
NUISANCE BY PRECIPITATION **2019**



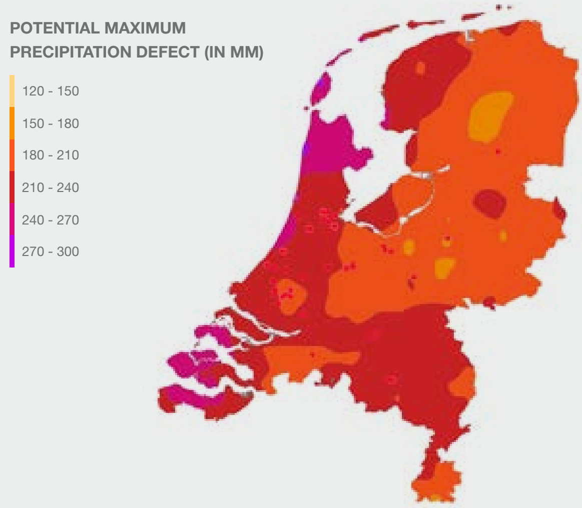
NUISANCE BY PRECIPITATION **2050**



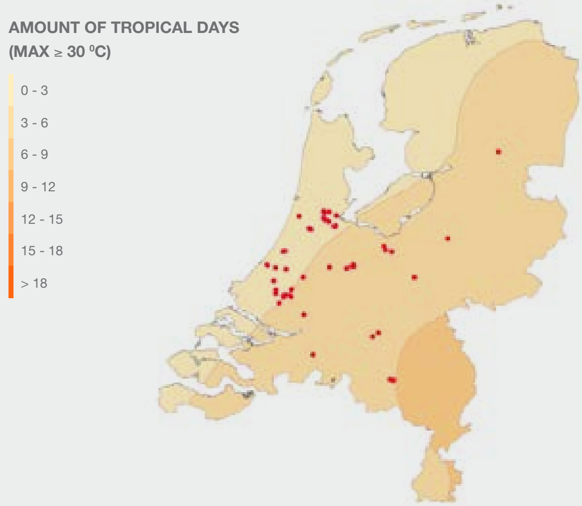
DROUGHT **2019**



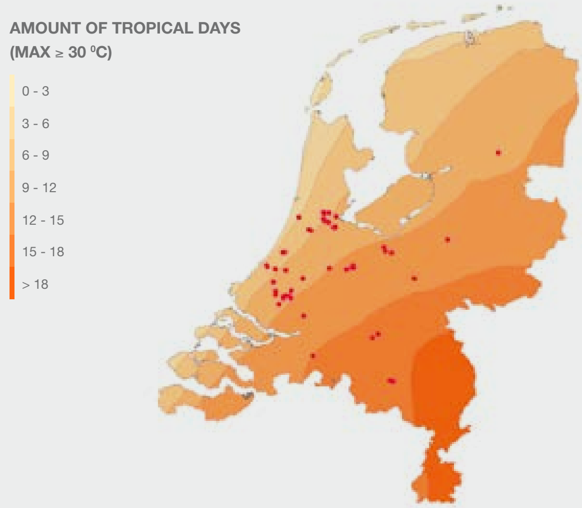
DROUGHT **2050**



HEAT **2019**



HEAT **2050**



NSI performed a risk assessment of its real estate portfolio in 2019, focusing on what are considered to be the most apparent climate change risks in the Netherlands. How these risks are estimated to evolve from the moment of assessment (2019) to 2050 are outlined in the maps above.

NSI already factors in the increased cooling demand needed for the existing portfolio and as part of determining the design criteria for development projects. One of the key steps taken in 2020 was increasing the cooling installation capacity of the buildings, to equip the buildings to handle temperatures of over 35°C.

Socio-economic risks

The physical hazards that result from climate change, can and will continue to have a significant effect on the quality of human life. In addition to the physical hazards which could potentially affect the resilience and accessibility of assets, there are related socio-economic issues that need to be taken into consideration which could have an impact on an asset's value.

As listed owners of commercial real estate the health and wellbeing of the occupiers should be a priority. In relation to the flooding and heat stress it is identified that being unable to access NSI buildings and/or the comfort levels caused by heat stress could have a direct impact on occupiers. NSI can help mitigate and adapt against these impacts through ensuring their assets are well connected and surrounded by green (space) and blue infrastructure (water elements). These measures can not only enhance the workability and usability of their assets but can also help reduce their vulnerability to the physical impacts of climate change.

Transition risk: transition to low-carbon economy

Transition risk is identified by whether an asset is and will continue to be aligned to the Paris Agreement based on its energy performance. This is known as an assets carbon risk exposure.

The Carbon Risk Real Estate Monitor (CCREM) breaks down the global anthropogenic greenhouse gas emissions budget that is consistent with the Paris Agreement (to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C). First by individual countries, then to the commercial real estate sector level and then finally to individual property types, to provide an emissions intensity target for each building to ensure it is aligned with the Paris Agreement.

CRREM has identified that some of NSI's assets are currently not operating in line with the Paris Agreement and that a significant proportion are at risk of becoming carbon stranded by 2030. Immediate attention to the operational energy performance of these buildings will be addressed as part of NSI's Paris Proof portfolio roadmap that aims to outline the steps necessary to achieve net zero by 2035.

The difference in temperature between urban and rural areas in Rotterdam

The vulnerability of assets to heat stress expressed by the temperature difference between urban and rural areas (Urban Heat Index)

OTHER NON-FINANCIAL DISCLOSURE

Diversity

NSI is committed to fostering a fair and inclusive working environment. 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.

NSI aims for a balanced gender breakdown and is committed to provide equal pay for equal work. The current gender pay gap is largely driven by the structure of our workforce, including the higher representation of men in senior management roles and a higher representation of women in operations (HNK hosts), varieties in tenure, job level and specific expertise.

Gender breakdown	Female		Male		Gender
	%	#	%	#	Pay ratio*
Management Board	50%	1	50%	1	-24%
Senior management	14%	2	86%	12	-16%
Operations	80%	12	20%	3	-49%
Staff	33%	8	67%	16	-7%
Total	**42%**	**23**	**58%**	**32**	**-38%**
Supervisory Board	40%	2	60%	3	10%

* (Female average pay - Male average pay)/ Male average pay

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 2020.

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 2020.

CASE

BENTINCK HUIS – EMBODYING NSI'S VISION ON FUTURE-PROOF BUILDINGS

The renovation of the historic office building Bentinck Huis in The Hague perfectly showcases NSI's vision and ambition on future-proof buildings.

The design embraces all three pillars of NSI's sustainability strategy: Future-Proof Buildings, Energy & Carbon and Health & Well-being. The building now features thermal energy storage, solar panels, a sedum roof and smart sensors to optimise energy usage. The design also contains elements aimed at the tenants' well-being. These include a significant increase of natural daylight on the office floors by enlarging the windows. The staircase in the lobby has turned into an absolute eyecatcher that invites people to take the stairs more often. In 2020 the Dutch Central Government Real Estate Agency (Rijksvastgoedbedrijf) signed a 10-year lease for the entire building. This renovation is a good example that investing in quality and sustainability can add significant value for both tenant and landlord.

Annemarie de Leuw, Asset Manager and Sustainability Coordinator at NSI: "We have transformed Bentinck Huis in a highly sustainable building with the latest technologies, whilst respecting its historical grandeur. This building shows what NSI stands for: creating healthy and sustainable offices in central locations by investing in a sustainable and return-oriented way and preserved an extraordinary property for future generations."

CASE

LARGE-SCALE RENOVATION AT DONAUWEG

The building at Donauweg 2B in Amsterdam Sloterdijk underwent a large-scale renovation last year.

The building was stripped and the facade on the ground floor was replaced completely with glass and made transparent. NSI added a heat pump to the climate control system so that virtually all the heat is now generated by electricity. The roof of the building is covered with 152 solar panels and there are now 10 charging points in the car park. As a result of these sustainable measures the building now has an energy label A and the lowest energy index in our portfolio. In 2021 this 4,606-sqm building will once again be available for green lease agreements.

CORPORATE GOVERNANCE

Introduction

NSI N.V. is a Dutch public limited liability company listed on Euronext Amsterdam and has its registered seat 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 2020, 19,291,415 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.
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. 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 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.

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.

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

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 remuneration report
- 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 2020 Annual General Meeting of Shareholders took place on 24 April. This meeting addressed the following topics: the 2019 annual report, including the Report of the Management Board and the report of the Supervisory Board on the 2019 financial year, the application of the remuneration policy, the adoption of the 2019 financial statements, the dividend policy of NSI and the declaration of the final dividend 2019, the discharge of the Management Board and the Supervisory Board, the (re)appointment of the CEO and three members of the Supervisory Board, the revision of the Remuneration policy for the Management Board and for the Supervisory 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 and activities 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. 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 on 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 2020 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 2020 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. As of April 24th, 2020 the Supervisory Board comprises five members.

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 2020. 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. Proposals to the General Meeting of Shareholders for appointment or reappointment are supported by 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 Supervisory Board members receive a remuneration in accordance with the 'Remuneration Policy for Members of the Supervisory Board of NSI' which is published on the company's website. The General Meeting determines the remuneration policy for the Supervisory Board, in accordance with the relevant statutory provisions. The Supervisory Board makes a proposal to that end.

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.
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 many small listed 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. In practice NSI has an comprehensive Internal Audit program and yearly executes a number of Internal Audits that are conducted by BDO accountants and reported to and discussed with the Audit committee.

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. Every year all employees are instructed on the main topics of the Code of Conduct and reaffirm their adherence to its provisions. Several compliance- related issues and dilemmas that were brought up in 2020 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 2020.

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. As of 1 May 2020 50% of the Management Board consisted of women and 50% 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. As of 24 April 24 2020 40% of the Supervisory Board has consisted of women and 60% 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 79 and 80 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 2020	31 December 2019
ICAMAP Investments SARL	10.0%	10.0%
BlackRock, Inc.	5.0%	5.0%
Norges Bank	4.2%	3.0%
Phoenix Insurance Company Ltd.	3.7%	3.7%
APG Asset Management N.V.	3.3%	3.3%
Clearance Capital	3.2%	

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 MANAGEMENT BOARD

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 2024

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

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 2020 financial year. PricewaterhouseCoopers Accountants N.V. has audited the financial statements and has issued an unqualified opinion (page 123-128). We will recommend that the financial statements be adopted at the General Meeting of Shareholders on Wednesday 21 April 2021. The discharge of the Management Board in respect of the policy pursued in 2020 and of the Supervisory Board from the supervision it provided in 2020 will be addressed as separate agenda items at the General Meeting of Shareholders.

Composition of the Supervisory Board

The Supervisory Board currently consists of five members. At the General Meeting of Shareholders on Wednesday 21 April 2021 a proposal will be made to reappoint Margreet Haandrikman.

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	2024	2028
Harm Meijer	2016	2024	2028
Margreet Haandrikman	2017	2021	2029
Jan Willem Dockheer	2020	2024	2032

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 70-73).

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 himself held no shares in NSI.

Meetings and attendance

The Supervisory Board met on fifteen occasions during the year under review. The attendance rate at these meetings was 100%. The attendance rate at the committee meetings was also 100%.
Due to the Covid restrictions only five meetings were (partially) life and nine meetings were conducted in a video conference. We furthermore held two short separate videoconferences to discuss a specific topic, one to discuss the ONE20 acquisition and another to discuss the selection process and the candidates for the position of Head of Development.

Report of the activities of the Supervisory Board

Eight meetings were regular Supervisory Board meetings which 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. During these regular meetings the general state of affairs and the company's financial position were discussed. 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 and the mitigating measures taken in this regard. 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 had the Supervisory Board's constant attention. As of March 2020 the Supervisory Board discussed the topics specified below under "Covid-19" in all its regular meetings.

Long Term Value creation and strategy

Each Quarter we met to monitor the implementation of the companies strategy, approve the quarterly, half year or full year results and (interim)dividends and to discuss the pertaining press releases, making sure our shareholders and the market at large are adequately informed about the state of affairs and financial position of the company and about its outlook.

In the summer we additionally met on two occasions to brainstorm about trends and developments in society, especially the long term consequences of the Corona crisis and the Work from Home experiment and the implications thereof for our long term value creation model and strategy. In the autumn we then met to discuss a draft five year Business plan (period 2021-2025) and the Budget for the following year (2021) put forward by management. In this meeting and the subsequent discussions about the strategy we focussed on the strategy's implementation and feasibility, 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 and integrity.

Separate discussions subsequently took place in the Real Estate Committee about Business plans per Asset, Hold Sell Analyses and the Development projects. These discussions and the developments during the final months of the year lead to a further update and fine-tuning of the Business plan and Budget which were discussed and approved in their final form in the December meeting of the Supervisory Board. The 2021 – 2025 Business plan is based on a total return and cost efficiency approach, focusing on the "as-is" real estate portfolio and on the Development of existing locations. The budget for 2021 is in accordance with this plan.

Covid-19

Following the Outbreak of Covid-19 the Board had four extra meetings during the months of March and April with the management Board to:
- discuss the possible impact of the Corona crisis on the business
- be updated about measures to facilitate the safe usage of our buildings and to safeguard the health and well-being of customers and employees
- be updated about occupancy, rent collection, requests for postponement, rent relief and the overall risk and credit rating profile of tenants
- evaluate and update the risk register, with a specific focus on the Covid-19 risks and the mitigating measures pertaining thereto.
- prepare for a partially physical and partially virtual broadcasted AGM.

Risk management, internal and external auditing

Throughout 2020 we maintained regular contact with the external auditor, primarily during the meetings of the Audit Committee. In our meeting of 23 January we discussed the 2019 Management Letter of the external auditor. The external auditor attended our meeting of 4 March 2020 at which the report of the external auditor on the audit of the financial statements 2019 was discussed as well as the comments of the external auditor on the Management Report and the Remuneration report. In the Audit Committee meeting of 10 July 2020 the external audit plan for the year 2020 was presented by the external auditor and was also approved. In our meeting of 7 December 2020 we discussed the draft 2020 management letter of the external auditor and the Risk and control framework of the company, in particular the analysis of the identified risks associated with the strategy and activities of the company, the risk appetite and the mitigating measures that have been put in place in order to counter the risks as well as the effectiveness of the internal risk management and control systems during the year.
In the same meeting the audit committee reported on the functioning of, and the developments in, the relationship with the external auditor.

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 7 December 2020 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 51 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 an internal audit plan approved by the Supervisory Board a number of internal audits will be conducted under the supervision of the CFO in 2021.

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. The Real Estate Committee is involved at an early stage in all material decisions concerning the company's real estate portfolio. This mechanism functions well and contributes to the execution power and efficiency of the company.

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 15 January, 26 February, 4 March, 26 March, 15 April, 10 July, 20 November and 7 December dealt with acquisitions or acquisition opportunities of offices and with various development and redevelopment opportunities.

In its meeting of 15 October 2020 the Supervisory Board decided to amend the Regulations for the Supervisory Board, Real estate Committee and Management Board with an aim to harmonize the various thresholds that were applicable to acquisitions, divestments and investments. The existing thresholds were specifically tailored to the divestment program of 2017 and did not fit well for the new development activities. Following the harmonization decisions on acquisitions, divestments and investments up to a threshold of €5 million are made solely by the Management Board, decisions above this threshold require approval of the Real estate Committee and decisions above a threshold of €20 million require an advice by the Real Estate Committee and a subsequent approval by the full Supervisory Board.

Development

During 2020 NSI's development capacities were further strengthened. In several meetings the Supervisory Board discussed the organisational requirements, additional risks, mitigating measures and the internal control framework related to the Development activities. At several meetings we discussed and approved budgets for Development plans and projects and monitored the progress of the projects and the related costs.

Evaluations

On 4 March 2020 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 of the CEO and under the Short-Term Incentive for the CIO and CFO and as input for the target setting for the Management Board for 2020 under the Short-Term Incentive plan.

On 20 November 2020 the Supervisory Board conducted an evaluation of its own functioning of that of its committees and of the individual members by means of a self-assessment based on a list of questions. At the request of the Supervisory Board the Management Board and the Company Secretary also provided input and an assessment based on the aforementioned question list. The conclusions of this evaluation were used to evaluate the new profile of the Supervisory Board that was introduced in 2019 to include new competencies with a view to the new NSI strategy and to check whether the required competencies were adequately represented.

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 Heads of the Portfolio Management, Development, Transactions departments regularly participate in the Real Estate Committee meetings, and the Head of Finance regularly participates in the Audit Committee meeting giving the Supervisory Board direct contact to middle management.

At the meeting of 7 December 2020 the Supervisory Board discussed any other positions held by the members of the Management Board and Supervisory Board.

Education

The yearly education meeting that was planned for 10 June 2020 unfortunately had to be cancelled due to Corona restrictions. In October the Audit Committee and the CFO attended a seminar about annual reports. During 2020 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 real estate.

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 24 April 2020 the Supervisory Board authorised the issuance of shares for those shareholders who opted for distribution of the final dividend for 2019 in shares. The General Meeting of Shareholders approved the issuance on 24 April 2020.

On 10 July 2020 the Supervisory Board approved the interim dividend for 2020 and authorised the issuance of shares for those shareholders who opted for distribution of the interim dividend for 2020 in shares.

2020 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 2020 of € 1.12 per share. That brings the total dividend for 2020 to € 2.16 per share, of which € 1.04 per share was distributed as an interim dividend on 4 August 2020.
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 13 May 2021.

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

From 1 January to 31 October 2020 2020 the Remuneration Committee consisted of Koks-Van der Sluijs (Chair) and Luurt van der Ploeg (member).
From 1 November to 31 December 2020 the Remuneration Committee consisted of Jan Willem Dockheer (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 2020 the Remuneration Committee was particularly involved in the revision of the remuneration policy of the Management Board and of the Supervisory Board pursuant to the EU Shareholders Rights Directive. This revision was adopted in the General Meeting of Shareholders on 24 April 2020.

The Remuneration Committee had one joint meeting with the Selection and Appointment Committee in the year under review to discuss the establishment of collective and individual targets for 2020 linked to the Short-Term Incentive of the members of the Management Board. The applicable performance measures were set to foster short-term results needed for sustainable value creation with respect to the most important achievement areas of the company. The targets and the performance levels were based on the business plan and budget, aligned with the targets set for the employees and fixed after scenario planning's had been carried out to ensure a proper relation between performance and remuneration levels.

The Remuneration Committee had one joint meeting with the Selection and Appointment Committee in the year under review to discuss the performance of the members of the Management Board with respect to their individual targets for 2019 under the Long-Term Share Plan of the CEO and under the Short-Term Incentive for the CIO and CFO

The Remuneration Committee had one meeting to discuss the achievement of the 2020 individual targets of the CIO linked to the target payment for both STI and LTI that was set for the remainder of his tenure (1 January 2020 – 30 April 2020) in line with the Remuneration Policy.

Remuneration policy and report

For a detailed overview of the Remuneration Policy and the way this has been executed in the year under review please refer to the separate Remuneration Report 2020.
The remuneration report (dated 4 March 2021), including the pay ratio, is posted on the company's website. The report will be presented to the AGM of 24 April 2021 for an advisory vote.

Selection and Appointment Committee

From 1 January to 31 October 2020 the Selection and Appointment Committee consisted of Koks-Van der Sluijs (Chair) and Luurt van der Ploeg (member).
From 1 November to 31 December 2020 the Selection and Appointment Committee consisted of Jan Willem Dockheer (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 2020 individual targets for the members of the Management Board linked to their Long Term Incentive and Short Term Incentive and target pay out (for the CIO) and the achievement of the 2019 individual targets of the members of the Management Board linked to their Long Term Incentive and Short Term Incentive and Long Term Share Plan(LTSP, for CEO only).

The Selection and Appointment Committee prepared the evaluation and reappointment of the CEO and two members of the Supervisory Board and the appointment of Jan Willem Dockheer as a new member of the Supervisory Board.

The Selection and Appointment Committee further advised the Supervisory Board on an amendment of the Management Board regulations to redistribute the responsibilities of the CIO between the CEO and CFO effective 1 May 2020.

Audit Committee

During 2020 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 conferred with the external auditor, of which at least once a year without the presence of the Management Board.
The Audit Committee assessed the need for an internal auditor and made a proposal to the Supervisory Board for a recommendation to the Board of Management.

In 2020 the Audit Committee discussed and was particularly involved in the assessment and/or monitoring of:

- a the operation and effectiveness 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
- d the yearly evaluation of the internal audit charter, the internal audit plan for 2020 and internal audit findings; in 2020 the internal audits focussed on the rent process, the real estate valuation process, the ICT and Cybersecurity process, the accounts receivable process and the treasury process
- e evaluation of the functioning of the external accountant and the relationship with the external auditor, reporting the results of the evaluation to the Supervisory Board and informing the external auditor about the main topics of the evaluation
- f discussions with the external auditor about the 2020 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;
- g the application of information and communication technology and measures to improve cybersecurity including a new Information security policy based on the "BIVC- method"
- h the description or improvement of internal processes such as the valuation process, the process for classification and valuation of development projects and the development processes for Capex budgets and for monitoring the progress of development projects (in general);
- i the Treasury policy
- j a partial refinancing of existing loan facilities including a private placement.
- k the Dividend policy and the implementation thereof
- l the internal and external authorizations of the employees
- m corona related risks
- n the consequences for external valuations as a result of possible Covid-19 impact in economic activity in combination with limited market evidence and the Covid-19 clause that our appraisers included in their valuations per 30th June 2020 related to material valuation uncertainty
- o ESEF reporting

Real Estate Committee

During 2020 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 had four regular meetings with the Management Board and had several additional conference calls between meetings.

In 2020 the Real Estate Committee was particularly involved in:

- a meeting regularly with management to discuss the portfolio strategy, hold/sell analyses, market updates, occupancy, retention and new leases;
- b evaluating proposed management decisions, specifically with regard to real estate transactions (acquisitions, disposals and investments);
- c discussing the acquisition policy and advising the Supervisory Board on several acquisition opportunities and on the acquisition of the ONE20office building in Amsterdam Sloterdijk;
- d discussing and approving the disposal of a number of non-core assets;
- e discussing the status of the Development organisation and projects, in particular the Laanderpoort development in Amsterdam South East and the Vitrum and Vivaldi III developments in the Amsterdam Southaxis area;
- f assessing asset business plans for all major offices and HNKs; and discuss the analysis of the assets on portfolio level
- g discussing the transformation potential within the portfolio
- h holding discussions with management with regard to the HNK strategy, positioning, product offering, organisation, cost structure and returns,
- i implementation of social distancing measures in the NSI buildings and other measures to safeguard health and safety of tenants, visitors and employees
- j advising the Supervisory Board on an amendment of the regulations and thresholds for approvals

In conclusion

2020 was a year of adjusting the organisation to the new strategy and of several divestments en route to a more concentrated office portfolio. The challenges set by Covid-19 and the ensuing Work From Home situation required hard work and resilience 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, 4 March 2021

The Supervisory Board,

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

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)

Supervisory Board positions Immobel

First appointment 2016

Current term To 2024

Mr J.W. Dockheer (1973)

Nationality Dutch

Current position CEO Delhaize Serbia, at Ahold Delhaize

First appointment 2020

Current term To 2024

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 2024

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 Board of Stichting Bouw & Ontwikkeling, 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.
* term ended as per 1 January 2021

First appointment 2017

Current term To 2021

CONTENT

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

(x € 1,000)

	Note		2020		2019
Gross rental income	2		76,854		82,831
Service costs recharged to tenants		12,612		12,817	
Service costs		-14,390		-14,418	
Service costs not recharged	2		-1,778		-1,601
Operating costs	2, 3		-14,610		-14,003
Net rental income			**60,466**		**67,227**
Revaluation of investment property	4		-64,965		144,642
Net result on sale of investment property	5		720		8,728
Net result from investments			**-3,778**		**220,597**
Administrative costs	6		-7,096		-7,948
Other income and costs	7		-747		-1,402
Financing income		1		2	
Financing costs		-8,439		-9,841	
Movement in market value of financial derivatives		-365		-5,110	
Net financing result	8		-8,803		-14,950
Result before tax			**-20,424**		**196,297**
Corporate income tax	9		10		-1
Total result for the year			**-20,414**		**196,297**
Other comprehensive income / expense					
Total comprehensive income / expense for the year			**-20,414**		**196,297**
Total comprehensive income / expense attributable to:					
Shareholders			-20,414		196,297
Total comprehensive income / expense for the year			**-20,414**		**196,297**
Data per average outstanding share:					
Diluted as well as non-diluted result after tax (€)	18		-1.07		10.47

The notes on pages 118 to 121 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2020

(x € 1,000)

	Note	31 December 2020	31 December 2019
Assets			
Investment property	10	1,240,192	1,263,089
Financial fixed assets	11	1,659	0
Tangible fixed assets	12	1,464	1,531
Intangible fixed assets	13	242	366
Other non-current assets	14	12,164	7,662
Non-current assets		**1,255,721**	**1,272,649**
Debtors and other receivables	15	2,226	1,101
Cash and cash equivalents	16	155	1,433
Assets held for sale	17		15,950
Current assets		**2,382**	**18,484**
Total assets		**1,258,103**	**1,291,133**
Shareholders' equity			
Issued share capital	18	70,992	69,617
Share premium reserve	18	918,275	919,661
Other reserves	18	-114,416	-282,266
Total result for the year		-20,414	196,297
Shareholders' equity		**854,438**	**903,308**
Liabilities			
Interest bearing loans	19	365,260	315,765
Derivative financial instruments	20	2,920	3,978
Other non-current liabilities	21	5,858	5,365
Non-current liabilities		**374,038**	**325,108**
Redemption requirement interest bearing loans	19	700	25,725
Derivative financial instruments	20	220	208
Creditors and other payables	22	28,318	23,930
Debts to credit institutions	23	390	12,576
Liabilities directly associated with assets held for sale			279
Current liabilities		**29,627**	**62,717**
Total liabilities		**403,665**	**387,825**
Total shareholders' equity and liabilities		**1,258,103**	**1,291,133**

The notes on pages 118 to 121 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

(x € 1,000)

	Notes	2020	2020	2019	2019
Result from operations after tax			-20,414		196,297
Adjusted for:					
Revaluation of investment property	4	64,965		-144,642	
Net result on sale of investment property	5	-720		-8,728	
Net financing result	8	8,803		14,950	
Corporate income tax	9	-10		1	
Depreciation and amortisation	6	546		520	
			73,583		-137,900
Movements in working capital:					
Debtors and other receivables		-7,351		-948	
Creditors and other payables		4,545		-2,746	
			-2,807		-3,694
Cash flow from operations			**50,362**		**54,703**
Financing income received			1		2
Financing costs paid			-8,925		-9,480
Settlement of derivatives			-1,411		-5,971
Tax paid			-8		-31
Cash flow from operating activities			**40,020**		**39,222**
Purchases of investment property and subsequent expenditure	10, 17		-54,276		-45,886
Proceeds from sale of investment property	10, 17		29,511		128,539
Investments in tangible fixed assets	12		-7		
Disinvestments in tangible fixed assets	12				2
Investments in intangible fixed assets	13		-83		-68
Cash flow from investment activities			**-24,856**		**82,588**
Dividend paid to the company's shareholders			-28,456		-26,271
Proceeds from interest bearing loans	19		85,125		100,000
Transaction costs interest bearing loans paid			-75		-179
Repayment of interest bearing loans	19		-60,850		-196,250
Cash flow from financing activities			**-4,255**		**-122,701**
Net cash flow			**10,909**		**-891**
Cash and cash equivalents and debts to credit institutions - balance as per 1 January			**-11,143**		**-10,252**
Cash and cash equivalents and debts to credit institutions - balance as per 31 December			**-234**		**-11,143**

The notes on pages 118 to 121 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(x € 1,000)

2020

	Issued share capital	Share premium reserve	Other reserves	Result for the year	Shareholders' equity
Balance as per 1 January 2020	**69,617**	**919,661**	**-282,266**	**196,297**	**903,308**
Total result for the year				-20,414	-20,414
Total comprehensive income / expense for the year				**-20,414**	**-20,414**
Profit appropriation - 2019			196,297	-196,297	
Distribution final dividend - 2019	1,186	-1,192	-10,357		-10,362
Interim dividend - 2020	189	-194	-18,089		-18,094
Contributions from and to shareholders	**1,375**	**-1,385**	**167,851**	**-196,297**	**-28,456**
Balance as per 31 December 2020	**70,992**	**918,275**	**-114,416**	**-20,414**	**854,438**

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**	**733,283**
Total result for the year				196,297	196,297
Total comprehensive income / expense 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**

Additional information with respect to equity is given in note 18.

The notes on pages 118 to 121 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 4 March 2021. The financial statements will be submitted to the General Meeting of Shareholders on 21 April 2021 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.

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 2019. The most significant assumption relates to the unobservable information used in the valuation of the investment property. Other judgements are made relating to the claims for shopping center 't Loon and the feasibility of the three investment properties under construction.

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 subsequently measured 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 2020 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 (reference is made to note 20).

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 20 - Financial instruments;
- Note 25 - Remuneration Management Board.

Implications of Covid-19

Rental income and debtors

NSI is closely monitoring the payment behaviour of its tenants. Up to 31 December 2020, most part of the rents have been received, though individual arrangements, e.g. delay in payment or additional lease incentives, have been made with several tenants. In case additional lease incentives (either discount or free rent) were given, these incentives are straightlined over the term of the lease agreement, in accordance with NSI's main principles for financial reporting, rather than recognising the past due rent as a credit loss under IFRS 9.
Due to Covid-19, based on forward looking information, the provisions for doubtful debts have slightly increased.

Also measures have been taken with regard to the health and safety of the tenants in the properties and the company's staff; additional investments have been made for this purpose.

Further information on the (possible) consequences of the Covid-19 outbreak and measures taken to minimise risks can be found under note 2, 3, 6 and 15.

Liquidity

NSI has drawn up a liquidity forecast and performed stress tests for loan-to-value, solvency and debt covenants. Based on the assumptions currently used in forecasting, which includes already foreseen consequences of the Covid-19 outbreak, no additional financing will be required in 2021 and 2022. Also loan-to-value, solvency and ICR will remain well within the covenants.

Further information on the outcome of the stress tests can be found under note 10 and 18. Based on the outcome, the Management of the company concludes that it is not expected that the Covid-19 outbreak will affect the company's ability to continue as a going concern.

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.

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 2020	31 December 2019
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 Vastgoed B.V.	Amsterdam, The Netherlands	100.0%	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 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.

The fair 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. 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 gross initial yield and therefrom derived 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.

Capitalisation of costs related to the development project commences as soon as it is probable that future economic benefits associated with the development of the property will flow to the entity and the cost of the project can be measured reliably.

If a development project involves an existing property, the value of that property is transferred to investment property under construction once it is no longer available for letting as a result of the re-development.

The costs associated with investment property under construction consists of all the directly attributable costs required to complete the project, including internal costs of employee benefits arising directly from the development project and financing costs. The finance costs concerns capitalised interest, which is charged as from the date capitalisation of costs commences 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.

If the fair value can be measured reliable, investment property under construction is valued at fair value. In order to evaluate whether the fair value of a property under construction can be measured reliably, management considers amongst others the following criteria:

- The status of the required construction;
- The status of the construction contract;
- Level of reliability of cash inflows after completion.

If the fair value cannot be measured reliable, investment property under construction is valued at cost, including capitalised interest, minus any cumulative impairment losses.

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 fixtures and office equipment (hardware). These assets are valued at cost, less cumulative depreciation and any cumulative impairment losses.
Furthermore, the value of the right of use of lease cars is included under tangible fixed assets following the 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 fixtures: 4 years;
- Hardware: 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 2020 (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.

Management Board variable remuneration

The variable remuneration component for the Management Board consists of a long-term incentive (LTI) and a short-term incentive (STI) after adoption of the new remuneration policy.

The new policy was adopted in 2019 for the CFO and the CIO. The LTI 2020 is based on 2019 and 2020 and is capped at 45% of the base salary whereas the STI is based on 2020 only and capped at 36% of the base salary.
For the CEO this policy was also implemented in 2020. Both the LTI and the STI are based on 2020 only. The LTI is capped at 90% of the base salary and the STI is capped at 24% of the base salary.

At the end of 2020, 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 2020.

New and amended standards not applied

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020. These standards and amendments did not have an impact on these consolidated financial statements:
- Amendments to IFRS 3, "*Business combinations*" - Definition of a business;
- Amendments to IAS 1, "*Presentation of financial statements*" and IAS 8 "*Accounting policies, changes in accounting estimates and errors*" - Definition of material;
- Amendments to IFRS 9, IAS 39 and IFRS 17 - Interest rate benchmark reform.

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 January 2020, two assets formerly included in the segment “Offices - Amsterdam” have been reclassified to the segment “Other” due to usage as community college and student housing facility. Comparative figures have been adjusted accordingly.

2020

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	29,389	21,553	1,771	4,673	9,368	3,298	6,803		76,854
Service costs recharged to tenants	3,223	2,843	481	992	2,530	1,192	1,350		12,612
Service costs	-3,390	-3,121	-555	-1,173	-3,011	-1,638	-1,503		-14,390
Service costs not recharged	-166	-278	-74	-181	-480	-445	-153		-1,778
Operating costs	-3,039	-4,509	-184	-999	-2,820	-1,380	-1,679		-14,610
Net rental income	**26,184**	**16,766**	**1,513**	**3,493**	**6,068**	**1,472**	**4,970**		**60,466**
Revaluation of investment property	-33,154	-7,496	-1,803	-5,782	-5,316	-4,181	-7,233		-64,965
Net result on sale of investment property		-380	-233			1,446	-113		720
Net result from investment	**-6,970**	**8,891**	**-523**	**-2,289**	**752**	**-1,264**	**-2,375**		**-3,778**
Administrative costs								-7,096	-7,096
Other income and costs								-747	-747
Net financing result								-8,803	-8,803
Result before tax	**-6,970**	**8,891**	**-523**	**-2,289**	**752**	**-1,264**	**-2,375**	**-16,646**	**-20,424**
Corporate income tax								10	10
Total result for the year	**-6,970**	**8,891**	**-523**	**-2,289**	**752**	**-1,264**	**-2,375**	**-16,636**	**-20,414**
Other comprehensive income / expense									
Total comprehensive income / expense for the year	**-6,970**	**8,891**	**-523**	**-2,289**	**752**	**-1,264**	**-2,375**	**-16,636**	**-20,414**
Attributable to shareholders	-6,970	8,891	-523	-2,289	752	-1,264	-2,375	-16,636	-20,414

Statement of financial position as per 31 December

	Offices			HNK					
	A’dam	Other Target Cities	Other NL	A’dam	Other Target Cities	Other NL	Other	Corpo-rate	TOTAL
Investment property	552,876	351,608	18,275	89,380	128,465	26,580	73,008		1,240,192
Other assets	2,377	5,493	225	519	1,690	1,160	701	5,747	17,911
Assets held for sale									
Total assets	**555,253**	**357,101**	**18,500**	**89,898**	**130,155**	**27,740**	**73,709**	**5,747**	**1,258,103**
Non-current liabilities	1,168	500	127	1,349	1,357	325	479	368,733	374,038
Current liabilities	3,067	2,424	141	343	513	355	373	22,411	29,627
Liabilities directly associated with assets held for sale									
Total liabilities	**4,236**	**2,925**	**267**	**1,692**	**1,870**	**680**	**852**	**391,144**	**403,665**
Purchases of investment property and subsequent expenditures	44,209	6,232	101	1,163	960	1,093	518		54,276

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	26,393	21,895	6,297	4,755	9,202	3,439	10,850		82,831
Service costs recharged to tenants	2,703	2,925	1,312	996	2,259	1,115	1,507		12,817
Service costs	-3,133	-3,299	-1,026	-1,127	-2,734	-1,426	-1,672		-14,418
Service costs not recharged	-430	-373	285	-131	-475	-311	-165		-1,601
Operating costs	-2,721	-3,939	-963	-819	-2,315	-779	-2,466		-14,003
Net rental income	**23,242**	**17,583**	**5,619**	**3,804**	**6,411**	**2,348**	**8,219**		**67,227**
Revaluation of investment property	66,025	35,977	4,246	21,058	23,195	3,224	-9,083		144,642
Net result on sale of investment property	1,350	3,169	5,021				-811		8,728
Net result from investment	**90,617**	**56,728**	**14,886**	**24,862**	**29,606**	**5,573**	**-1,675**		**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	**90,617**	**56,728**	**14,886**	**24,862**	**29,606**	**5,573**	**-1,675**	**-24,300**	**196,297**
Corporate income tax								-1	-1
Total result for the year	**90,617**	**56,728**	**14,886**	**24,862**	**29,606**	**5,573**	**-1,675**	**-24,301**	**196,297**
Other comprehensive income / expense									
Total comprehensive income / expense for the year	**90,617**	**56,728**	**14,886**	**24,862**	**29,606**	**5,573**	**-1,675**	**-24,301**	**196,297**
Attributable to shareholders	90,617	56,728	14,886	24,862	29,606	5,573	-1,675	-24,301	196,297

Statement of financial position as per 31 December

	Offices			HNK					
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	Corporate	TOTAL
Investment property	541,696	362,693	19,969	93,999	132,820	32,189	79,723		1,263,089
Other assets	1,998	3,442	106	363	730	681	342	4,432	12,094
Assets held for sale			15,200				750		15,950
Total assets	**543,694**	**366,135**	**35,275**	**94,362**	**133,550**	**32,870**	**80,815**	**4,432**	**1,291,133**
Non-current liabilities	706	497	115	1,394	1,216	324	524	320,332	325,108
Current liabilities	2,009	151	-181	-1	121	173	351	59,815	62,438
Liabilities directly associated with assets held for sale			260				20		279
Total liabilities	**2,715**	**648**	**193**	**1,394**	**1,337**	**497**	**895**	**380,147**	**387,825**
Purchases of investment property and subsequent expenditures	26,889	12,615	338	967	3,097	110	1,871		45,886

2. NET RENTAL INCOME

	Gross rental income		Service costs not recharged		Operating costs		Net rental income	
	2020	2019	2020	2019	2020	2019	2020	2019
Amsterdam	29,389	26,393	-166	-430	-3,039	-2,721	26,184	23,242
Other Target Cities	21,553	21,895	-278	-373	-4,509	-3,939	16,766	17,583
Other Netherlands	1,771	6,297	-74	285	-184	-963	1,513	5,619
Offices	52,713	54,585	-518	-518	-7,731	-7,623	44,463	46,444
Amsterdam	4,673	4,755	-181	-131	-999	-819	3,493	3,804
Other Target Cities	9,368	9,202	-480	-475	-2,820	-2,315	6,068	6,411
Other Netherlands	3,298	3,439	-445	-311	-1,380	-779	1,472	2,348
HNK	17,338	17,395	-1,106	-918	-5,199	-3,914	11,033	12,564
Other	6,803	10,850	-153	-165	-1,679	-2,466	4,970	8,219
Net rental income	**76,854**	**82,831**	**-1,778**	**-1,601**	**-14,610**	**-14,003**	**60,466**	**67,227**

Gross rental income includes the effect of waved rental income for an amount of € 0.9m related to the COVID-19 outbreak, primarily related to short term contract in HNK properties.

Gross rental income can be specified in the following components:

		2020		2019
Gross rental income - offices / HNK / other		76,038		80,498
Turnover rent	51		297	
Indemnities received	62		523	
HNK - meeting rooms	358		930	
Other rental income	346		583	
Other gross rental income		816		2,332
Gross rental income		**76,854**		**82,831**

Gross rental income includes an amount of € 6.3m (2019: € 5.3m) for straight-lined lease incentives.

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 annual rent

to be received from operating lease agreements is specified as follows:

	31 December 2020	31 December 2019[1]
First year	76,573	76,745
Second to fourth year	148,202	152,809
As of fifth year	80,559	81,249

[1] Figures as per 31 December 2019 were restated to reflect the existing break options in the lease contracts

3. OPERATING COSTS

	2020	2019
Leasehold	44	-47
Municipal taxes	-2,837	-2,836
Insurance premiums	-551	-536
Maintenance costs	-4,442	-4,040
Property management costs	-4,475	-3,892
Letting costs	-1,438	-1,623
Contribution to owner association	-406	-486
Doubtful debt costs	-123	-174
Other operating costs	-382	-369
Operating costs	**-14,610**	**-14,003**

Operating costs include an amount of € 0.5m related to health and safety measures taken as an effect of Covid-19, which are reported as property management costs.

Property management costs include administrative costs charged to operations for an amount of € 4.2m (2019: € 3.4m). Letting costs includes an amount of € 0.5m (2019: € 0.6m) for straight-lined letting investments and commissions.

An amount of € 0.1m (2019: € 0.0m) relates to operating costs of fully vacant properties.

4. REVALUATION OF INVESTMENT PROPERTY

	2020			2019		
	Positive	Negative	Total	Positive	Negative	Total
Investment property in operation	8,489	-69,155	-60,666	160,406	-19,163	141,244
Investment property under construction	1,155	-814	341	5,051		5,051
Assets held for sale						
Revaluation - market value	**9,644**	**-69,969**	**-60,325**	**165,457**	**-19,163**	**146,295**
Movement in right of use leasehold			-60			-19
Movement in lease incentives			-4,580			-1,634
Revaluation of investment property			**-64,965**			**144,642**

Negative revaluation also reflects market tendencies due to the Covid-19 outbreak.

Further details on revaluation can be found in note 10.

5. NET RESULT ON SALE OF INVESTMENT PROPERTY

	2020	2019
Proceeds on sale of investment property	30,109	130,375
Transaction costs on sale of investment property	-598	-1,836
Sale of investment property	**29,511**	**128,539**
Book value at the time of sale (excl. right of use leasehold)	-28,791	-119,811
Net result on sale of investment property	**720**	**8,728**

The result on the right of use leasehold at the moment of disposal amounts to € 0.0m (2019: € 0.0m).

The net result on sale of investment property includes an amount of € 0.7m (2019: € 0.1m) related to prior years' sales.
During 2020 4 office properties (2019: 21 objects), 1 HNK property (in 2019 no HNK properties were sold) and 1 retail object (2019: 9 retail and industrial objects) have been sold.

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

6. ADMINISTRATIVE COSTS

		2020		2019
Salaries and wages	-5,124		-5,623	
Social security	-567		-536	
Pensions	-310		-281	
Depreciation right of use tangible fixed assets	-274		-226	
Other staff costs	-1,492		-1,173	
Staff costs		-7,766		-7,839
Compensation supervisory board		-254		-202
Depreciation and amortisation	-272		-294	
Other office costs	-1,804		-1,213	
Office costs		-2,076		-1,507
Audit, consultancy and valuation costs		-1,168		-1,080
Other administrative costs		-789		-686
Administrative costs		**-12,053**		**-11,314**
Allocated administrative costs		**4,957**		**3,366**
Administrative costs		**-7,096**		**-7,948**

Administrative costs directly related to the operation of the investment property portfolio are recharged to the operating costs. As from 1 January 2020, directly attributable costs related to development project are capitalised as part of the respective project (€ 0.6m). Furthermore, as from 1 January 2020, part of the reception staff of HNK was added to the payroll of NSI. These additional costs concerned (€ 0.2m) are part of service costs and as such are allocated to the respective properties. The total of these costs are reported as “Allocated administrative costs”.

Administrative costs include an amount of € 0.5m related to health and safety measures COVID-19, reported under office costs. These costs are charged to the property operating expenses and as such included under allocated administrative costs.

Employees

On average 54 employees (50 FTE), including the Management Board, were employed by NSI during the reporting year (2019: 44 employees (42 FTE)). The increase of employees in 2020 is a consequence of the current situation that part of the HNK-staff, previously hired from external parties, became part of the NSI-payroll (10 FTE as per 31 December 2020, under entity HNK Vastgoed B.V.).
As per 31 December 2020 the number of employees amounted to 55 (51 FTE).

7. OTHER INCOME AND COSTS

	2020	2019
Other costs	-747	-1,402
Other income and costs	**-747**	**-1,402**

Both 2020 and 2019 costs mainly concern feasibility costs for projects (amongst others Laanderpoort, Vitrum, Vivaldi III, Centerpoint and Motion, all located in Amsterdam).

8. NET FINANCING RESULT

	2020	2019
Interest income	1	2
Financing income	**1**	**2**
Interest costs	-7,415	-8,471
Capitalised interest	554	366
Bank costs	-1,231	-1,339
Amortisation costs interest bearing loans	-270	-262
Other financing costs	-77	-135
Financing costs	**-8,439**	**-9,841**
Movement in market value of financial derivatives	**-365**	**-5,110**
Net financing result	**-8,803**	**-14,950**

As from 2020, the borrowing costs for the development projects Laanderpoort, Vivaldi III and Vitrum are capitalised. Capitalisation of borrowing costs related to the redevelopment of Bentinck Huis, and with the renovation of Donauweg, have been capitalised since 2019. In the fourth quarter of 2020, these two projects were finalised.
Capitalised of interest in connection with developments is based on the weighted average cost of debt. During 2020, the range of weighted average interest rates used was 2.0% - 2.1% (2019: 1.9% - 2.1%).

The movement in market value of financial derivatives include an amount of € 1.4m related to the unwinding of swaps in May 2020.

9. CORPORATE INCOME TAX

	2020	2019
Current tax	10	-1
Corporate income tax	**10**	**-1**

NSI has the status of a Dutch real estate investment trust (FBI) 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. and HNK Services B.V. are not part of the fiscal real estate investment trust NSI N.V. for tax purposes and are as such liable to pay corporate income tax.

		2020		2019
Result before tax		-20,424		196,297
Tax at Dutch tax rate	25.00%	5,106	25.00%	-49,074
Exempt due to fiscal status		-5,111		49,069
Tax of subsidiaries under other tax regime		15		4
Corporate income tax		**10**		**-1**

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 2019 and 2020.

10. INVESTMENT PROPERTY

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

	31 December 2020	31 December 2019
Investment property in operation	1,237,237	1,232,439
Investment property under construction	2,956	30,650
Investment property	**1,240,192**	**1,263,089**

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 2020 100% (2019: 100%) of investment property were externally appraised by external appraisers. Both in 2019 and 2020 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: – Gross initial yield / net initial yield – Market rent (Estimated Rental Value)	– The gross / net yield is lower (higher) – The estimated 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 creditworthiness 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 average theoretical net initial yield at 31 December 2020 was 4.8% (2019: 5.5%). 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:

	2020	2019
Average effective contractual rent per sqm (€):		
Offices	206	194
HNK	190	190
Other	153	148
Average market rent per sqm (€):		
Offices	214	199
HNK	185	182
Other	132	133
Average theoretical net yield (%)	4.8%	5.5%

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.

Impact of COVID-19 in external valuation

At the end of H1 2020, all appraisers included a COVID-19 clause in their valuations related to material uncertainty in the valuations. In the valuations as per 31 December 2020, these clauses were no longer included in the valuations.

Change transfer tax rate

As per 1 January 2021, the transfer tax rate on real estate transactions in The Netherlands has been raised from 6% to 8%. However, in the valuations as per 31 December 2020, this raise has not yet been taken into account.

Investment property in operation

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

2020

	Offices			HNK				
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	TOTAL
Balance as per 1 January 2020	**534,446**	**339,293**	**19,969**	**93,999**	**132,820**	**32,189**	**79,723**	**1,232,439**
Acquisitions	36,313							36,313
Investments	1,788	4,133	101	1,163	960	1,093	518	9,757
Revaluation	-32,340	-8,651	-1,795	-5,782	-5,316	-4,181	-7,233	-65,298
Transfer from / to inv. property under construction	9,713	27,083						36,797
Disposals		-10,250				-2,520		-12,770
Balance as per 31 December 2020	**549,920**	**351,608**	**18,275**	**89,380**	**128,465**	**26,580**	**73,008**	**1,237,237**
Right of use leasehold as per 31 December 2020	-188	-101		-363			-304	-956
Lease incentives as per 31 December 2020	2,377	5,493	225	519	1,690	1,160	701	12,164
Market value as per 31 December 2020	552,109	357,000	18,500	89,535	130,155	27,740	73,405	1,248,444

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	**453,032**	**306,968**	**79,846**	**71,604**	**106,528**	**28,854**	**140,357**	**1,187,191**
Change in accounting policy following IFRS 16	1,264			371			325	1,960
Balance as per 1 January 2019	**454,296**	**306,968**	**79,846**	**71,975**	**106,528**	**28,854**	**140,683**	**1,189,151**
Acquisitions	25,283	5,603					753	31,638
Investments	1,480	1,307	338	967	3,097	110	1,132	8,430
Revaluation	62,714	34,237	4,246	21,058	23,195	3,224	-9,092	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	**534,446**	**339,293**	**19,969**	**93,999**	**132,820**	**32,189**	**79,723**	**1,232,439**
Right of use leasehold as per 31 December 2019	-194	-120		-377			-325	-1,016
Lease incentives as per 31 December 2019	1,998	3,442	106	363	730	681	342	7,662
Market value as per 31 December 2019	536,250	342,615	20,075	93,985	133,550	32,870	79,740	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 € 2.0m, which is reflected in the opening balance of 2019.

Collateral

On 31 December 2020, properties with a market value of € 237.4m (2019: € 305.8m) were mortgaged as security for loans drawn and current account overdraft facilities at banks amounting to € 67.1m (2019: € 92.8m). 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 4.8% (2019: 5.5%). Valuations can be affected by the general macro-economic and market environment, but also by local factors. Covid-19 is considered a significantly changed macro-economic factor; for this reason NSI has performed a more extensive sensitivity analysis to get a better view of possible consequences on our business and balance sheet.

If, on 31 December 2020, 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 26.4% (2019: 21.5%). In that case NSI's equity would be € 331m (2019: € 277m) higher due to a higher positive result. The loan-to-value would then decrease from 29.2% (2019: 27.4%) to 23.1% (2019: 22.5%).

If, on 31 December 2020, 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 17.3%. In that case NSI's equity would be € 216m (2019: € 192m) lower due to a lower result for the year. The loan-to-value would then increase from 29.2% to 35.3%.

One of the possible risks as a consequence of the recent economic turbulence could be a fall in rental income due to, for example tenants with liquidity problems, a below average number of lease renewals or bankruptcies. For this reason a further sensitivity (on an individual property level) is executed, showing a combination of a yield shift of +100 basis points and a 20% fall of total annual contracted rent. In such case the value of investment property would decrease by 31.3%, the overall implied yield would be 9.9% and the loan-to-value would increase from 29.2% to 42.6%. In this scenario, there would still be room for € 370m in additional future capex for development projects and / or acquisitions.

The LTV will in this case increase to ca. 60.0%, in line with the LTV debt covenant.

The above 'further sensitivity' analysis is provided for completion purposes only and at present is not deemed a likely scenario by NSI.

Investment property under construction

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

2020

	Offices			HNK				
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	TOTAL
Balance as per 1 January 2020	**7,250**	**23,400**						**30,650**
Investments	6,108	2,099						8,207
Capitalised interest	125	429						554
Revaluation	-814	1,155						341
Transfer from / to inv. property in operation	-9,713	-27,083						-36,797
Balance as per 31 December 2020	**2,956**							**2,956**
Market value as per 31 December 2020	2,956							2,956

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		**15,500**						**15,500**
Acquisitions	125	5,833						5,958
Investments	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 2020 investment property under construction consists of capitalised project costs of Laanderpoort, Vivaldi III and Vitrum, all located in Amsterdam.

The projects that were classified as under construction as per yearend 2019 (Donauweg, Amsterdam and Bentinck Huis, The Hague) were transferred to property in operation in the fourth quarter of 2020.

11. FINANCIAL FIXED ASSETS

	31 December 2020	31 December 2019
Participations in third parties	0	0
Other financial fixed assets	1,659	
Financial fixed assets	**1,659**	**0**

Other financial fixed assets consists of a non-current receivable due by a tenant, which will be settled within two years.

12. TANGIBLE FIXED ASSETS

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

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

The movement in tangible fixed assets during 2020 and 2019 was as follows:

	2020	2019
Balance as per 31 December	**1,531**	**777**
Change in accounting policy following IFRS 16		469
Balance as per 1 January	**1,531**	**1,246**
Investments	344	712
Depreciation	-339	-309
Disposals	-72	-118
Balance as per 31 December	**1,464**	**1,531**
Gross book value	2,304	2,107
Cumulative depreciation	-839	-575
Tangible fixed assets	**1,464**	**1,531**

13. INTANGIBLE FIXED ASSETS

Intangible fixed assets consist of capitalised software.

The movement in intangible fixed assets during 2020 and 2019 was as follows:

	2020	2019
Balance as per 1 January	**366**	**510**
Investments	83	68
Amortisation	-207	-211
Balance as per 31 December	**242**	**366**
Gross book value	1,252	1,169
Cumulative amortisation	-1,010	-803
Software	**242**	**366**

Investments during 2019 mainly concern the development of the CRM system, whereas 2020 investments concerns the purchase of an HNK Office App.

14. OTHER NON-CURRENT ASSETS

	31 December 2020	31 December 2019
Lease incentives	12,164	7,662
Other non-current assets	**12,164**	**7,662**

Lease incentives are straight-lined over the remaining lease terms until the first possible moment of termination by the tenants. Lease incentives contain an amount of € 1.1m to be settled in 2021 (2020: € 0.4m).

15. DEBTORS AND OTHER RECEIVABLES

		31 December 2020		31 December 2019
Gross debtors	1,062		1,255	
Provision for doubtful debts	-454		-745	
Debtors		608		511
Tenant loans		37		52
Taxes		103		90
Prepayments and accrued income		397		198
Other current receivables		1,082		250
Debtors and other receivables		**2,226**		**1,101**

The largest item recognised under debtors and other accounts receivable concerns debtors (€ 1.1m), mainly tenants who are overdue, which are reported after deduction of a provision for expected credit losses over the term of the receivables.

The provision for doubtful debts has been determined based on IFRS 9 guidelines, in line with prior year's calculations. However, where a specific tenant is known to be in financial difficulty as a result of the implications of the Covid-19 outbreak, the provision was increased based on forward looking information compared to historical averages over all ageing categories. In 2020, the additional effect of the Covid-19 outbreak on the provision is € 0.0m.

Information about the Group's credit risks relating to debtors and other receivables, as well as impairment losses can be found in note 20.

16. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Bank balances	155	1,433
Cash and cash equivalents	**155**	**1,433**

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

17. 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, which were sold in the first quarter of 2020.

	31 December 2020	31 December 2019
Assets held for sale		15,903
Other assets directly associated to assets held for sale		47
Assets held for sale		**15,950**

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:

2020

	Offices			HNK				
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	TOTAL
Balance as per 1 January 2020			**15,153**				**750**	**15,903**
Revaluation			-8					-8
Disposals			-15,145				-750	-15,895
Balance as per 31 December 2020								

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

18. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

Issued share capital

As per 31 December 2019 the authorised share capital consisted of 18,917,764 issued and fully paid shares (€ 69.6m). The issued shares have a par value of € 3.68 each.

In May 2020 322,352 shares were issued as stock dividend, relating to the final dividend distribution for 2019. This resulted in 19,240,116 issued shares (€ 70.8m). In August 2020 an interim stock dividend of 51,299 shares was issued and distributed. After that date the number of issued and fully paid shares amounted to 19,291,415 (€ 71.0m).

	2020	2019
Balance as per 1 January	**69,617**	**68,353**
Stock dividend - final distribution prior year	1,186	646
Stock dividend - interim	189	618
Balance as per 31 December	**70,992**	**69,617**

The movement in the number of shares issued in 2019 and 2020 was as follows:

	2020	2019
Balance as per 1 January	**18,917,764**	**18,574,298**
Stock dividend - final distribution prior year	322,352	175,435
Stock dividend - interim	51,299	168,031
Balance as per 31 December	**19,291,415**	**18,917,764**

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

	2020	2019
Balance as per 1 January	**919,661**	**920,935**
Stock dividend - final distribution prior year	-1,192	-651
Stock dividend - interim	-194	-624
Balance as per 31 December	**918,275**	**919,661**

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 2020, € 10k transaction costs on the issue of stock dividend is included.

Other reserves

	2020	2019
Balance as per 1 January	**-282,266**	**-347,531**
Profit appropriation	196,297	91,525
Cash dividend - final distribution prior year	-10,357	-13,926
Cash dividend - interim	-18,089	-12,335
Balance as per 31 December	**-114,416**	**-282,266**

Dividend and earnings per share

The final dividend for 2020 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 21 April 2021. This proposal was not included as a liability in the balance sheet at 31 December 2020.

Number of shares

	31 December 2020	31 December 2019
Weighted average number of ordinary shares	**19,138,717**	**18,751,178**
Number of ordinary shares entitled to dividend	**19,291,415**	**18,917,764**

Dividend

	2020		2019	
	Per share (€)	Total	Per share (€)	Total
Interim dividend paid	1.04	20,010	1.04	19,500
Proposed final dividend	1.12	21,606	1.12	21,188
Total dividend	**2.16**	**41,616**	**2.16**	**40,688**

Earnings per share

	2020	2019
Total result ( )	**-1.07**	**10.47**

The calculation of earnings per share at 31 December 2020 is based on the result attributable to ordinary shareholders of € 20.4m negative (2019: € 196.3m) and a weighted average number of outstanding ordinary shares during 2020 of 19,138,717 (2019: 18,751,178).

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 to value ratio and the debt owed to credit institutions / equity ratio. The ratio of debt owed to credit institutions / property investments was 29.2% on 31 December 2020 (2019: 27.4%). The ratio of debt owed to credit institutions / equity was 30.0% / 70.0% on 31 December 2020 (2019: 28.1% / 71.9%).

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	
	2020	2019	2020	2019
NSI - group-level	29.2%	27.4%	Yes	Yes

In 2020 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 2019 and 2020.

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	
	2020	2019	2020	2019
NSI - group-level	7.2	6.8	Yes	Yes

In 2020 NSI and its subsidiaries complied with the independent and consolidated interest coverage ratio requirements agreed with the banks.

Based on our ICR debt covenant of 2.0, NSI could absorb a net rental income decline of ca. 70% before breaching this covenant.

Solvency

Based on the covenants, adjusted shareholders' equity at group level must be at least 40%. As per 31 December 2020 this was 68.2% (2019: 70.7%) 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.

19. INTEREST BEARING LOANS

The development of the interest bearing loans in 2019 and 2020 was as follows:

	2020	2019
Balance as per 1 January	**341,490**	**437,657**
Drawn interest bearing loans	85,125	100,000
Transaction costs paid	-75	-179
Amortisation transaction costs	270	262
Repayment of interest bearing loans	-60,850	-196,250
Balance as per 31 December	**365,960**	**341,490**
Redemption requirement interest bearing loans	700	25,725
Balance as per 31 December	**365,260**	**315,765**

The remaining maturities of the loans at 31 December 2020 were as follows:

	31 December 2020			31 December 2019		
	Fixed interest	Variable interest	Total	Fixed interest	Variable interest	Total
Up to 1 year		700	700	25,025	700	25,725
From 1 to 2 years		700	700		700	700
From 2 to 5 years		195,052	195,052		185,549	185,549
From 5 to 10 years	129,535		129,535	89,544		89,544
More than 10 years	39,974		39,974	39,971		39,971
Total	**169,508**	**196,452**	**365,960**	**154,540**	**186,949**	**341,490**
Average interest rate (excl. Interest-rate swaps)	2.1%	1.5%		2.1%	1.5%	

In 2021 € 0.7m (2020: € 25.7m) 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 5.2 years (2019: 5.4 years) The weighted average annual interest rate on the loans and interest-rate swaps at the end of 2020 was 2.1% (2019: 2.1%). These include margin, utilisation fees and amortised costs and exclude commitment fees.

	31 December 2020			31 December 2019		
	Secured loans	Unsecured loans	Total	Secured loans	Unsecured loans	Total
Interest bearing loans - nominal value	67,100	300,000	367,100	92,825	250,000	342,825
Amortised costs	-148	-992	-1,140	-200	-1,135	-1,335
Total	**66,952**	**299,008**	**365,960**	**92,625**	**248,865**	**341,490**

During 2020 € 0.1m of financing costs were capitalised (2019: € 0.2m). The financing costs are recognised in the profit and loss account using the effective interest method.

As security for loans (up to € 67.1m), mortgages were pledged against investment property valued at € 237.4m (2019: € 305.8m), combined with pledges on rental income and maximum LTV requirements.

On 31 December 2020 the company's undrawn committed credit facilities totalled € 250.0m (2019: € 260.0m). Taking into account the cash and cash equivalents and debts to credit institutions, the remaining undrawn committed credit facility is € 249.8m. The fair value of the loans on 31 December 2020 was € 367.2m (2019: € 348.0m).

20. 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 2020			31 December 2019		
	Note	Fair value level	Amortised cost price	Fair value	Fair value level	Amortised cost price	Fair value
Financial assets valued at amortised cost price							
Financial fixed assets	11	2	1,659		2	0	
Debtors and other receivables	15	2	1,727		2	813	
Cash and cash equivalents	16	1	155		1	1,433	
Financial liabilities valued at fair value through profit or loss							
Derivative financial instruments		2		3,140	2		4,185
Financial liabilities valued at amortised cost price							
Interest bearing loans	19	2	365,960		2	341,490	
Other non-current liabilities	21	2	5,858		2	5,365	
Creditors and other payables	22	2	13,160		2	14,811	
Debts to credit institutions	23	1	390		2	12,576	
Liabilities associated to assets held for sale		2			2	279	

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:

	Note	Category IFRS39	31 December 2020 Book value	31 December 2020 Fair value	31 December 2019 Book value	31 December 2019 Fair value
Financial fixed assets	11	AC	1,659	1,659	0	0
Debtors and other receivables	14	AC	1,727	1,727	813	813
Cash and cash equivalents	15	AC	155	155	1,433	1,433
Financial assets			**3,540**	**3,540**	**2,246**	**2,246**
Derivative financial instruments		FVPL	3,140	3,140	4,185	4,185
Interest bearing loans	18	AC	365,960	367,170	341,490	347,994
Other non-current liabilities	20	AC	5,858	5,858	5,365	5,365
Creditors and other payables	21	AC	13,160	13,160	14,811	14,811
Debts to credit institutions	22	AC	390	390	12,576	12,576
Liabilities associated to assets held for sale		AC			279	279
Financial liabilities			**388,507**	**389,717**	**378,706**	**385,211**

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

	31 December 2020				31 December 2019			
	# contracts	Nominal value	Fair value assets	Fair value liabilities	# contracts	Nominal value	Fair value assets	Fair value liabilities
Up to 1 year	2			220	5			208
From 1 to 5 years	9	147,500		2,920	11	187,500		3,978
Total	**11**	**147,500**		**3,140**	**16**	**187,500**		**4,185**

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% (2019: -0.11% to 0.73%) and with maturity dates between 2021 and 2023 (2019: between 2020 and 2023). The weighted average remaining maturity of the derivatives is 2.4 years (2019: 3.4 years).
NSI is hedged at a weighted average interest rate of 0.3% (2019: 0.1%), excluding margin, 13.5% of the total outstanding variable interest loans (2019: 0.0%) are not hedged (volume hedge of 86.5%).

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 € 250.0m (2019: € 260.0m).

The interest and repayment obligations were safeguarded for 2021 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 5.2 years (2019: 5.4 years).

At year-end 2020 NSI had € 25.0m of current account committed credit facilities with banks at its disposal, of which € 0.4m was drawn. The undrawn committed credit facilities of the interest-bearing loans and current account credit facilities amounted to € 249.6m at 31 December 2020. Furthermore, cash and cash equivalents amounted to € 0.2m at 31 December 2020. This brings the total of unused credit facilities and cash and cash equivalents to € 249.8m at 31 December 2020.

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

2020

		Contractual cash flow					
	Book value	Total	< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Loans	365,960	402,415	3,536	3,586	7,112	207,944	180,237
Other non-current liabilities	5,858	6,416	1,672	226	734	2,081	1,703
Creditors and other payables	13,160	13,170	12,966	204			
Debts to credit institutions	390	390	390				
Non-derivative financial liabilities	**385,367**	**422,390**	**18,564**	**4,016**	**7,846**	**210,025**	**181,940**
Derivative financial instruments	3,140	3,165	591	609	1,478	487	
Derivative financial instruments	**3,140**	**3,165**	**591**	**609**	**1,478**	**487**	
Total	**388,507**	**425,555**	**19,155**	**4,625**	**9,324**	**210,511**	**181,940**

2019

		Contractual cash flow					
	Book value	Total	< 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**

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 2020.

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 2020 the interest coverage ratio was 7.2 (2019: 6.8), which is higher than the level of 2.0 agreed with the banks.

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 2020 NSI held financial derivatives with a nominal value of € 147.5m (2019: € 187.5m) 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 2020, the theoretical interest expenses for 2021 would decrease by € 0.6m (2019: decrease by € 0.7m), 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 € 1.5m (2019: increase by € 1.9m). 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.

2020

	Effective interest	Total	< 1 year	1 - 2 years	2 - 5 years	> 5 years
Fixed interest loans	2.1%	169,508				169,508
Variable interest loans	1.5%	48,952	700	700	47,552	
Fixed interest as a result of swaps	2.3%	147,500			147,500	
Total	**2.1%**	**365,960**	**700**	**700**	**195,052**	**169,508**
Redemption obligations		700	700			
Balance as per 31 December 2020		**365,260**		**700**	**195,052**	**169,508**

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**

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 2020	31 December 2019
Financial fixed assets	1,659	0
Debtors and other receivables	1,727	813
Cash and cash equivalents	155	1,433
Credit risk	**3,540**	**2,246**

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 2020	31 December 2019
Up to 1 month expired	170	164
From 1 to 3 months expired	72	72
From 3 months to 1 year expired	492	226
More than 1 year expired	328	794
Gross debtors	**1,062**	**1,255**

Aside from bank guarantees, security deposits for € 4.5m (2019: € 3.9m) were obtained to cover for potential loss of creditworthiness of tenants with regard to the receivables, of which € 1.6m (2019: € 1.7m) is relating to expiring lease contracts within one year.

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

	2020	2019
Balance as per 1 January	**745**	**556**
Addition to / release of provision	207	207
Write-off bad debts	-498	-18
Balance as per 31 December	**454**	**745**

Impairment losses recognised at 31 December 2020 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, adjusted if deemed needed with forward looking information.

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%

21. OTHER NON-CURRENT LIABILITIES

	31 December 2020	31 December 2019
Security deposits	4,457	3,868
Lease liabilities	1,401	1,497
Other non-current accounts payable	**5,858**	**5,365**

The average term of the leases relating to the security deposits included in this overview is 2.3 years (2019: 2.1 years). Security deposits relating to lease contracts expiring within one year amount to € 1.6m.

The net present value of non-current future lease obligations amounts to € 1.4m, consisting of leasehold obligations (€ 0.8m) and car lease obligations (€ 0.6m).

22. CREDITORS AND OTHER PAYABLES

		31 December 2020		31 December 2019
Creditors		1,988		2,750
Taxes		3,553		1,249
Interest		1,360		1,633
Lease liabilities		398		367
Deferred income	11,605		7,870	
Accruals	9,044		9,423	
Deferred income and accruals		20,649		17,293
Other current payables		371		638
Creditors and other payables		**28,318**		**23,930**

As per 31 December 2020, the net present value included for leasehold obligations amounts to € 0.1m and for car lease obligations € 0.3m.

23. 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 2020 was 1.3% (2019: 1.3%) per annum including margin.

	31 December 2020	31 December 2019
Credit facilities	25,000	25,000
Unused	24,610	12,424
Debts to credit institutions	**390**	**12,576**

24. OFF-BALANCE SHEET COMMITMENTS

Shopping center 't Loon, Heerlen

Insurance companies
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 € 12m 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 the VvE and Chubb have brought interim appeal against the interlocutory judgement.

The Court of Appeal rendered judgement on 26 January 2021. Both proceedings (that were held simultaneously) had the same outcome. The damage as such is not covered under both insurance policies. In the case of the VVE because the Court of Appeal does not qualify a sinkhole as (the insured event) landslide. In the case of NSI because the Court of Appeal qualifies a sinkhole as (the excluded event) subsidence. Both the VvE and NSI have sought legal advice about the possibilities to successfully bring the case for the Supreme Court.

Insurance company tenant
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 € 1.6m 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 appealed the judgement in cassation and pleaded their cases. The next step in the proceedings is an opinion to be rendered by the Attorney General.

Former tenant
On 24 April 2020 a former tenant issued a writ of summons against the VvE and two of its members, including NSI, claiming an advance payment of €100,000 and damages for loss of revenue. On 9 September 2020 the defendants have submitted a statement of response concluding to a rejection of the claims. On 27 January the Cantonal Judge issued a judgement referring the case to the District Court in view of the size of the claim and the complexity of the matter. The hearing before the District Court is expected to take place in the third or fourth quarter of 2021.

Other

The company has entered into future investment commitments for an amount of € 7.1m (including development commitments; 2019: € 2.1m) relating to investment properties. For maintenance, technical property management, IT-providers etc. the company has entered into other contractual obligations for € 12.8 million (2019: € 5.5m).

The company has unused credit facilities amounting to € 249.6m (2019: € 247.4m).

25. 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 2020	31 December 2019
ICAMAP Investments SARL	10.0%	10.0%
BlackRock, Inc.	5.0%	5.0%
Norges Bank	4.2%	3.0%
Phoenix Insurance Company Ltd.	3.7%	3.7%
APG Asset Management N.V.	3.3%	3.3%
Clearance Capital	3.2%	

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

	2020	2019
Luurt van der Ploeg	54	53
Jan-Willem Dockheer (as from 24 April 2020)	26	
Margreet Haandrikman	41	38
Karin Koks - Van der Sluis	58	53
Harm Meijer	42	38
Remuneration of the Supervisory Board	**221**	**180**

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 2020 (2019: 0), except for Mrs. Koks - van der Sluijs who holds 159 shares (2019: 154 shares adjusted for share consolidation). Furthermore, Mr. Meijer is one of the shareholders at ICAMAP Investments SARL, holding 10.0% of NSI shares as per 31 December 2020 (2019: 10.0%).

Remuneration of the Management Board

2020

	Salary	Variable		Social	Pension	Other	TOTAL	Equity holding
		Long term	Short term	security				# shares
Bernd Stahli	415	73	62	10	14	3	577	14,646
Alianne de Jong	298	42	78	13	13	3	446	4,055
Anne de Jong	132	0	5	3	5	-7	139	NA[1]
Remuneration of the Management Board	**846**	**114**	**145**	**26**	**32**	**-1**	**1,161**	**18,701**

[1] As of 1 May 2020 Anne de Jong is no longer a Management Board member of NSI and as such the shareholding requirement of the remuneration policy for the Management Board does no longer apply.

2019

	Salary	Variable		Social	Pension	Other	TOTAL	Equity holding
		Long term	Short term	security				# shares
Bernd Stahli	415	313		11	13	2	754	14,174
Alianne de Jong	275	95	83	11	11	-2	472	922
Anne de Jong	345	157	139	11	13	1	665	4,172
Remuneration of the Management Board	**1,035**	**565**	**221**	**32**	**37**	**1**	**1,891**	**19,268**

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.

Until 31 December 2019, for the CEO the variable component has consisted solely of a long-term share plan (LTSP). 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 expired 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 2020 LTI will be based on two years (2019 / 2020).

As from 1 January 2020, also the variable component of the CEO was adjusted to this model. However, the LTI is capped to 90% of the base salary at the moment of the grant. The 2020 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 for the CFO and to 24% for the CEO.

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 and one-third of the amount of the STI to purchase NSI shares until the shareholding requirement has been met.

During 2020, LTSP-payment over prior years was made to the CEO of € 692k. The variable remuneration paid to the CFO amounted to € 168k, consisting of an LTI of € 83k and an STI of € 85k. For the CIO, who left the company in April 2020, the variable remuneration payment amounted to € 282k, consisting of an LTI of € 104k and an STI of € 109k related to 2019 and a "target pay out" of € 69k for both the STI and LTI pro-rated to the remaining four months of service during 2020.

The provision included in the balance sheet as per end of December 2020 amount to € 241k. The provisions for the CEO and CFO on 31 December 2020 amount to respectively € 125k (LTI of € 63k and STI of € 62k (75% of target)) and € 116k (LTI of € 41k and STI of € 75k (75% of target)).

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 Management Board and the additional provision taken in the course of 2020.

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..

26. 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 2020 this ratio is was 2.8% (2019: 3.0%). 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)

FOR THE YEAR ENDED 31 DECEMBER 2020

(x € 1,000)

	Note	31 December 2020	31 December 2019
Assets			
Financial fixed assets	1	1,230,513	1,267,150
Tangible fixed assets		845	866
Intangible fixed assets		242	366
Non-current assets		**1,231,601**	**1,268,383**
Debtors and other receivables		342	184
Cash and cash equivalents		10	9
Current assets		**352**	**193**
Total assets		**1,231,953**	**1,268,576**
Shareholders' equity			
Issued share capital	2	70,992	69,617
Share premium reserve	2	918,275	919,661
Participations reserve	2	211,889	246,051
Retained earnings	2	-326,305	-528,318
Total result for the year	2	-20,414	196,297
Shareholders' equity		**854,438**	**903,308**
Liabilities			
Interest bearing loans		365,260	315,765
Derivative financial instruments		2,920	3,978
Other non-current liabilities		553	589
Non-current liabilities		**368,733**	**320,332**
Redemption requirement interest bearing loans		700	25,725
Derivative financial instruments		220	208
Creditors and other payables		7,473	6,428
Debts to credit institutions		390	12,576
Current liabilities		**8,783**	**44,936**
Total liabilities		**377,515**	**365,267**
Total shareholders' equity and liabilities		**1,231,953**	**1,268,576**

The notes on pages 118 to 121 form an integral part of these company financial statements.

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

(x € 1,000)

	Note		2020		2019
Administrative costs	3		-7,116		-7,960
Other income and costs			-101		-77
Financing income	4			0	
Financing costs	4	-8,937		-10,144	
Movement in market value of financial derivatives	4	-365		-5,110	
Net financing result			-9,302		-15,253
Corporate result before tax			**-16,519**		**-23,290**
Corporate income tax			3		3
Corporate result after tax			**-16,516**		**-23,287**
Result from participations			-3,898		219,583
Total result for the year			**-20,414**		**196,297**

The notes on pages 118 to 121 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 86 to 91. 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 2020	31 December 2019
Balance as per 1 January	**1,267,150**	**1,191,889**
Result from participations	-3,898	219,583
Changes in receivables from group companies	-32,739	-144,322
Balance as per 31 December	**1,230,513**	**1,267,150**

2. SHAREHOLDERS EQUITY

2020

	Issued share capital	Share premium reserve	(Statutory) participations reserve	Retained earnings	Result for the year	Shareholders' equity
Balance as per 1 January 2020	**69,617**	**919,661**	**246,051**	**-528,318**	**196,297**	**903,308**
Total result for the year					-20,414	-20,414
Total comprehensive income / expense for the year					**-20,414**	**-20,414**
Profit appropriation - 2019				196,297	-196,297	
Distribution final dividend - 2019	1,186	-1,192		-10,357		-10,362
Interim dividend - 2020	189	-194		-18,089		-18,094
Realised revaluation			-1,129	1,129		
Addition to participations reserve			-33,033	33,033		
Contributions from and to shareholders	**1,375**	**-1,385**	**-34,162**	**202,013**	**-196,297**	**-28,456**
Balance as per 31 December 2020	**70,992**	**918,275**	**211,889**	**-326,305**	**-20,414**	**854,438**

2019

	Issued share capital	Share premium reserve	(Statutory) participations 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 / expense 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**

Both the retained 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 2019 and 2020, before appropriation of profits.

Dividend

Taking into consideration the interim dividend of € 1.04 per share already distributed (2019: € 1.04; adjusted for stock consolidation), a final dividend of € 1.12 per share has been proposed (2019: € 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 2020 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 2020 at € 2.16 per share, of which € 1.04 per share was already distributed as an interim dividend in August 2020. 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 (19,291,415), the total amount of the final dividend is € 21.6m 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 13 May 2021.

	2020
Total result for the year - 2020	-20,414
Interim dividend - 2020	-20,010
Proposed final dividend - 2020	-21,606
On balance added to the reserves	**-62,030**

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

		2020		2019
Salaries and wages	-4,941		-5,623	
Social security	-529		-536	
Pensions	-301		-281	
Depreciation right of use tangible fixed assets	-274		-226	
Other staff costs	-1,487		-1,173	
Staff costs		-7,532		-7,839
Compensation supervisory board		-254		-202
Depreciation and amortisation	-272		-294	
Other office costs	-1,804		-1,213	
Office costs		-2,076		-1,507
Audit, consultancy and valuation costs		-1,168		-1,074
Other administrative costs		-789		-684
Administrative costs		**-11,819**		**-11,306**
Allocated administrative costs		**4,704**		**3,347**
Administrative costs		**-7,116**		**-7,960**

4. NET FINANCING RESULT

	2020	2019
Interest income		0
Financing income		**0**
Interest costs	-7,415	-8,471
Other financing costs	-1,522	-1,672
Financing costs	**-8,937**	**-10,144**
Movement in market value of financial derivatives	**-365**	**-5,110**
Net financing result	**-9,302**	**-15,253**

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:

	2020	2019
Audit financial statements	-218	-210
Other (audit) related services	-23	-8
Audit financial statements	**-240**	**-217**

In the 2020 financial year, an amount of € 218k of audit fees was charged by PricewaterhouseCoopers Accountants N.V. to the result in accordance with article 382a Title 9 Book 2 of the Dutch Civil Code (2019: € 210k).

7. EVENTS AFTER BALANCE SHEET DATE

On 10 February 2021, NSI sold one office object in Rotterdam for an amount of € 7.6m.

On 24 February 2021, NSI signed the purchase agreement regarding the acquisition of a portfolio of three assets in our target cities Amsterdam and Rotterdam at an acquisition price of ca. € 80m. This purchase agreement includes one condition subsequent to be met by seller.

Hoofddorp, 4 March 2021

The Management Board

Bernd Stahli, *CEO*
Alianne de Jong, *CFO*

The Supervisory Board

Luurt van der Ploeg, *Chairman*
Jan-Willem Dockheer
Margreet Haandrikman
Karin Koks - Van der Sluijs
Harm Meijer

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 2020

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 2020, and of its result and its 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 2020 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 2020 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 2020;
– the following statements for 2020: 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 2020;
– 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, mainly in the segment offices. 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.

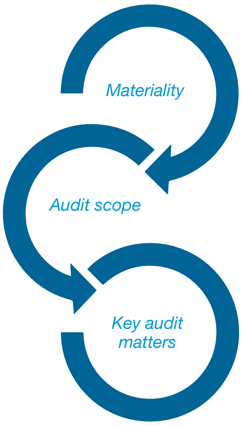
There were no significant changes in the strategy and business of NSI. The company continued to sell some assets of their existing investment property portfolio, in total six investment properties and they acquired one new office building. NSI N.V. reviewed its potential development programme and decided to start the design phases, regarding three (re)development projects, which will require significant investments by NSI N.V. in the near future. The correct accounting of the investments, purchases and sales relating to investment properties have 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. In addition, we gave consideration in our audit on the impact of COVID-19 on the internal controls of NSI N.V. and the accounting treatment of lease incentives given to tenants due to COVID-19. 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 and considering future events that are inherently uncertain. On page 86 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.

We also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

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: € 2.200.000.

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	€ 2.200.000 (2019: € 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 € 110.000 (2019: € 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 N.V. over the outsourced services.

Based on the procedures performed, we conclude that in the context of our audit of the financial statements of NSI N.V., 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.

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 relating to rental income 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 with respect to 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 management board 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 those matters.

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 N.V. and there are no significant changes in the strategy and business of NSI N.V., we have no changes in the key audit matters to report compared to prior year.

Key audit matter	*Our audit work and observations*
Significant assumptions in the valuation of investment property *[reference to notes 10 and 17 in the annual report]* The Group's investment property portfolio comprises mainly offices. At 31 December 2020 the carrying value of the Group's investment property portfolio was €1,240 million of which €nil million is presented as assets held for sale (2019: €1,279 million, respectively €16 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 management bias (fraud). We therefore considered this area as a key audit matter.	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 2020 dated 4 March 2021;
- 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 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 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 five 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, 4 March 2021
PricewaterhouseCoopers Accountants N.V.

S. Herwig MSc. LLM. RA MRE MRICS

APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2020 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 an Cushman & Wakefield. Appraisal methods are compliant with international standards and guidelines as defined by RICS (Royal Institution of Chartered Surveyors).

	% assets	% value
CBRE	31.7%	35.1%
Colliers	26.7%	24.5%
Cushman & Wakefield	3.3%	4.4%
JLL	38.3%	36.0%
Total	**100.0%**	**100.0%**

Top 10 tenants

	# lease contract	% total contracted rent
Government	22	15.9%
Spaces	3	8.7%
KPN	7	6.7%
Janssen Vaccines & Prevention	3	4.5%
ING Bank	3	3.5%
ABN AMRO Bank	1	1.6%
Staples International Group Services	1	1.6%
Ahold Real Estate	10	1.6%
Primark	1	1.3%
BDO Holding	2	1.1%
Total	**53**	**46.5%**

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 2020 NSI had 18,917,764 ordinary shares outstanding. During 2020, in total 373,651 shares have been issued and distributed in relation the distribution of stock dividend (final 2019 dividend and interim 2020 dividend). At 31 December 2020 NSI had 19,291,415 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 2020.

	31 December 2020
ICAMAP Investments SARL	10.0%
BlackRock, Inc.	5.0%
Norges Bank	4.2%
Phoenix Insurance Company Ltd.	3.7%
APG Asset Management N.V.	3.3%
Clearance Capital	3.2%

Financial Calendar

Publication trading update Q1 2021	15 April 2021
Annual General Meeting	21 April 2021
Publication annual half year results 2021	14 July 2021
Publication trading update Q3 2021	14 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.

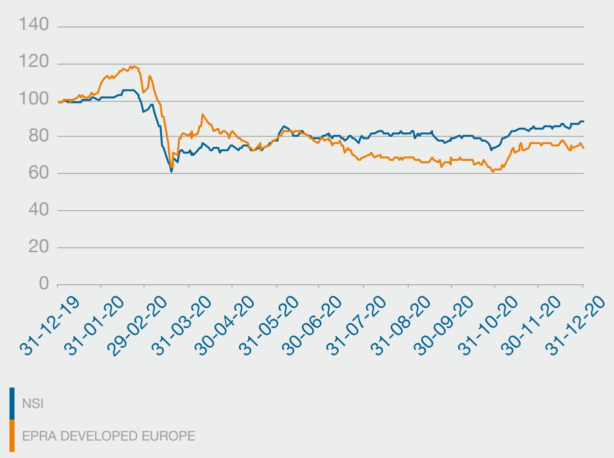
Ex-dividend date (final dividend 2020)	23 April 2021
Record date	26 April 2021
Stock dividend election period	27 April - 10 May 2021
Payment of final dividend	13 May 2021

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		€26.35
Share price high		€51.70
Closing price on 31 December 2020		€32.80
Proposed dividend per share 20	Total	€2.16
for the 2020 financial year	*Interim*	*€1.04*
	Final	*€1.12*
# outstanding shares outstanding at 31 December 2020		19,291,415
Market capitalisation at 31 December 2020		€633 million

Share price development



PROPERTY LIST

Offices

	Property	Property address	City	Form ownership	NEN-area	Year construction / major renovation	Year acquisition
1.	Centerpoint I	Hoogoorddreef 60	Amsterdam	Leasehold	8,952	2007	2015
2.	Centerpoint II	Hoogoorddreef 62	Amsterdam	Leasehold	6,292	1988	2015
3.	Cruquiusweg	Cruquiusweg 111	Amsterdam	Freehold	3,278	2006	2007
4.	Donauweg	Donauweg 2B	Amsterdam	Leasehold	4,606	2020	2001
5.	Glasshouse	Changiweg 130, Teleportboulevard 121-133	Amsterdam	Leasehold	22,981	2009	2016
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.	Laanderpoort	Bijlmerdreef 100	Amsterdam	Leasehold	12,739	2013	2017
10.	Motion Building	Radarweg 60	Amsterdam	Leasehold	15,922	1992	2018
11.	ONE20	Teleportboulevard 120 - 142	Amsterdam	Leasehold	9,743	2001	2020
12.	Q-Port	Kingsfordweg 43-117	Amsterdam	Leasehold	12,771	2001	2018
13.	Trivium	Derkinderenstraat 2-24	Amsterdam	Leasehold	8,315	2000	2019
14.	Vitrum	Parnassusweg 101, 103, 126, 128	Amsterdam	Leasehold	11,612	2013	2017
15.	Vivaldi Offices I	Barbara Strozzilaan 201-229	Amsterdam	Leasehold	9,493	2009	2015
16.	Vivaldi Offices II	Barbara Strozzilaan 101-125	Amsterdam	Leasehold	8,778	2009	2015
17.	Delf-Techpark	Delftechpark 35-37	Delft	Freehold	2,817	2001	2002
18.	Het Binnenhof	Magistratenlaan 156-186	Den Bosch	Freehold	10,436	2005	2015
19.	Bentinck Huis	Lange Voorhout 7	Den Haag	Freehold	6,066	2020	2018
20.	Bezuidenhoutseweg	Bezuidenhoutseweg 2	Den Haag	Freehold	1,876	1986	1996
21.	De Rode Olifant	Zuid-Hollandlaan 7	Den Haag	Freehold	9,993	1993	2007
22.	Neuhuyskade	Neuhuyskade 92-94	Den Haag	Freehold	2,687	1928	2008
23.	Fellenoord	Fellenoord 310-370	Eindhoven	Freehold	4,183	1987	1996
24.	Hooghuisstraat / Keizersgracht	Hooghuisstraat 18-30, Keizersgracht 3-11	Eindhoven	Freehold	10,908	1970	2008
25.	Kennedyplein	Kennedyplein 101	Eindhoven	Freehold	6,643	2000	2017
26.	Beukenhaghe	Neptunusstraat 15-37	Hoofddorp	Freehold	4,754	1991	1991
27.	Kruisweg I	Kruisweg 661-665	Hoofddorp	Freehold	1,057	1998	1998
28.	Kruisweg II	Kruisweg 577	Hoofddorp	Freehold	1,620	2000	2000
29.	Wegalaan	Wegalaan 2-8	Hoofddorp	Freehold	2,961	2005	2006
30.	Archimedes	Archimedesweg 17-25	Leiden	Leasehold	2,522	2001	2001
31.	Archimedesweg I	Archimedesweg 6	Leiden	Leasehold	7,239	2000	2017
32.	Archimedesweg II	Archimedesweg 30	Leiden	Leasehold	2,686	1999	2019
33.	Newtonweg	Newtonweg 1	Leiden	Leasehold	9,408	1993	2015
34.	Stationade II	Schipholweg 68	Leiden	Freehold	2,292	1991	1998
35.	Alexanderhof	Marten Meesweg 141-145	Rotterdam	Freehold	3,095	1987	2015
36.	Alexanderpoort	Marten Meesweg 93-121	Rotterdam	Freehold	9,271	2010	2015
37.	Hoofdweg	Hoofdweg 230-236	Rotterdam	Leasehold	1,996	1994	2000
38.	Park Office	K.P. van der Mandelelaan 41-43	Rotterdam	Leasehold	7,367	2008	2006
39.	Vareseweg	Vareseweg 105-109	Rotterdam	Leasehold	6,433	2001	2001
40.	Veerhaven	Veerhaven 16-18	Rotterdam	Freehold	1,641	2002	1996
41.	Veerkade	Veerkade 1-9C	Rotterdam	Freehold	5,783	1915	2000
42.	Jacobsweerd	Sint Jacobsstraat 200-499	Utrecht	Freehold	14,779	1987	2018
43.	Uniceflaan	Uniceflaan 1	Utrecht	Leasehold	12,083	1989	2017

HNK

	Property	Property address	City	Form ownership	NEN-area	Year construction / major renovation	Year acquisition
1.	HNK Amsterdam Houthavens	Van Diemenstraat 20-200	Amsterdam	Leasehold	10,517	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	11,451	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	9,741	2014	2007
9.	HNK Hoofddorp	Antareslaan 65-81	Hoofddorp	Freehold	3,195	2013	1998
10.	HNK Rotterdam Centrum	Westblaak 180	Rotterdam	Leasehold	8,395	2016	2001
11.	HNK Rotterdam Scheepvaartkwartier	Vasteland 42-110	Rotterdam	Freehold	21,643	2012	2008
12.	HNK Utrecht Centraal Station	Arthur van Schendelstraat 650-698, 700-748	Utrecht	Leasehold	8,884	2015	2006
13.	HNK Utrecht West	Weg der Verenigde Naties 1	Utrecht	Leasehold	2,961	2013	2007

Other

	Property	Property address	City	Form ownership	NEN-area	Year construction / major renovation	Year acquisition
1.	Koningin Wilhelminaplein	Koningin Wilhelminaplein 18	Amsterdam	Leasehold	5,019	1995	1997
2.	Solaris Eclips	Arlandaweg 98	Amsterdam	Leasehold	4,151	2001	2001
3.	‘t Loon	Apollolaan 22-31, 154, Homeruspassage 1-17	Heerlen	Freehold	22,228	2003	2002
4.	Zuidplein	Zuidplein 2-65, 480-622, Zuidplein Hoog 605, 869C, Zuiderterras 127, 128, 152, 154	Rotterdam	Leasehold	21,647	2001	2001

ENVIRONMENTAL SUSTAINABILITY PERFORMANCE MEASURES

						Absolute performance (Abs)		Like-for-like performance (LfL)		
Impact area	EPRA Code	GRI Standard	Units of measure	Indicator		2019	2020	2019	2020	% change
Energy	Fuels-Abs, Fuels-LfL	GRI Standard 302-1	annual kWh	Fuels	Total direct landlord-obtained fuels	12,814,918	12,489,724	11,739,427	11,825,930	0.7%
					Proportion of fuels consumption from purchased and self-generated renewable sources	0%	0%	0%	0%	-
					Total tenant-obtained fuels	5,617,057	4,498,772	4,799,484	4,498,772	-6.3%
					Total landlord- and tenant-obtained fuels	18,431,976	16,988,496	16,538,911	16,324,703	-1.3%
			Covered applicable properties		Fuels disclosure coverage	40 out of 40	39 out of 39	34 out of 39	34 out of 38	-
			Covered applicable sqm			100%	100%	92%	93%	-
						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	10,612,863	13,376,496	9,930,079	11,517,037	16.0%
					Proportion of landlord-obtained heating and cooling from renewable resources	0%	8%	0%	0%	-
					Total tenant-obtained heating and cooling	13,094,271	4,229,910	5,535,913	5,002,139	-9.6%
					Total landlord- and tenant-obtained heating and cooling	23,707,134	17,606,406	15,465,992	16,519,175	6.8%
			Covered applicable properties		District heating and cooling disclosure coverage	25 out of 25	26 out of 28	19 out of 26	19 out of 27	-
			Covered applicable sqm			98.4%	96.3%	93.2%	89.8%	-
			%		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	21,861,857	20,747,615	19,357,509	18,141,061	-6.3%
					Proportion of landlord-obtained electricity from renewable resources	100%	100%	100%	100%	0.0%
					Total tenant-obtained electricity	17,784,067	14,942,730	15,969,618	13,943,064	-12.7%
					Total landlord- and tenant-obtained electricity consumption	39,645,924	35,690,345	35,327,127	32,084,125	-9.2%
			Covered applicable properties		Electricity disclosure coverage	68 out of 68	68 out of 68	59 out of 66	59 out of 66	-
			Covered applicable sqm			100.0%	100.0%	94.4%	93.5%	-
			%		Proportion of electricity estimated	0%	0%	0%	0%	-
	Energy-Int		annual kWh / sqm	Energy Intensity	(sum of) annual kWh energy consumption	81,785,033	70,285,247	67,332,030	64,928,003	-3.6%
					(sum of) floor area (m²)	612,793	641,892	589,113	589,113	0.0%
					Building energy intensity	133	109	114.29	110.21	-3.6%

						Absolute performance (Abs)		Like-for-like performance (LfL)		
Impact area	**EPRA Code**	**GRI Standard**	**Units of measure**	**Indicator**		**2019**	**2020**	**2019**	**2020**	**% change**
Green-house gas emissions	GHG-Dir-Abs		annual kg CO2e	Direct	**Scope 1**	2,351,475	2,284,528	2,147,289	2,163,112	0.7%
	GHG-Indir-Abs		annual kg CO2e	Indirect	**Scope 2**	1,947,409	1,589,478	1,285,856	1,491,352	16.0%
			annual kg CO2e		**Scope 3**	14,268,152	9,678,775	17,564,355	15,413,679	-12.2%
	GHG-Int		kg CO2e / sqm / year	GHG emissions intensity	**(sum of) annual GHG emissions**	18,567,036	13,552,782	20,997,500	19,068,143	-9.2%
					(sum of) floor area (m²)	612,793	641,892	589,113	589,113	0.0%
					Building carbon intensity	30	21	35.64	32.37	-9.2%
			No. of applicable properties		**Energy and associated GHG disclosure coverage**	68 out of 68	68 out of 68	59 out of 66	59 out of 66	-
			Covered applicable sqm			101.1%	100.0%	94.4%	93.5%	-
			%		**Proportion of energy and associated GHG estimated**	0%	0%	0%	0%	-
Water	Water-Abs, Water-LfL		annual cubic metres (m³)	Water	**Total water consumption**	133,967	98,481	130,100	91,543	-29.6%
	Water-Int		annual m³ / sqm	Water Intensity	**(sum of) floor area (m²)**	583,023	636,532	589,170	589,170	0.0%
					Building water intensity	0.23	0.16	0.22	0.16	-29.6%
			No. of applicable properties		**Water disclosure coverage**	66 out of 68	66 out of 68	58 out of 66	58 out of 66	-
			Covered applicable sqm			95.9%	99.2%	94.4%	93.5%	-
			%		**Proportion of water estimated**	0%	0%	0%	0%	-
Waste	Waste-Abs, Waste-LfL		annual tonnes	Waste type	**Hazardous waste**	0.02	0	0	0	-
					Non-Hazardous waste	857	899	893	874	-2.2%
					Total waste created	857	899	893	874	-2.2%
			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%	27%	23%	27%	15.6%
					Incineration (with or without energy recovery)	76%	73%	77%	73%	-4.7%
					Landfill (with of without energy recovery)	0%	0%	0%	0%	-
					Biodiesel production	0%	0%	0%	0%	-
			No. of applicable properties		**Waste disclosure coverage**	39 out of 68	40 out of 68	37 out of 66	37 out of 66	-
			Covered applicable sqm			53%	59%	53%	53%	-
			%		**Proportion of waste estimated**	0%	0%	0%	0%	-

Impact area	EPRA Code	GRI Standard	Units of measure	Indicator		Absolute performance (Abs) 2019	Absolute performance (Abs) 2020	Like-for-like performance (LfL) 2019	Like-for-like performance (LfL) 2020	% change
Certific	Cert-Tot	% total floor area	Level of certification	BREEAM In-use: Asset Performance	Outstanding	0%	0%	0%	0%	-
			Covered applicable sqm		Excellent	0%	0%	0%	1%	-
					Very Good	0%	1%	0%	1%	-
					Good	36%	36%	36%	36%	-
					Pass	19%	42%	19%	43%	-
					Acceptable	2%	16%	2%	16%	-
		No. of applicable properties				20 out of 68	64 out of 68	20 out of 68	64 out of 68	-

SOCIAL PERFORMANCE MEASURES*

		2019		2020		
Diversity-Emp	Employee gender diversity	Female	Male	Female	Male	Percentage of employees
		42%	58%	30%	70%	
Diversity-Pay	Gender pay ratio	NA		Narrative on page 67		Ratio
	Management Board			-24%		
	Senior Management			-16%		
	Operations			-49%		
	Staff			-7%		
	Total			-38%		
Emp-Training	Employee training and development	27		42		Average training hours per employee
Emp-Dev	Employee performance appraisals	100%		100%		Percentage of employees
Emp-Turnover	New hires & turnover (headcount)	8		14		New hires
		14%		0		Turnover
H&S-Emp	Employee health and safety	3.3%		3.1%		absentee rate
		0%		0%		Injury rate
		0		0		# of work related fatalities
H&S-Asset	Asset health and safety assessments	NA		38 out of 60 (100% multi-tenant)		Percentage of assets
H&S-Comp	Asset health and safety compliance	NA		No incidents reported		Number of incidents
Comty-Eng	Community engagement, impact assessments and development programs	Narrative on page 52-54		Narrative on page 57 and 63		Percentage of assets

GOVERNANCE PERFORMANCE MEASURES

		2019	2020	
Gov-Board	Composition of the highest governance body	Page 64-67	Page 70-73	Total number
Gov-Selec	Process for nominating and selecting the highest governance body	Page 64-67	Page 70-73	Narrative on process
Gov-Col	Process for managing conflicts of interest	Page 64-67	Page 70-73	Narrative on process

* NA means that data is not available.

EPRA KEY PERFORMANCE MEASURES

Overview key performance indicators

	2020		2019	
	€ ‘ 000	per share (€)	€ ‘ 000	per share (€)
EPRA earnings	44,943	2.35	49,439	2.64
EPRA cost ratio (incl. direct vacancy costs)	30.6%		28.4%	
EPRA cost ratio (excl. direct vacancy costs)	28.4%		26.3%	
EPRA property related capital expenditure	54,276		46,012	

	31 December 2020		31 December 2019	
	€ ‘ 000	per share (€)	€ ‘ 000	per share (€)
EPRA NRV	932,755	48.35	984,708	52.05
EPRA NTA	857,335	44.44	907,127	47.95
EPRA NDV	854,035	44.27	897,852	47.46
EPRA net initial yield (NIY)	4.5%		4.6%	
EPRA topped-up net initial yield	4.9%		4.9%	
EPRA vacancy rate	7.0%		7.1%	

EPRA earnings

	2020	2019
Gross rental income	76,854	82,831
Service costs not recharged	-1,778	-1,601
Operating costs	-14,610	-14,003
Net rental income	**60,466**	**67,227**
Administrative costs	-7,096	-7,948
Net financing result	-8,438	-9,840
Direct investment result before tax	**44,932**	**49,439**
Corporate income tax	10	-1
Direct investment result / EPRA earnings	**44,943**	**49,439**
Direct investment result / EPRA earnings per share	2.35	2.64

EPRA cost ratio

	2020	2019
Administrative costs	7,096	7,948
Service costs not recharged	1,778	1,601
Operating costs (adjusted for municipality taxes)	14,610	14,003
Leasehold	44	-47
EPRA costs (including direct vacancy costs)	**23,528**	**23,504**
Direct vacancy costs	-1,674	-1,680
EPRA costs (excluding direct vacancy costs)	**21,854**	**21,824**
Gross rental income	76,854	82,831
EPRA gross rental income	**76,854**	**82,831**
EPRA cost ratio (incl. direct vacancy costs)	30.6%	28.4%
EPRA cost ratio (excl. direct vacancy costs)	28.4%	26.3%

EPRA property related capital expenditure

	2020	2019
Acquisitions	36,834	30,899
Development	8,207	5,985
Like-for-like portfolio	9,197	7,339
Other	38	1,791
EPRA capital expenditure	**54,276**	**46,012**

EPRA NRV / NTA / NDV

	31 December 2020			31 December 2019		
	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	**854,438**	**854,438**	**854,438**	**903,308**	**903,308**	**903,308**
Hybrid instruments						
Diluted NAV	**854,438**	**854,438**	**854,438**	**903,308**	**903,308**	**903,308**
Diluted NAV at fair value	**854,438**	**854,438**	**854,438**	**903,308**	**903,308**	**903,308**
Fair value of financial instruments	3,140	3,140		4,185	4,185	
Intangibles as per IFRS balance sheet		-242	-242		-366	-366
Fair value of fixed interest rate debt			-161			-5,090
Real estate transfer tax	75,178			77,214		
NAV	**932,755**	**857,335**	**854,035**	**984,708**	**907,127**	**897,852**
Fully diluted number of shares	19,291,415	19,291,415	19,291,415	18,917,764	18,917,764	18,917,764
NAV per share	**48.35**	**44.44**	**44.27**	**52.05**	**47.95**	**47.46**

EPRA yield

	31 December 2020	31 December 2019
Investment property including assets held for sale	1,252,959	1,287,310
Developments	-2,494	-30,650
Property investments	**1,250,465**	**1,256,660**
Allowance for estimated purchasers' costs	87,533	87,966
Gross up completed property portfolio valuation	**1,337,998**	**1,344,626**
Annualised cash passing rental income	78,833	76,262
Annualised property outgoings	-18,909	-14,510
Annualised net rent	**59,924**	**61,752**
Notional rent expiration of rent free periods or other lease incentives	5,479	4,790
Topped-up annualised net rent	**65,403**	**66,542**
EPRA net initial yield	4.5%	4.6%
EPRA topped-up net initial yield	4.9%	4.9%

EPRA vacancy

	31 December 2020	31 December 2019
Estimated rental value of vacant space	6,536	6,504
Estimated rental value of the whole portfolio	93,224	91,949
EPRA vacancy	7.0%	7.1%

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
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)
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-today 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-onyear 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 metrics make adjustments to the NAV as per the IFRS financial statements to provide the most relevant information on the fair value of the assets and liabilities, under different scenario's.

- *EPRA net disposal value (NDV):* represents the shareholders' value under a disposal scenario, where deferred tax,
- *EPRA net reinstatement value (NRV):* assumes that entities never sell assets and aims to represent the value required to rebuild the entity;
- *EPRA net tangible assets (NTA):* assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

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 SALE 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.

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 RELETTING AND RENEWAL

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 refers to the locations Amsterdam, The Hague, Rotterdam, Utrecht, Eindhoven, Den Bosch and Leiden, being the focus cities of NSI in the Netherlands.

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.

- *Gross initial yield:* the passing rent as a percentage of the market value of the object;
- *Net initial yield:* the passing rent, net of property related costs, as a percentage of the market value of the object;
- *Net theoretical yield:* annualised net theoretical rental income as a percentage of the real estate investments in operation.
- *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 yield:* 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.

Colophon

This annual report is a publication by NSI.

NSI
Antareslaan 69-75
Postbus 3044
2130 KA Hoofddorp

T 020 76 30 300
F 020 25 81 123
E info@nsi.nl
www.nsi.nl

Editing and texts
NSI
Lindner & van Maaren

Design and layout
Monter, Amsterdam

Photography
Michiel Poodt