HALF YEAR RESULTS

H1 2019

- Strategy update: Selective multi-functional development near major public transport hubs
- Sizeable potential development programme for next decade of circa € 850m (€ 700m in cap ex)
- Strong balance sheet, with LTV of 33.7% and proforma debt maturity of 5.4 years
- EPRA NAV of €43.6 per share (up 9.7% vs year-end 2018)
- EPRA EPS of €1.24 per share (up 4.5% vs H1 2018)
- Vacancy rate of 12.5% (down 1.3pp vs Q4 2018)
- Forecast FY2019: EPRA EPS of €2.40 - € 2.50 and EPRA vacancy below 11%

INDEX

FINANCIAL CALENDAR

Publication trading update Q3 2019	17 October 2019
Publication final results 2019	28 January 2020
Publication annual report 2019	5 March 2020
Publication trading update Q1 2020	16 April 2020
Publication half year results H1 2020	13 July 2020
Ex-dividend date (interim dividend 2019)	22 July 2019
Record date	23 July 2019
Dividend election period	24 July – 7 August 2019
Payment of interim dividend	12 August 2019

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NSI HIGHLIGHTS

KEY FINANCIAL METRICS[1]

REVENUES AND EARNINGS

	H1 2019	H1 2018	Change
Gross rental income	42,130	42,372	-0.6%[2]
Net rental income	32,138	33,286	-3.5%[2]
Direct investment result	23,169	21,897	5.8%
Indirect investment result	64,746	27,824	132.7%
Total investment result	87,915	49,721	76.8%
Earnings per share	4.72	2.70	74.6%
EPRA earnings per share	1.24	1.19	4.5%
EPRA cost ratio (incl. direct vacancy costs)	29.2%	26.8%	2.3 pp
EPRA cost ratio (excl. direct vacancy costs)	27.0%	24.4%	2.5 pp

BALANCE SHEET

	30 June 2019	31 December 2018	Change
Investment property	1,243,413	1,202,691	3.4%
Assets held for sale	22,951	3,940	482.5%
Net debt	-429,604	-447,909	-4.1%
Equity	807,266	733,283	10.1%
IFRS equity per share	43.05	39.48	9.1%
EPRA NAV per share	43.60	39.75	9.7%
EPRA NNNAV per share	42.52	39.20	8.5%
Net LTV	33.7%	36.9%	-3.2 pp
Number of ordinary shares outstanding	18,749,733	18,574,298	0.9%
Weighted average number of ordinary shares outstanding	18,620,822	18,473,101	0.8%

KEY PORTFOLIO METRICS

	30 June 2019					
	Offices	HNK	Other	TOTAL	31 December 2018	Change
Number of properties	59	14	12	85	95	-10.5%
Market value (€m)[3]	922	245	107	1,274	1,214	4.9%
Annual contracted rent (€m)[4]	58	18	10	85	87	-1.4%
ERV(€m)[5]	66	23	10	99	102	-2.7%
Lettable area (sqm k)	364	127	75	566	603	-6.2%
Average rent / sqm	186	191	165	184	179	3.2%
EPRA vacancy[6]	9.9%	20.6%	11.3%	12.5%	13.8%	-1.3 pp
EPRA net initial yield	4.6%	4.4%	6.9%	4.8%	5.2%	-0.5 pp
Reversionary yield	7.3%	9.4%	9.3%	7.9%	8.5%	-0.6 pp
Wault (years)	4.5	3.0	5.6	4.3	4.4	-1.0%

1 These half year results are unaudited.
2 On a like-for-like basis GRI growth is 4.9% and NRI growth is 1.8%.
3 Reported in balance sheet at book value incl. right of use leasehold (IFRS 16), excl. lease incentives and part of NSI HQ (own use).
4 Before free rent and other lease incentives.
5 Excluding ERV for investment properties under construction (Bentinck Huis).
6 In line with EPRA-guidelines EPRA vacancy rate excludes Bentinck Huis, which is currently being redeveloped.

CEO COMMENTS

We are pleased to present our H1 2019 report. During the six-month period we have made further progress across the board. The disposal of our remaining non-core assets continues apace, we have identified several additional large value-add initiatives and leasing momentum remains positive. Now, just over two years into the strategy set out in early 2017, we believe it is time to update and refine it. We set out our plans in a strategic update on page 5.

Strong H1 valuation momentum

In H1 the portfolio saw a 5.3% uplift in values, explaining most of the 10% increase in NAV over the period. The uplift is widespread and is noticeable well beyond the Amsterdam office market, driven by both ERV growth (1.3%) and yield shift (4.0%). Retail values were down again in H1 (-5.1%), but here the evidence of our recent disposals (including the sale of Rijswijk, The Hague and Utrecht at book value) should provide considerable comfort.

Due to the strength of the investment market and the quality of the non-core assets offered to the market our disposal programme is progressing well. In H1 2019 we sold 12 assets for € 48.1m. These disposals reflect – on average – a 12.2% premium to the year-end 2018 book value.

We actively continue to pursue further non-core disposals. By year-end 2019 we expect the remaining exposure to non-core assets to be less than 10% of the overall investment portfolio.

Following two acquisitions in Q1 for € 28.7m, in Amsterdam and in Leiden, there have been no further acquisitions in Q2. We see almost all deals on the market and continue to believe that our development programme offers better prospective returns, even on a risk-adjusted basis, than many of the prime assets now offered to the market. We do not feel any pressure to acquire assets to expand and will remain disciplined in our capital allocation.

Continued positive trend in occupancy

The Q2 2019 vacancy rate, at 12.5%, is moving down and remains a key focus. This includes 2.2pp of intentional vacancy, related to potential projects and several non-core assets that we believe are worth more vacant.

We have signed several large lease contracts with a H2 start date that will help to further reduce the vacancy, including a 4,814 sqm letting at HNK The Hague. We also see strong interest for the top 5 assets in terms of remaining vacancy, which suggests we remain on track for a below 11% vacancy at year-end 2019.

Even with all the focus on the occupancy rate, we will at times actively pursue vacancy to further our development programme. At Centerpoint in Amsterdam, for example, the vacancy is set to increase in Q3 given the medium term redevelopment plans.

Sizeable increase in development potential

A further review of the development potential in our office portfolio, in combination with further discussions with municipalities on zoning and planning, has resulted in several additional potential development projects.

As a result the number of potential projects has now increased to eight, up from three before, all of which could happen over the next decade. These eight projects have an estimated all-up cost of € 850m, reflecting a current book value of circa € 150m and cap ex of about € 700m. This compares to a previous estimate for the initial three projects of € 300m+ in cap ex. The projects on average should be expected to generate a healthy profit margin on through-cycle valuation yields.

We previously identified three potential projects: Laanderpoort, Motion and Centerpoint in Amsterdam. Of the other five projects, four are located in Amsterdam and one in Leiden. One of the Amsterdam projects is Vitrum, where we plan to do a full renovation and expect to be able to add additional meters on lease expiry in 2021. We will disclose more details as and when appropriate.

We recognise that a €850m development pipeline is substantial relative to the current capital base. It is not insurmountable though. We have a strong balance sheet position and we can time projects depending on our view on the cycle, embedded project risks and our capital position. We could also decide to partner some of the projects and/or sell parts of it over time, or at times increase asset rotation to release additional capital for the pipeline. In any case, we will not strain the balance sheet at any point in time.

Update on current projects

The negotiations with ING for Laanderpoort have progressed, but some elements still need further discussion in the coming period before we can come to a formal agreement on the redevelopment. More detail will be provided as and when appropriate. It is already clear though that due to the long period of negotiations the potential date to start this project is being pushed out to H1 2021.

At Centerpoint we have signed a letter of intent with the local municipality and adjacent owner ASR to work out a master plan for both plots by Summer 2020. The plan is to increase the density on the plot, replacing 15,000sqm of existing offices on our plot with at least 60,000sqm in new mixed-use space.

At Bentinck Huis in The Hague we obtained provisional approval for our plans from the local municipality in June. We are aiming for a delivery date in late Q4 2019/Q1 2020 and are in discussions with several potential tenants.

Outlook for 2019

We notice an uncertain picture on the wider economics front in Europe. GDP growth forecasts are being toned down and the ECB is once again pointing to more stimulus in support of the economy.
It therefore appears increasingly likely that interest rates will stay lower for longer still. In combination with the current economic outlook we believe the search for yield is bound to continue, further suppressing property yields and supporting property values.

The business is getting stronger through all our initiatives and the outlook is favourable. We believe the development pipeline, which undoubtedly has a clear value today, will prove a key differentiating feature for NSI for the years to come, helping to make the business even stronger still. This is also increasingly reflected in our funding costs, with the agreement of a 12-year €40m fixed rate unsecured loan in early July at a cost of 1.7%.

On sustainability we have submitted the necessary documentation to GRESB and expect to get our first score/result in September. Our sustainability ambitions run high and are being integrated in our development programme. Our first GRESB score will help us plot a realistic path for the journey ahead.

We maintain our EPRA EPS forecast for FY 2019 of € 2.40-2.50, as we continue to upgrade the investment portfolio and lower the overall risk profile of the business. We are pleased to once again propose a stable interim dividend of €1.04. This H1 2019 interim dividend will, as usual, include a stock dividend alternative.

Bernd Stahli

STRATEGY UPDATE

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

Just over two years into the execution of this strategy we believe that for all intents and purposes we have delivered on this strategy and that the period of restructuring is now effectively behind us. We have not only executed a proper clean-up of the business, we have also put in place the necessary foundation, team, culture, processes, data intelligence, portfolio, balance sheet and cost of capital to be able to move to the next phase with confidence.

The next phase is a natural, logical, incremental progression for the business, a step up to fully capitalise on the significantly improved focus and quality of the portfolio as well as the embedded value-add potential that has been established in recent years.

We intend to place even more emphasis on long term ownership near major transport hubs, we believe it is warranted to explore multifunctional development and to focus even more on services (and where possible a combination of the three) to drive long term value creation for our shareholders.

Selective multi-functional development

In recent years the focus of the team has been to expand the portfolio with larger, high quality, efficient offices in our core markets. At the same time we have proven to be very specific about micro locations, focussing mostly on the major public transport hubs in Amsterdam, Utrecht, The Hague, Rotterdam and Eindhoven.

As per June 2019 we have circa 55% of the office/HNK portfolio located within a 10 minutes walking radius of these public transport hubs and circa 96% of our potential development programme is located near these hubs.

As a result of this focus we now have amassed a valuable portfolio to fully capitalise on the global trend towards further urbanisation. Multiple studies have suggested that by 2050 nearly 70% of the world population will live in urban areas. For The Netherlands this probably means the Randstad economy is bound to become even more dominant and will see a substantial further influx of people in search of jobs and livelihoods.

Most local authorities recognise the challenge and will, in addition to potential geographical expansion, look to selectively densify in certain areas, especially near the major public transport hubs. We see that comprehensive, aspirational, plans are being worked on to turn major transport hubs into multifunctional locations, where 'work, education, healthcare, sleep, eat and play', are integrated into the plans to create a new, sustainable, diverse and vibrant city.

At NSI, as long term investor in many of these key transport hubs, we have a duty of care as well as a genuine economic interest and we fully embrace the trend to multifunctional development, as we recognise both the necessity and potential.

This also changes the role of NSI. We are no longer just an investor in buildings in these locations, but we can and should take on the larger role and responsibility to support the transition of these areas to drive their long term success, in collaboration with the local municipalities.

Included in this, given our position as a long term owner, given our substantial development programme and given our sustainability ambitions, is the clear necessity to consider alternative use in the design phase of our projects. We have seen time and again that the use of buildings and areas can and will change over time, so that it is prudent (and economic) to consider this upfront.

This is one of the guiding principles to our potential Centerpoint mixed-use development in Amsterdam. It also makes sense for NSI to consider retaining some of the mixed-use development projects on completion, instead of selling off the non-office parts, as the embedded upfront cost to enable alternative use is unlikely to be recognised in an immediate disposal. Another benefit of this could be that it would help us to optimise the management of the overall asset, with integrated services offering a better user experience, to generate better returns on these assets.

We have no immediate plans to acquire assets other than offices near the major transport hubs. For now we expect our involvement in multifunctional assets to be limited and driven entirely by our development pipeline. Having said that, if we see opportunities to acquire non-office assets to help strengthen our position in a location and so be better able to plan and optimise our entirety of holdings in this location we will not refrain from doing so.

Office-as-a-Service

Real estate is moving from the traditional leasing of square meters, to providing a service to customers. This change has been going on for some time already, but for offices has accelerated in recent years with the emergence of new flex concepts.

At NSI we acknowledged this trend years ago and started our in-house flex office brand HNK. We appreciate that customers do not necessarily need square meters, but they do need a place where they can run their business successfully and can genuinely expect that all secondary/non-core elements to their business, real estate-related and otherwise, are seen to by specialists. It has been our goal to provide mid-size to larger corporates with these places: genuinely vibrant spaces in excellent locations, proper amenities and services and flexibility in lease terms.

We will continue to invest in our service offering to further build the relationship with our customers. For that purpose we will establish more partnerships with leading service operators to provide an all-round offering: a menu card to enable customised solutions.

This programme will include the entirety of our large multi-tenanted office holdings near key transport hubs, in addition to our existing HNK portfolio. In all these locations we typically already offer a mixture of services, but we believe we can provide an even wider range of services as there is sufficient scale and demand (i.e. willingness to pay for these services) to operate profitably.

We believe a key strength and differentiating feature for NSI is that we own and operate the assets ourselves and so are flexible in the way we organise the entirety of our buildings and its services. This flexibility in combination with partnerships with external service providers, should result in a best of both worlds service that can be easily scaled up and down depending on customer demand.

INCOME, COSTS AND RESULT

EPRA EPS for H1 2019 is € 1.24, of which € 0.56 in Q1 and € 0.68 in Q2. This is a 4.5% increase compared to the same period last year. The increase is largely the result of a one-off in non-cash financing costs in April 2018 of € 2.1m.

EPRA NAV is up € 3.85 per share or 9.7%, driven by a positive revaluation of the portfolio, a positive result on disposals and retained earnings and is negatively impacted by the distribution of the final dividend over 2018, paid out in May.

Rental income

Gross rental income in H1 2019 is down by 0.6% compared to H1 last year. This is entirely due to asset rotation. In 2018 proceeds from the disposal of higher yielding assets have been reinvested in better quality, lower yielding, assets with value-add potential in the G4, at a short term cost to income. On a like-for-like basis gross rents are up by 4.9% and up by 6.7% for the assets in target cities.

Non recoverable service charges are down in total, but slightly up on a like-for-like basis, caused by one-offs in service charge reconciliations positively impacting the 2018 result.

The NRI margin has deteriorated by 2.3pp compared to last year. This is primarily the result of higher maintenance costs this year, as part of regular maintenance. Net rent is up by 1.8% on a like-for-like basis, with the target cities up by 2.7%. These results are for a large part driven by the positive momentum in the HNK portfolio.

Service costs

Non recoverable service charges are down by 6.0% in H1 2019 vs H1 2018, positively impacted by asset rotation and lower vacancy and negatively impacted by one-offs in 2018.

Operating costs

Operating costs are 12.1% (€ 1.0m) higher compared to H1 2018. This is primarily due to higher maintenance expenses and higher property management costs. Due to the outsourcing of some of the property management activities at the end of Q1 2018 these costs are slightly higher in 2019. These higher costs explain the increase in the EPRA cost ratio in 2019.

The net rental margin, at 76.3%, is 2.3pp lower than H1 last year (78.6%). As a result of higher costs in Q1 relating to municipality taxes, we expect the margin to improve throughout the year.

Administrative costs

Administrative expenses in the first half of € 3.8m are down 6.1% compared to last year, because of lower legal and tax fees. These have been somewhat inflated in recent years due to the restructuring of the business. Also valuation fees are down as the portfolio now has about half of the number of assets compared to 2016.

Net financing costs

Financing costs are down 29.0% compared to H1 2018. Last year financing costs were negatively impacted by a € 2.1m one-off from an IFRS 9 impact in H1 2018 due to the refinancing.

Indirect costs and results

At the end of June 2019 the portfolio is valued upward by 5.3% by the external valuers, resulting in a € 65.7m positive revaluation. This positive trend is also confirmed in our disposals, which in H1 were done at a premium to book value. For the first six months of 2019 the positive result on disposals is € 4.4m.

A fall in interest rate swap rates in H1 2019 has resulted in a € 5m negative mark-to-market effect of NSI's interest rate swaps. The total indirect result for H1 2019 is € 64.7m contributing € 3.45 to the NAV per share.

Post-closing events and contingencies

In July NSI has agreed to issue € 40m of 12-year notes at a 1.7% coupon, resulting in a pro-forma average loan maturity of 5.4 years.

A retail asset in Leiderdorp, which was part of the retail transaction with Retail Estates in 2017, has been transferred back to NSI post annulment of the specific Leiderdorp transaction for € 0.75m and will be reflected in the accounts per September 2019.

Income segment split H1 2019

	H1 2019					
	Offices	HNK	Other	Corporate	TOTAL	H1 2018
Gross rental income	28,365	8,500	5,264		42,130	42,372
Service costs not recharged	-404	-415	-163		-983	-1,046
Operating costs	-5,181	-2,518	-1,310		-9,009	-8,040
Net rental income	**22,780**	**5,567**	**3,791**		**32,138**	**33,286**
Administrative costs				-3,778	-3,778	-4,023
Earnings before interest and taxes	**22,780**	**5,567**	**3,791**	**-3,778**	**28,360**	**29,263**
Net financing result				-5,193	-5,193	-7,315
Direct investment result before tax	**22,780**	**5,567**	**3,791**	**-8,971**	**23,167**	**21,948**
Corporate income tax				2	2	-51
Direct investment result / EPRA earnings	**22,780**	**5,567**	**3,791**	**-8,968**	**23,169**	**21,897**

REAL ESTATE PORTFOLIO

NSI sold 12 assets in H1 2019, two retail assets in Zutphen and Utrecht and 10 office assets. The disposal proceeds of € 48.1m (excluding costs) reflect a 12.2% premium to latest book value. The offices were sold at a 16.9% premium and the retail assets at a 1.7% discount to the December 2018 book value, before costs.

Two assets were acquired in Q1, in Amsterdam and in Leiden, for in total € 30.8m including acquisition costs.

Asset rotation[7, 8]

	# Assets	Acquisition/ Net sales price	Net result on sale	Contract rent
Offices	2	30.8		2.0
Acquisitions	**2**	**30.8**		**2.0**
Offices	10	37.0	4.8	2.9
Other	2	10.3	-0.4	0.9
Disposals	**12**	**47.3**	**4.4**	**3.7**

NSI was a net seller in H1 2019 with disposal proceeds exceeding acquisition costs by € 16.5m. The number of assets continues to go down. The average asset value at the end of June 2019 is up to € 15.0m (Q4 2018: € 12.8m).

At the end of June two retail assets are classified as 'held for sale', with a combined book value of € 23.0m.

Portfolio breakdown

	# Assets	Market value (€ m)	Market value (%)
Offices	59	922	72%
HNK	14	245	19%
Other	10	84	7%
TOTAL Investment property	**83**	**1,251**	**98%**
Held for sale	2	23	2%
TOTAL Portfolio	**85**	**1,274**	**100%**

Vacancy

EPRA vacancy

	Dec. 2018	L-f-l	Other	Jun. 2019
Offices	11.1%	1.3%	-2.5%	9.9%
HNK	23.2%	-2.6%		20.6%
Other	11.2%	-0.3%	0.4%	11.3%
TOTAL	**13.8%**	**0.3%**	**-1.6%**	**12.5%**
Target Cities	8.2%	1.7%	-1.5%	8.4%
Other	27.5%	-2.0%	-3.7%	21.8%

7 Acquisitions at acquisition price including costs
8 Including sales and acquisition costs

At the end of June 2019 EPRA vacancy rate is 12.5%, a 1.3pp decline during the first half. The like-for-like vacancy increased by 1.3pp for offices. This is mostly due to anticipated lease expiries and given a healthy level of tenant retention and our current leasing momentum we anticipate a further decline in the like-for-like vacancy by year-end. Of the current vacancy about 2.2pp is intentional, related to planned disposals or value-add initiatives.

Rents

On a like-for-like basis net rents are up 1.8%, largely due to HNK and the strong lease up at HNK Schinkel. In our target cities net rents are up strongly, by 2.7% YTD, reflecting the health of these markets and the embedded reversionary potential.

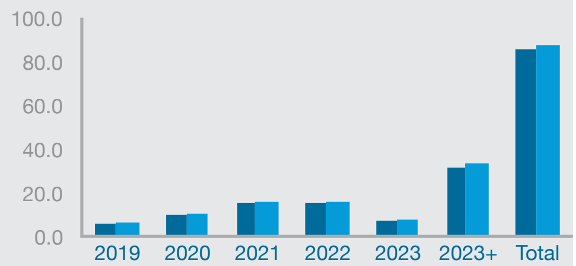
Net rent growth like-for-like (€ m)

	H1 2019	H1 2018	L-f-l
Offices	19	19	-3.0%
HNK	5	4	28.7%
Other	4	4	-1.9%
TOTAL	**28**	**27**	**1.8%**
Target Cities	21	20	2.7%
Other	7	7	-0.6%

Reversionary potential / ERV bridge

The portfolio is 1.5% reversionary, as ERVs continue to improve in a strengthening rental market, and due to asset rotation.

Annual expirations and reversion



	2019	2020	2021	2022	2023	2023+	Total
Contract rent	5.6	9.7	15.6	14.5	7.6	31.9	84.9
ERV	5.3	10.1	15.5	15.0	7.4	32.8	86.1
# Contracts	378	201	149	131	107	150	859
Reversion	-4.6%	3.9%	-0.5%	3.7%	-3.0%	2.7%	1.5%

Reversion

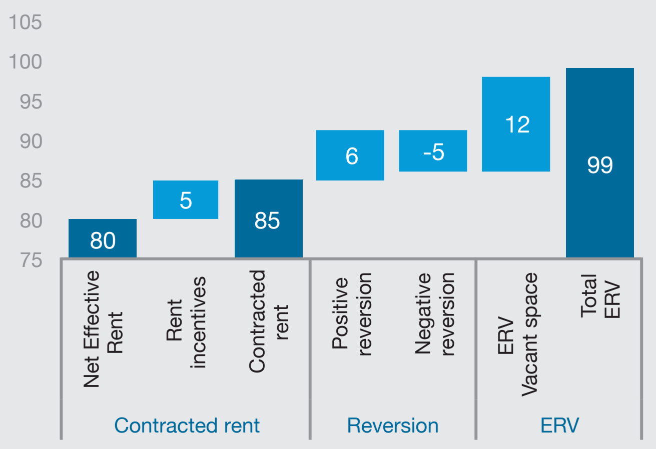
	Dec. 2018	Jun. 2019
Offices	2.3%	3.5%
HNK	3.2%	1.6%
Other	-8.4%	-10.8%
TOTAL	**1.1%**	**1.5%**
Target Cities	5.3%	5.0%
Other	-12.4%	-9.7%

The reversion to ERV for Offices is now 3.5%, with 5.0% for our target markets. At HNK some of the reversion was captured in H1, with contracted rent up by 6.5% compared to December 2018. This has resulted in a lower reversion for HNK compared to 6 months ago.

ERV like-for-like (€ m)

	Dec. 2018	Jun. 2019	L-f-l
Offices	63	64	0.9%
HNK	23	23	1.1%
Other	10	10	-5.4%
TOTAL	**96**	**97**	**0.3%**

Bridge Contracted rent to ERV – June 2019 (€m)



EPRA yields

The EPRA net initial yield is down 40 bps to 4.8%, due to the effects of asset rotation and a 5.3% increase in capital values in H1. Yield levels have come down in line with market movements, but do not appear stretched. The gross yield for Amsterdam Offices of 6.0% is still relatively high in comparison to what we see in the market.

Yields

	EPRA net initial yield		Gross initial yield		Reversionary yield	
	Jun. 2019	Dec. 2018	Jun. 2019	Dec. 2018	Jun. 2019	Dec. 2018
Offices	4.6%	5.1%	6.4%	6.8%	7.3%	7.8%
HNK	4.4%	4.6%	7.3%	8.0%	9.4%	10.8%
Other	6.9%	6.9%	9.3%	8.9%	9.3%	9.2%
TOTAL	**4.8%**	**5.2%**	**6.8%**	**7.2%**	**7.9%**	**8.5%**
Target Cities	4.4%	4.8%	6.2%	6.6%	7.3%	7.8%
Other	6.6%	7.0%	9.7%	9.8%	10.8%	11.2%

Valuations

The portfolio is appraised externally twice a year. Most assets saw a change in external appraiser in H1 2019, in accordance with our standard appraiser rotation process. Colliers has been appointed in addition to CBRE, JLL and Cushman & Wakefield.

In H1 2019 capital values are up by 5.3%, with the Target Cities up 6.5%. Following a slow H2 2018, capital growth in Amsterdam is once again strong, at 5.8%. Values for offices in Other Netherlands appear to be bottoming out, with a positive 5.9% revaluation in H1.

The valuation of HNK is up by 15.5% in H1, continuing the strong positive trend of recent years, with a 9% uplift in 2018 and 10% in 2017. The segment 'Other' is down by 5.1%, as the Dutch retail investment market remains difficult.

Revaluations

	Market value (€ m)	Revaluation			
		Positive	Negative	TOTAL	%
Offices	922	51	-11	40	4.4%
HNK	245	33	0	33	15.5%
Other	84	0	-7	-6	-5.1%
TOTAL Portfolio	**1,251**	**84**	**-18**	**66**	**5.3%**
Target Cities	1,071	75	-9	66	6.5%
Other	203	9	-8	0	0.1%

Capital expenditure

We continue to invest in the portfolio. Defensive capital expenditure in H1 2019 was € 2.2m. The largest expense was € 0.6m at the Koningin Wilhelminaplein. At the end of last year the lease for this asset was terminated and the asset had a maintenance backlog. Most of the offensive capex is spent on Bentinck Huis where works have started in June. HNK Den Bosch and The Hague (opening up to the E tower for new tenant) have seen the highest investments.

Capital expenditure

	Offensive	Defensive	TOTAL
Offices	0.4	2.2	2.5
HNK	2.4		2.4
Other		0.3	0.3
TOTAL Portfolio	**2.7**	**2.4**	**5.2**
Target Cities	2.7	2.0	4.6
Other	0.1	0.5	0.5

Development and renovations

At the end of June 2019 NSI has only one asset, Bentinck in The Hague, classified as development - Investment property under construction. In late Q2 provisional permits for the renovation were granted by the local municipality and selective works have started. The completion is planned for late Q4 2019, but may run in Q1 2020. There is strong interest from multiple candidates to take space in what we aim to be one of the best buildings in The Hague.

Negotiations with ING for the redevelopment of Laanderpoort are ongoing. As it proves to take longer to come to a formal agreement for the project we now expect demolition of the asset to start late H1 2021.

At Centerpoint, NSI together with ASR Dutch Mobility Office Fund, the owner of the adjacent property, and with the municipality of Amsterdam, has signed a letter of intent to re-develop the two plots into a potential development of up to 175,000 sqm of highly sustainable mixed-use space including offices, residential and further services. The aim is to establish a detailed urban plan for the two plots in late H1 2020, with detailed plans for each plot to follow thereafter.

The team continues to work on identifying new asset management initiatives to drive shareholder value. In total 8 projects have been identified, which could happen over the next decade. All but one of these projects are located in Amsterdam, with one in Leiden. NSI is owner of the sites and most have income producing assets on them which could be extended or redeveloped, or have land plots adjacent for development.

The estimated all-up cost of all projects is about €850m, reflecting the current book value of circa €150m and cap ex of about €700m. These projects should be expected to generate a normal profit margin on through-cycle valuation yields.

Offices

The EPRA vacancy rate is down to below 10%, largely due to the disposal of two fully vacant offices in Zoetermeer in Q1 2019. We hold several office assets intentionally vacant to maximise the exit value in the period ahead. These assets combined contribute circa 2.2pp to the overall vacancy rate as per June 2019.

Like-for-like vacancy in the Offices segment rose by 1.3%. This is largely due to Centerpoint, where the team is now accepting more flexibility in leases to prepare for the potential redevelopment of the asset. In the short term this will result in fluctuations in occupancy. At the end of Q2 a large tenant left at Centerpoint (ERV € 0.6m) and in H2 we expect to lose € 0.3m of further income. A lease expiry at Donauweg in Amsterdam (ERV of circa € 0.4m) also negatively impacted the like-for-like vacancy.

There is strong positive momentum in Amsterdam Sloterdijk. At Q-Port and Motion several lease contracts for a total of 11k sqm of office space were renewed in the first six months. There is strong interest from new occupiers and we expect vacancy to significantly decline by the year-end. The ERV of space vacant in these two assets is more than € 1.4m at June 2019.

Key office metrics - breakdown by segment

	Jun. 2019				
	A'dam	Other Target Cities	Other NL	TOTAL	Dec. 2018
Number of properties	17	27	15	59	67
Market value (€ m)	512	349	61	922	881
Avg. market value (€ m)	30	13	4	16	13
Market value (€ sqm)	3,574	2,284	899	2,535	2,233
Ann. contract rent (€ m)	28	23	6	58	59
Average rent / sqm	218	178	124	186	179
Lettable area (sqm k)	143	153	68	364	394
ERV (€ m)	34	25	7	66	68
EPRA vacancy	7.7%	9.4%	21.8%	9.9%	11.1%
EPRA net initial yield	4.1%	4.9%	6.9%	4.6%	5.1%
Reversionary yield	6.6%	7.5%	11.9%	7.3%	7.8%
Wault	4.5	4.5	4.4	4.5	4.6

At June 2019 Amsterdam makes up 56% of the total office portfolio and 60% of the office portfolio in the target cities. The 15 remaining offices in 'Other NL' now include all assets both in and outside of the Randstad that are not in target cities and are earmarked as non-core.

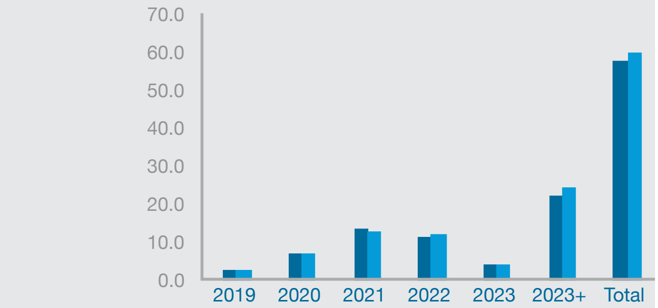
Like-for-like[9]

	NRI growth %	Revaluation %	ERV growth %
Amsterdam	2.6%	4.2%	1.3%
Other Target Cities	-10.8%	6.3%	-0.3%
Other Netherlands	-2.6%	4.3%	3.3%
Total	**-3.0%**	**5.0%**	**0.9%**

Like-for-like GRI is positive at 4.2%. Due to temporarily higher maintenance expenses in Rotterdam, The Hague and Eindhoven the like-for-like NRI is negative 3.0% in H1 2019.

Following extensive asset rotation and ERV growth of 0.9% in H1 2019, the office portfolio is now 3.5% reversionary. This is up from 2.3% at the end of 2018.

Offices - Annual expirations and reversion (€m)



	2019	2020	2021	2022	2023	2023+	Total
■ Contract rent	2.1	6.4	12.6	10.8	3.5	21.9	57.4
■ ERV	1.8	6.6	12.5	11.4	3.5	23.6	59.4
# Contracts	23	36	48	32	29	59	227
Reversion potential	-13.0%	3.4%	-1.1%	5.4%	-1.4%	7.6%	3.5%

HNK

In June NSI signed a 10-year firm lease with a leading multinational service firm for 4,814 sqm of space at HNK The Hague. The lease will start in Q4 2019 and as a result HNK The Hague is set to be effectively fully occupied by year-end 2019. This is a strong result for the HNK portfolio and for NSI as a whole, as HNK The Hague was one of the top 5 vacancies in the portfolio. We now expect the vacancy for the HNK activities to decline to circa 15% by year-end 2019, down from 22.2% at the end of March 2019.

Following the lease up of The Hague the largest remaining vacancy is now at HNK Rotterdam Scheepsvaartkwartier. We are seeing increasing interest for the upgraded space here, now the market in Rotterdam is getting tighter for good quality larger floorplates.

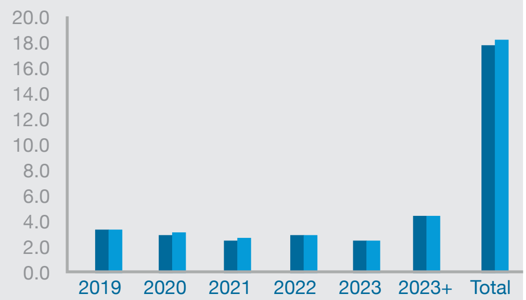
9 NRI like-for-like YTD 2019 compared to YTD 2018, only includes assets in portfolio throughout first six months 2019 and first six months 2018, transformation and development projects are excluded. Revaluation and ERV growth relate to standing investments in portfolio on 30 June 2019 and 30 June 2018.

The performance of HNK was strong in H1 2019. EPRA vacancy is down 2.6pp with a further 5-6pp improvement expected in H2. Like-for-like NRI growth is 28.7%, mainly due to take up in 2018 and lower operating costs. The 15.5% revaluation of the HNK portfolio in H1 2019 is driven by assets in Amsterdam, which account for about half of the € 33m value increase, driven by both a € 1.1m increase in contractual rents and a 70 bps fall in gross initial yield.

Key HNK metrics - breakdown by segment

	Jun. 2019				
	A'dam	Other Target Cities	Other NL	TOTAL	Dec. 2018
Number of properties	3	6	5	14	14
Market value (€ m)	87	123	35	245	210
Avg. market value (€ m)	29	21	7	17	15
Market value (€ sqm)	3,170	1,936	970	1,926	1,650
Ann. contract rent (€ m)	5	9	4	18	17
Average rent / sqm	209	203	150	191	188
Lettable area (sqm k)	27	64	36	127	127
ERV (€ m)	7	12	5	23	23
EPRA vacancy	9.4%	23.4%	29.3%	20.6%	23.2%
EPRA net initial yield	4.2%	4.4%	4.8%	4.4%	4.6%
Reversionary yield	7.6%	9.4%	13.5%	9.4%	10.8%
Wault	2.9	2.9	3.7	3.0	3.2

HNK - Annual expirations and reversion (€m)



	2019	2020	2021	2022	2023	2023+	Total
Contract rent	3.2	2.8	2.3	2.8	2.3	4.3	17.7
ERV	3.2	2.9	2.4	2.9	2.3	4.3	18.0
# Contracts	314	111	47	45	24	37	578
Reversion potential	-0.2%	4.9%	6.5%	0.7%	0.2%	-0.5%	1.6%

Other

We continue to sell non-core retail assets, which make up less than 7% of our assets at the end of June 2019. In H1 2019 we sold retail assets in Zutphen and Utrecht. In addition we announced the unconditional disposal of 'Sterpassage' in Rijswijk and of 'Hof ter Hage' in The Hague, both of which are set to be transferred in H2 2019.

We are pleased that we have managed to dispose of these assets at book value, in what remains an uncertain retail environment with only limited liquidity in investment markets.

We still have 10 assets in the segment 'other', of which 4 comprise our share in the Zuidplein shopping centre in Rotterdam. This asset is the largest remaining exposure in this segment.

ESG

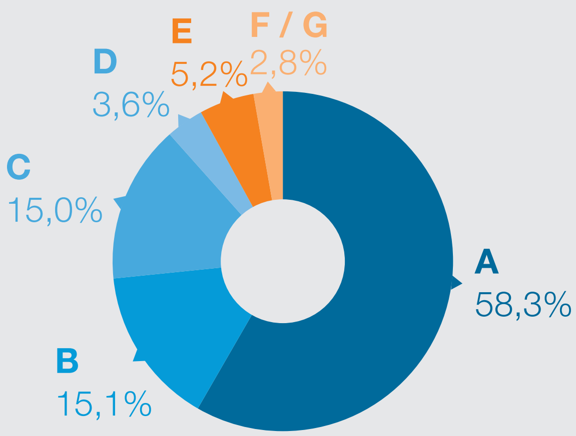
The team has submitted all the relevant data and documents to GRESB and we expect to receive the results in September. During the exercise we have identified several possible improvements that we will look to implement in H2 2019 to help our score for 2020.

The GRESB outcome will provide a starting point to measure and judge the progress on our ESG initiatives. We see a good GRESB score as a hygiene factor for any respectable real estate business, including NSI. It is hard to differentiate on hygiene and we intend to make a real difference on ESG with our potential development programme.

In addition to GRESB we are also readying the portfolio to meet the Government imposed deadline of 2023 on energy certificates. We are well on track to have our entire Offices and HNK portfolio meet the minimum C label energy certificate requirement well before the government-imposed deadline of 2023.

By value 86% of our total portfolio and 90% of our core portfolio already has a C energy label or better. We have plans in place for all non-conforming core assets and expect that by the end of 2020 all but two or three of our assets will have a C label or better. The last assets are probably only due 2021.

Portfolio breakdown of energy labels by value



NSI, in partnership with BeeLife, is installing beehives on the roofs of 16 of its office buildings. Globally the number of bees has halved over the last 30 years, which is alarming as bees form a crucial part of the eco system. It is estimated that 80% of eatable crops are dependent on pollination by bees. We hope the beehives will contribute to the growth of the bee population (as well as provide our shareholders attending the 2020 AGM with some honey to take home).

NSI is also taking action on its social initiatives. In May the team has taken a group of elderly with walking difficulties to Artis, Amsterdam zoo. It was a sociable afternoon with lots of smiles and a welcome distraction for these people.

BALANCE SHEET, NAV AND FINANCING

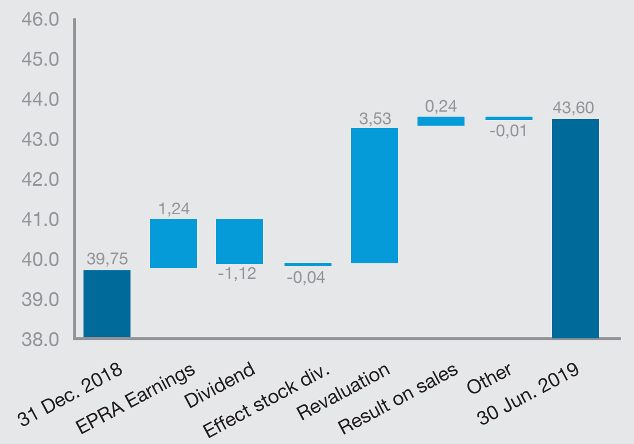
Balance sheet

At the end of June 2019 two retail assets with a value of € 23m are classified as held for sale. Sterpassage in Rijswijk is expected to be transferred at the end of Q3 and Hof ter Hage in The Hague at the end of November 2019.

Net asset value

The EPRA NAV at the end of June 2019 is € 817m, an increase of 10.7% over the 6 months period (€ 738m at YE 2018). Due to a small rise in the number of shares following the issuance of stock dividend, the EPRA NAV per share increased by 9.7% from € 39.75 at the end of 2018 to € 43.60 at June 2019. The change in the NAV is explained in the bridge below.

EPRA NAV per share bridge



The gap between EPRA NAV and EPRA NNNAV of € 42.52 per share is € 1.08 and reflects the negative fair value of our derivatives and the market value of the debt.

The issue price of the stock dividend in May was € 39.20 on an ex-dividend basis, in line with the YE 2018 NAV, and resulting in the issuance of 175,435 shares in H1 2019. This has had a small negative impact on H1 2019 NAV.

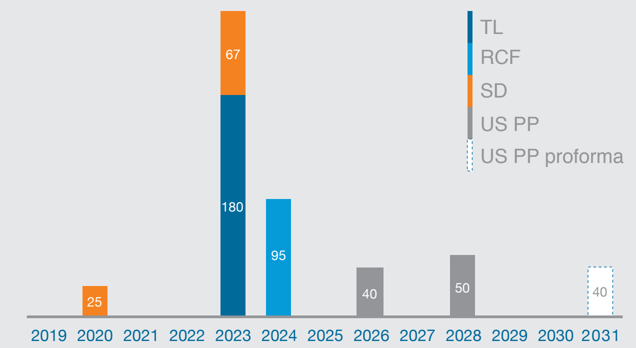
Funding

NSI refinanced most of its debt in 2018. The current treasury objectives are 1) to maintain sufficient flexibility in the debt structure to repay debt if disposal proceeds exceed acquisition and capital expenditure, 2) to take advantage of the current relatively flat interest curve by pushing out maturities and diversify the maturity profile, and 3) to increase funding sources and diversify the investor base.

In line with the strategy, in April, NSI has agreed to extend the RCF by one year. As a result the € 300m RCF, of which € 95m is drawn by June 2019, is now set to mature in April 2024.

Post the period end NSI has agreed to issue € 40m of 12-year unsecured notes to affiliates of Athene Asset Management, a subsidiary of Apollo Global Management. The notes are Euro denominated and have a fixed coupon of 1.70%. This coupon and maturity reflect a further improvement in the overall NSI business prospects and confirms its attractive credit profile. The notes will be issued in August 2019 and will run to August 2031.

Maturity profile loans (€m)



At the end of June 2019 the average loan maturity is 4.7 years (December 2018: 5.0 years) and proforma including new notes 5.4 years. Of debt drawn 80% is unsecured (86% of available debt) and the cost of debt is 2.0%. The focus in the second half of 2019 will be on further extending maturities and further increasing the funding diversification, reducing the reliance on bank financing.

Net debt

	Jun. 2019	Dec. 2018	Δ
Debt outstanding	458.4	439.1	19.4
Amortisation costs	-1.4	-1.4	0.0
Book value of debt	**457.0**	**437.7**	**19.4**
Cash and cash equivalents	-27.6	-0.2	-27.4
Debts to credit institutions	0.2	10.5	-10.3
TOTAL NET DEBT	**429.6**	**447.9**	**-18.3**

Net debt is down by € 18.3m in H1 2019. This is primarily driven by net disposals and retained earnings over the period. Our remaining committed undrawn credit facilities and cash at the end of June are circa € 232m.

Leverage and hedging

The LTV is 33.7% at June 2019, down 3.2 percentage point compared to December 2018 (36.9%), as a result of lower net debt and a positive revaluation result of the assets. As a result of lower financing costs the ICR increased to 6.2x, well above the 2.0x covenant.

The maturity of derivatives and fixed rate debt is 4.6 years at the end of June 2019 and the maturity hedge is 96% (target range: 70-120%). The notional amount of swaps outstanding and fixed rate debt is €430m. The volume hedge is 94% (target range: 70-100%).

Covenants

	Covenant	Dec. 15	Dec. 16	Dec. 17	Dec. 18	Jun. 19
LTV	≤60%	43.3%	44.1%	36.9%	36.9%	33.7%
ICR	≥ 2.0x	3.2x	3.8x	4.7x	5.5x	6.2x

We are likely to cancel some swaps in conjunction with the drawdown of the new € 40m in notes with Athene. This will allow us to stay within our hedging targets. Any associated swap breakage costs will be a cash out in H2, but the market-to-market is already reflected in the NAV.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note		H1 2019		H1 2018
Gross rental income	2		42,130		42,372
Service costs recharged to tenants		6,254		6,166	
Service costs		-7,237		-7,212	
Service costs not recharged	2		-983		-1,046
Operating costs	2, 3		-9,009		-8,040
Net rental income			**32,138**		**33,286**
Revaluation of investment property	4		65,654		31,286
Net result on sale of investment property	5		4,425		-735
Net result from investments			**102,216**		**63,838**
Administrative costs	6		-3,778		-4,023
Other income and costs			-225		-41
Financing income		1		12	
Financing costs		-5,194		-7,327	
Movement in market value of financial derivatives		-5,108		-2,687	
Net financing result			-10,301		-10,002
Result before tax			**87,913**		**49,772**
Corporate income tax			2		-51
Total result for the year			**87,915**		**49,721**
Other comprehensive income					
Total comprehensive income for the year			**87,915**		**49,721**
Total comprehensive income attributable to:					
Shareholders			87,915		49,721
Total comprehensive income for the year			**87,915**		**49,721**
Data per average outstanding share:					
Diluted as well as non-diluted result after tax			4.72		2.70

The notes form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2019	31 December 2018
Assets			
Investment property	7	1,243,413	1,202,691
Derivative financial instruments	12		323
Tangible fixed assets		1,665	777
Intangible fixed assets		497	510
Other non-current assets		6,690	6,319
Non-current assets		**1,252,265**	**1,210,619**
Debtors and other receivables	8	1,291	1,755
Cash and cash equivalents		27,605	245
Assets held for sale	9	23,020	3,940
Current assets		**51,917**	**5,940**
Total assets		**1,304,181**	**1,216,559**
Shareholders' equity			
Issued share capital	10	68,999	68,353
Share premium reserve	10	920,284	920,935
Other reserves	10	-269,931	-347,531
Total result for the year		87,915	91,525
Shareholders' equity		**807,266**	**733,283**
Liabilities			
Interest bearing loans	11	455,763	436,407
Derivative financial instruments	12	9,065	5,327
Other non-current liabilities		5,519	4,080
Non-current liabilities		**470,346**	**445,813**
Redemption requirement interest bearing loans	11	1,250	1,250
Derivative financial instruments	12	1,091	43
Creditors and other payables	13	23,858	25,602
Debts to credit institutions		197	10,497
Liabilities directly associated with assets held for sale		173	71
Current liabilities		**26,569**	**37,464**
Total liabilities		**496,915**	**483,277**
Total shareholders' equity and liabilities		**1,304,181**	**1,216,559**

The notes form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Notes		H1 2019		FY 2018
Result from operations after tax			87,915		91,525
Adjusted for:					
Revaluation of investment property	4	-65,654		-46,418	
Net result on sale of investment property	5	-4,425		-841	
Net financing result		10,301		17,003	
Corporate income tax		-2		28	
Depreciation and amortisation	6	212		223	
			-59,567		-30,005
Movements in working capital:					
Debtors and other receivables		42		-88	
Creditors and other payables		-1,343		1,015	
			-1,301		927
Cash flow from operations			**27,046**		**62,447**
Financing income received			1		27
Financing costs paid			-5,982		-9,751
Tax paid			-56		-57
Cash flow from operating activities			**21,010**		**52,666**
Purchases of investment property and subsequent expenditure	7, 9		-35,921		-178,539
Proceeds from sale of investment property	7, 9		47,343		120,139
Investments in tangible fixed assets					-58
Disinvestments in tangible fixed assets			2		
Investments in intangible fixed assets			-68		-104
Cash flow from investment activities			**11,356**		**-58,563**
Dividend paid to the company's shareholders			-13,931		-31,887
Proceeds from interest bearing loans	11		20,000		519,712
Transaction costs interest bearing loans paid			-150		-1,297
Repayment of interest bearing loans	11		-625		-487,838
Cash flow from financing activities			**5,294**		**-1,309**
Net cash flow			**37,660**		**-7,206.255**
Cash and cash equivalents and debts to credit institutions - balance as per 1 January			**-10,252**		**-3,046**
Cash and cash equivalents and debts to credit institutions - balance as per 31 December 2018 / 30 June 2019			**27,408**		**-10,252**

The notes form an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

H1 2019:

	Issued share capital	Share premium reserve	Other reserves	Result for the year	Shareholders' equity
Balance as per 31 December 2018	**68,353**	**920,935**	**-347,531**	**91,525**	**733,282**
Total result for the year				87,915	87,915
Total comprehensive income for the year				**87,915**	**87,915**
Profit appropriation - 2018			91,525	-91,525	
Distribution final dividend - 2018	646	-651	-13,926		-13,931
Contributions from and to shareholders	**646**	**-651**	**77,599**	**-91,525**	**-13,931**
Balance as per 30 June 2019	**68,999**	**920,284**	**-269,931**	**87,915**	**807,266**

2018:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 condensed consolidated financial statements are presented for the company and its subsidiaries (together referred to as the 'Group'), as well as the Group's interests in associates.

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 interim financial information has been prepared in accordance with IAS34 Interim Financial Reporting. This does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understand the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2018.

The interim financial information was authorised for issue by the Company's Management and Supervisory Board on 17 July 2019. The interim financial information was reviewed by the auditor and is unaudited.

Unless stated otherwise, all amounts in the interim financial information 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 differences in the figures presented.

Assumptions and estimation uncertainties

The preparation of the condensed consolidated interim financial statements requires that the Management Board forms opinions, estimates and assumptions that affect the application of accounting principles and reported figures for assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Valuation principles

The condensed consolidated interim financial statements have been prepared on the basis of historical cost with the exception of investment property, investment property under construction and assets held for sale, financial assets and liabilities at fair value through profit or loss and derivatives, which are recognised at fair value.

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

SIGNIFICANT ACCOUNTING POLICIES

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

New and amended standards adopted by the Group

IFRS 16 Leases

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

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

As per 1 January 2019, the net present value of the future leasehold payment was calculated. Based on these calculations the value for the right of use of leasehold was € 2.0 million which increased the value of the investment property in the opening balance of 2019. The leasehold liabilities, reported under other non-current liabilities and creditors and other payables (for the obligations within one year), included in the opening balance also amounted to € 2.0 million. At the end of June 2019, the net present value for leasehold liability amounted to € 1.0 million.

As per 1 January 2019, the net present value for car lease obligations amounted to € 0.5 million. This amount was included in the opening balance of 2019 in the right of use lease cars under tangible fixed assets and lease liabilities under other non-current liabilities and creditors and other payables. As at 30 June 2019, the car lease obligations included in the balance sheet amounted to € 0.9 million.

1. SEGMENT INFORMATION

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

H1 2019:

	Offices			HNK					
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	Corporate	TOTAL
Gross rental income	13,831	11,092	3,442	2,309	4,494	1,698	5,264		42,130
Service costs not recharged	-159	-238	-7	-48	-191	-176	-163		-983
Operating costs	-1,628	-2,786	-767	-438	-1,441	-639	-1,310		-9,009
Net rental income	**12,045**	**8,068**	**2,668**	**1,823**	**2,861**	**883**	**3,791**		**32,138**
Revaluation of investment property	18,519	18,566	2,478	14,433	13,963	4,098	-6,403		65,654
Net result on sale of investment property	1,363	1,036	2,435				-410		4,425
Net result from investment	**31,926**	**27,670**	**7,581**	**16,256**	**16,824**	**4,981**	**-3,022**		**102,216**
Administrative costs								-3,778	-3,778
Other income and costs								-225	-225
Net financing result								-10,301	-10,301
Result before tax	**31,926**	**27,670**	**7,581**	**16,256**	**16,824**	**4,981**	**-3,022**	**-14,304**	**87,913**
Corporate income tax								2	2
Total result for the year	**31,926**	**27,670**	**7,581**	**16,256**	**16,824**	**4,981**	**-3,022**	**-14,302**	**87,915**
Other comprehensive income									
Total comprehensive income for the year	**31,926**	**27,670**	**7,581**	**16,256**	**16,824**	**4,981**	**-3,022**	**-14,302**	**87,915**

H1 2018:

	Offices			HNK					
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	Corporate	TOTAL
Gross rental income	11,440	9,413	6,439	1,593	4,071	1,699	7,718		42,372
Service costs not recharged	-33	-164	-242	26	-327	-96	-208		-1,046
Operating costs	-1,079	-1,383	-1,075	-510	-1,616	-804	-1,574		-8,040
Net rental income	**10,328**	**7,866**	**5,122**	**1,110**	**2,127**	**798**	**5,936**		**33,286**
Revaluation of investment property	16,862	13,041	-8,265	10,856	3,361	-1,220	-3,348		31,286
Net result on sale of investment property			-699				-36		-735
Net result from investment	**27,189**	**20,907**	**-3,842**	**11,965**	**5,488**	**-422**	**2,553**		**63,838**
Administrative costs								-4,023	-4,023
Other income and costs								-41	-41
Net financing result								-10,002	-10,002
Result before tax	**27,189**	**20,907**	**-3,842**	**11,965**	**5,488**	**-422**	**2,553**	**-14,066**	**49,772**
Corporate income tax								-51	-51
Total result for the year	**27,189**	**20,907**	**-3,842**	**11,965**	**5,488**	**-422**	**2,553**	**-14,116**	**49,721**
Other comprehensive income									
Total comprehensive income	**27,189**	**20,907**	**-3,842**	**11,965**	**5,488**	**-422**	**2,553**	**-14,116**	**49,721**

2. NET RENTAL INCOME

	Gross rental income		Service costs not recharged		Operating costs		Net rental income	
	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
Amsterdam	13,831	11,440	-159	-33	-1,628	-1,079	12,045	10,328
Other Target Cities	11,092	9,413	-238	-164	-2,786	-1,383	8,068	7,866
Other Netherlands	3,442	6,439	-7	-242	-767	-1,075	2,668	5,122
Offices	28,365	27,292	-404	-440	-5,181	-3,536	22,780	23,316
Amsterdam	2,309	1,593	-48	26	-438	-510	1,823	1,110
Other Target Cities	4,494	4,071	-191	-327	-1,441	-1,616	2,861	2,127
Other Netherlands	1,698	1,699	-176	-96	-639	-804	883	798
HNK	8,500	7,363	-415	-398	-2,518	-2,931	5,567	4,035
Other	5,264	7,718	-163	-208	-1,310	-1,574	3,791	5,936
Net rental income	**42,130**	**42,372**	**-983**	**-1,046**	**-9,009**	**-8,040**	**32,138**	**33,286**

3. OPERATING COSTS

	H1 2019	H1 2018
Leasehold	0	-200
Municipal taxes	-2,967	-3,092
Insurance premiums	-262	-200
Maintenance costs	-2,261	-1,191
Property management costs	-2,170	-1,867
Letting costs	-814	-1,420
Contribution to owner association	-220	-216
Doubtful debt costs	25	283
Other operating costs	-340	-138
Operating costs	**-9,009**	**-8,040**

As from 1 January 2019 the new IFRS 16 standard was adopted; as such, leasehold costs are no longer considered to be part of operating costs.

Property management costs include administrative costs charged to operations for an amount of € 1.6m (H1 2018: € 1.7m).

4. REVALUATION OF INVESTMENT PROPERTY

	H1 2019			FY 2018		
	Positive	Negative	TOTAL	Positive	Negative	TOTAL
Investment property in operation	83,896	-17,667	66,229	89,684	-44,027	45,656
Investment property under construction		-58	-58	438		438
Investment property held for sale				1,113		1,113
Revaluation - market value	**83,896**	**-17,725**	**66,171**	**91,234**	**-44,027**	**47,207**
Movement in right of use leasehold			-36			
Movement in lease incentives			-481			-789
Revaluation of investment property			**65,654**			**46,418**

The movement in right of use leasehold concerns the difference in the right of use of leasehold liabilities calculated as per 30 June 2019 and 1 January 2019.

5. NET RESULT ON SALE OF INVESTMENT PROPERTY

	H1 2019	H1 2018
Proceeds on sale of investment property	48,110	26,742
Transaction costs on sale of investment property	-767	-439
Sale of investment property	**47,343**	**26,303**
Book value at the time of sale (excl. right of use leasehold)	-42,918	-27,037
Net result on sale of investment property	**4,425**	**-735**

During H1 2019 10 office properties (H1 2018: 12 objects) and 2 other properties (H1 2018: 1 object) were sold.

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

6. ADMINISTRATIVE COSTS

		H1 2019		H1 2018
Salaries and wages	-2,487		-2,447	
Social security	-294		-338	
Pensions	-142		-148	
Depreciation right of use tangible fixed assets	-90			
Other staff costs	-624		-558	
Staff costs		-3,637		-3,491
Compensation supervisory board		-94		-114
Depreciation and amortisation	-122		-106	
Other office costs	-660		-607	
Office costs		-782		-713
Audit, consultancy and valuation costs		-453		-719
Other administrative costs		-438		-660
Administrative costs		**-5,404**		**-5,696**
Allocated administrative costs		**1,626**		**1,672**
Administrative costs		**-3,778**		**-4,023**

As a result of the implementation of IFRS 16, staff costs include an amount of € 0.1m for depreciation of right of use lease cars. In H1 2018, an amount of € 0.1m for lease of cars (based on receipt of invoices) was included under other staff costs.

Administrative costs directly related to the operation of the investment property portfolio, are allocated to the operating costs.

7. INVESTMENT PROPERTY

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

	30 June 2019	31 December 2018
Investment property in operation	1,227,613	1,187,191
Investment property under construction	15,800	15,500
Investment property	**1,243,413**	**1,202,691**

Investment property in operation and investment property under construction are recognised at fair value. The fair value is determined on the basis of level 3 of the fair value hierarchy. The fair value of investment property reflects, among other things, rental income from existing lease contracts as well as assumptions with regard to rental income from future lease contracts based on market conditions. In a similar way, the fair value also reflects costs and investments which could be expected with regard to a specific property.

At 30 June 2019 100% (year-end 2018: 100%) of investment property were appraised by external appraisers. In 2019 the appraisers were CBRE, Colliers, Cushman & Wakefield and JLL. 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 a.o. determined on the basis of a capitalisation method, whereby the net market rents are capitalised. 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.

Key assumptions in the valuations are: yield, discount rate and market rent. Future investments and maintenance assumptions are also taken into account in the valuations. Furthermore, 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.

As per 1 January, NSI adopted the IFRS 16 guidelines. As a result, NSI calculated the net present value of the expected remaining leasehold payments and adjusted the opening balance of the investment property in operation for an amount of € 2m.

Investment property in operation

The movement during the first half of 2019 in investment property in operation per segment was as follows:

	Offices			HNK				
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL	Other	TOTAL
Balance as per 31 December 2018	**469,845**	**306,968**	**79,846**	**71,604**	**106,528**	**28,854**	**123,544**	**1,187,191**
Change in accounting policy following IFRS 16	**1,589**			**371**				1,960
Balance as per 1 January 2019	**471,434**	**306,968**	**79,846**	**71,975**	**106,528**	**28,854**	**123,544**	**1,189,151**
Acquisitions	25,276	5,603						30,878
Investments	1,240	733	191	117	2,195	61	276	4,811
Revaluation	18,519	18,624	2,478	14,433	13,963	4,098	-6,403	65,712
Transfer from / to assets held for sale		940	-2,020				-22,951	-24,031
Disposals	-5,552	-2,725	-19,888				-10,743	-38,909
Balance as per 30 June 2019	**510,916**	**330,143**	**60,607**	**86,525**	**122,686**	**33,014**	**83,723**	**1,227,613**
Right of use leasehold as per 30 June 2019	-517	-117		-365				-999
Lease incentives as per 30 June 2019	1,477	3,269	188	345	574	560	277	6,690
Market value as per 30 June 2019	511,875	333,295	60,795	86,505	123,260	33,574	84,000	1,233,304

The movement during 2018 in investment property in operation per segment was as follows:

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

Collateral
On 30 June 2019, properties with a book value of € 288.7m (31 December 2018: € 275.1m) were mortgaged as security for loans drawn and current account overdraft facilities at banks amounting to € 93.4m (31 December 2018: € 94.1m). The level of security can vary within the financing facilities, enabling NSI to create additional loan capacity within the existing facilities or to allocate part of the security to another financing facility.

Sensitivities to yield fluctuations
The value of investment property implies an average theoretical net yield of 5.9% (31 December 2018: 6.6%). Valuations can be affected by the general (macro-economic and market environment, but also by local factors.

If, on 30 June 2019, the yields applied for the valuation of investment property had been 100 basis points lower than the yields currently applied, the value of investment property would increase by 20.0% (31 December 2018: 17.8%). In that case NSI's equity would be € 254 million (2018: € 215 million) higher due to a higher positive result. The loan-to-value would then decrease from 33.7% (31 December 2018: 36.9%) to 28.1% (31 December 2018: 31.3%).

If, on 31 December 2018, the yields applied for the valuation of investment property had been 100 basis points higher than those currently applied, the value of investment property would decrease by 14.2%. In that case NSI's equity would be € 181m lower due to a lower result for the year. The loan-to-value would then increase from 33.7% to 39.3%.

Investment property under construction
The movement during the first half of 2019 in investment property under construction per segment was as follows:

	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**
Investments		358						358
Revaluation		-58						-58
Balance as per 30 June 2019		**15,800**						**15,800**
Market value as per 30 June 2019		15,800						15,800

The movement during 2018 in investment property under construction per segment was as follows:

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

As per 30 June 2019 investment property under construction only consists of Bentinck Huis, The Hague.

8. DEBTORS AND OTHER ACCOUNTS RECEIVABLE

The largest item recognised under debtors and other accounts receivable concerns debtors (€ 1.1m), mainly tenants which are overdue, which are reported after deduction of a provision for impairments.

9. ASSETS HELD FOR SALE

As per 31 December 2018 the assets held for sale consisted of the office building at Mr. E.N. van Kleffenstraat, Arnhem and Albert Plesmanweg, Rotterdam. The object at Mr. E.N. van Kleffenstraat in Arnhem was sold in May 2019, whereas the potential sale of Albert Plesmanweg, Rotterdam was cancelled, after which the object was transferred to investment property in operation.

As per 30 June 2019 Sterpassage, Rijswijk (planned delivery at the end of the third quarter) and Hof ter Hage, The Hague (planned delivery in November 2019) are classified as held for sale.

	30 June 2019	31 December 2018
Assets held for sale	22,951	3,940
Other assets directly associated to assets held for sale	69	
Assets held for sale	**23,020**	**3,940**

The movement in each segment of assets held for sale in the first half of 2019 was as follows:

	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**
Transfer from / to inv. property in operation		-940	2,020				22,951	24,031
Disposals			-5,020					-5,020
Balance as per 30 June 2019							**22,951**	**22,951**
Lease incentives as per 30 June 2019							69	69
Market value as per 30 June 2019							23,020	23,020

The movement during 2018 in each segment in assets held for sale was as follows:

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

10. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

At 31 December 2018 18,574,298 ordinary shares with a nominal value of € 3.68 were placed and fully paid up. In May 2019 175,434 shares were issued as stock dividend, relating to the final dividend distribution for 2018. This resulted in 18,749,433 shares issues as at 30 June 2019.

11. INTEREST BEARING LOANS

The development of the interest bearing loans during 2018 and the first half of 2019 was as follows:

	2019	2018
Balance as per 31 December	**437,657**	**404,451**
Change in accounting policy following IFRS 9		-956
Balance as per 1 January	**437,657**	**404,451**
Drawn interest bearing loans	20,000	519,712
Amortisation transaction costs	-19	1,331
Repayment of interest bearing loans	-625	-487,838
Balance as per 30 June 2019 / 31 December 2018	**457,013**	**437,657**
Redemption requirement interest bearing loans	1,250	700
Balance as per 30 June 2019 / 31 December 2018	**455,763**	**436,957**

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

The remaining maturities of the loans as at 30 June 2019 were as follows:

	30 June 2019			31 December 2018		
	Fixed interest	Variable interest	TOTAL	Fixed interest	Variable interest	TOTAL
Up to 1 year	550	700	1,250	550	700	1,250
From 1 to 2 years	24,750	700	25,450	25,025	700	25,725
From 2 to 5 years		340,798	340,798		321,197	321,197
From 5 to 10 years	89,515		89,515	89,485		89,485
Total	**114,814**	**342,198**	**457,013**	**115,060**	**322,597**	**437,657**

In the coming year € 1.3m (31 December 2018: € 1.3m) of financing will expire. The amount is the amortisation requirement of one of the loans due and will be covered by retained cash or the available financing facilities.

Loans outstanding have a remaining average maturity of 4.7 years (31 December 2018: 5.0 years). The weighted average annual interest rate on the loans and interest-rate swaps at the end of June 2019 was 2.0% (31 December 2018: 2.0%). These include margin, utilisation fees and amortised costs and exclude commitment fees.

The interest coverage ratio amounted to 6.2x as at 30 June 2019 (31 December 2018: 5.5x).

12. FINANCIAL INSTRUMENTS

Recognition categories and fair values

The table below 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.

	30 June 2019			31 December 2018		
	Fair value level	Amortised cost price	Fair value	Fair value level	Amortised cost price	Fair value
Financial assets valued at fair value through profit or loss						
Derivative financial instruments	2			2		323
Financial assets valued at amortised cost price						
Other non-current assets	2			2		
Debtors and other receivables	2	1,291		2	1,755	
Cash and cash equivalents	1	27,605		1	245	
Financial liabilities valued at fair value through profit or loss						
Derivative financial instruments	2		10,155	2		5,370
Financial liabilities valued at amortised cost price						
Interest bearing loans	2	457,013		2	437,657	
Other non-current liabilities	2	5,519		2	4,080	
Creditors and other payables	2	23,858		2	25,602	
Debts to credit institutions	2	197		2	10,497	
Liabilities associated to assets held for sale	2	173		2	71	

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 derivative 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.

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

	30 June 2019				31 December 2018			
	# contracts	Nominal value	Fair value assets	Fair value liabilities	# contracts	Nominal value	Fair value assets	Fair value liabilities
Up to 1 year	13			1,091	3			43
From 1 to 5 years	11	315,000		9,065	21	315,000	323	5,327
Total	**24**	**315,000**		**10,155**	**24**	**315,000**	**323**	**5,370**

NSI minimises its interest rate risk by swapping the variable interest it pays on the majority of its loans for a fixed interest rate by means of contracts with fixed interest rates varying from -0.19% to 0.73% (31 December 2018: - 0.19% to 0.73%) and with maturity dates between 2019 and 2023 (31 December 2018: between 2019 and 2023). The weighted average remaining maturity of the derivatives is 4.6 years (31 December 2018: 5.1 years).

NSI is hedged at a weighted average interest rate of 0.3% (31 December 2018: 0.3%), excluding margin. Of the total outstanding loans 6.1% (31 December 2018: 2.0%) is not hedged (volume hedge of 93.9%).

13. CREDITORS AND OTHER ACCOUNTS PAYABLE

The largest items recognised under creditors and other accounts payable concern creditors (€ 3.3m), taxes payable (€ 2.3m), interest payable (€ 0.3m), lease liabilities within one year (€ 0.3m) and deferred income and accuals (€ 17.5m).

14. OFF-BALANCE SHEET COMMITMENTS AND LIABILITIES

Meubelplein, Leiderdorp

On 29 June 2017 NSI sold the total large scale retail portfolio to Retail Estates N.V.. In this deal, separate arrangements were made concerning Meubelplein, Leiderdorp. If the buyer does not manage to sell the object to a third party before 30 June 2019, NSI is obliged to repurchase the object for € 750k. NSI requested an external appraisal to be done to obtain certainty on the current value of the object in relation to the value at which the object was originally sold.

Although the market value is expected to be higher than the price at which NSI would have to repurchase the object, Retail Estates has not been able to sell the object before 30 June 2019. On 17 June NSI has received notice from Retail Estate that it expects to invoke the resolutive conditions as stated in the arrangements.

Retail Estate has an obligation to formally notify NSI if it will invoke the resolutive conditions within two weeks after 29 June 2019. On 30 June 2019 NSI did not yet receive this notification.

Shopping center ‘t Loon, Heerlen

In early December 2011 the soil subsided under shopping centre ‘t Loon in the Dutch city of Heerlen. As a result of this sinkhole, the municipal authority ordered the demolition of part of the shopping centre (5,041 sqm of the original 25,312 sqm). NSI incurred losses as a result of the sinkhole and the subsequent demolition order for part of the shopping centre. 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). NSI ‘s claim represents a principal sum of approximately € 12 million excluding legal interests.

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 her obligation to disclose such information. As a result, the VvE (and therefor 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. Parties have appealed against both judgements at the Court of Appeal of The Hague.
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 of Amsterdam will render its judgment on 20 August 2019. This date can be extended.

Other

The company has entered into investment commitments for an amount of € 0.6m (31 December 2018: € 1.5m) relating to investment properties. For maintenance, technical property management, IT-providers etc. the company entered into other contractual obligations for € 3.1m (31 December 2018: € 1.9m).

The company has unused credit facilities amounting to € 205m (31 December 2018: € 225m).

15. EVENTS AFTER BALANCE SHEET DATE

As per 1 July 2019, NSI has received a formal notification from Retail Estates N.V. that it will invoke the resolutive conditions as included in the sale agreement of Meubelplein, Leiderdorp. As a result the object will be transferred back to NSI in July 2019.

In July NSI N.V. has agreed to issue €40m of 12-year unsecured notes to affiliates of Athene Asset Management, a subsidiary of Apollo Global Management. The notes are Euro denominated and have a fixed coupon of 1.70%. As a result of this issue NSI has extended its average debt maturity from 4.7 years to 5.4 years. The average cost of debt will remain flat at 2.0%.

MANAGEMENT BOARD STATEMENT

The Management Board states that, to the best of their knowledge:

- The condensed consolidated interim financial information , which has been prepared in accordance with IAS 34 Interim Financial Reporting, gives a true and fair view of the assets, liabilities, the financial position and the results of NSI N.V. and the companies included in the consolidation as a whole ;

- The condensed consolidated interim financial information provides a true and fair view on the condition as at balance sheet date and the course of business during the half year under review of NSI N.V. and the related companies of which the data has been included in the interim statements, and the expected course of business;

- The condensed consolidated interim financial information includes a true and fair review of the information required pursuant to section 5:25d, subsections 8 an 9 of the Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht").

NSI considers credit risk, liquidity risk and currency risk as financial risks. In addition, market risks include changes in the economic environment and in the availability of funding in the credit markets, which may affect the letting prospects as well as the market value of the properties. Please refer to the annual report 2018 for more information on existing risks.

Hoofddorp, 17 July 2019

Management Board
B.A. Stahli, *CEO*
A.A. de Jong, *CFO*
A. de Jong, *CIO*

REVIEW REPORT

To: the management board of NSI N.V.

Introduction
We have reviewed the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2019 of NSI N.V., Amsterdam, which comprises the condensed consolidated statement of financial position as at 30 June 2019, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in shareholders' equity, the condensed consolidated cash flow statement for the period then ended and the selected explanatory notes. The management board is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope
We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 17 July 2019

PricewaterhouseCoopers Accountants N.V.
Original version signed by S. Herwig MSc LLM RA MRE MRICS

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EPRA KEY PERFORMANCE MEASURES

KEY PERFORMANCE INDICATORS

	H1 2019		H1 2018	
	€ ‘ 000	per share (€)	€ ‘ 000	per share (€)
EPRA earnings	23,169	1.24	21,897	1.19
EPRA cost ratio (incl. direct vacancy costs)	29.2%		26.8%	
EPRA cost ratio (excl. direct vacancy costs)	27.0%		24.4%	
EPRA property related capital expenditure	36,047		45,340	

	30 June 2019		31 December 2018	
	€ ‘ 000	per share (€)	€ ‘ 000	per share (€)
EPRA NAV	817,421	43.60	738,330	39.75
EPRA NNNAV	797.242	42.52	728,076	39.20
EPRA net initial yield (NIY)	4.8%		5.2%	
EPRA topped-up net initial yield	5.1%		5.6%	
EPRA vacancy rate	12.5%		13.8%	

NOTES TO THE EPRA KEY PERFORMANCE INDICATORS

1. EPRA EARNINGS

	H1 2019	H1 2018
Gross rental income	42,130	42,372
Service costs not recharged	-983	-1,046
Operating costs	-9,009	-8,040
Net rental income	**32,138**	**33,286**
Administrative costs	-3,778	-4,023
Net financing result	-5,193	-7,315
Direct investment result before tax	**23,167**	**21,948**
Corporate income tax	2	-51
Direct investment result / EPRA earnings	**23,169**	**21,897**
Direct investment result / EPRA earnings per share	1.24	1.19

2. EPRA NAV

	30 June 2019		31 December 2018	
	€ ‘ 000	per share (€)	€ ‘ 000	per share (€)
Equity attributable to shareholders	807,223	43.05	733,283	39.48
Fair value of derivative financial instruments	10,155	0.54	5,047	0.27
EPRA NAV	**817,421**	**43.60**	**738,330**	**39.75**
Fair value of derivative financial instruments	-10,375	-0.55	-5,211	-0.28
Fair value of debt	-9,804	-0.52	-5,043	-0.27
EPRA NNNAV	**797,242**	**42.52**	**728,076**	**39.20**

3. EPRA YIELD

	30 June 2019	31 December 2018
Investment property including assets held for sale	1,273,610	1,214,430
Developments	-15,800	-15,500
Property investments	**1,257,810**	**1,198,930**
Allowance for estimated purchasers' costs	88,047	83,925
Gross up completed property portfolio valuation	**1,345,857**	**1,282,855**
Annualised cash passing rental income	80,371	82,118
Annualised property outgoings	-16,250	-15,150
Annualised net rent	**64,121**	**66,968**
Notional rent expiration of rent free periods or other lease incentives	5,006	4,491
Topped-up annualised net rent	**69,127**	**71,459**
EPRA net initial yield	4.8%	5.2%
EPRA topped-up net initial yield	5.1%	5.6%

4. EPRA VACANCY RATE

	30 June 2019	31 December 2018
Estimated rental value of vacant space	12,538	14,085
Estimated rental value of the whole portfolio	99,016	101,766
EPRA vacancy	12.5%	13.8%

5. EPRA COST RATIO

	H1 2019	H1 2018
Administrative costs	3,778	4,023
Service costs not recharged	993	1,046
Operating costs (adjusted for municipality taxes)	7,526	6,494
Leasehold	0	-200
EPRA costs (including direct vacancy costs)	**12,286**	**11,363**
Direct vacancy costs	-920	-1,004
EPRA costs (excluding direct vacancy costs)	**11,367**	**10,359**
Gross rental income	42,130	42,372
EPRA gross rental income	**42,130**	**42,372**
EPRA cost ratio (incl. direct vacancy costs)	29.2%	26.8%
EPRA cost ratio (excl. direct vacancy costs)	27.0%	24.4%

6. EPRA PROPERTY RELATED CAPITAL EXPENDITURE

	H1 2019	H1 2018
Acquisitions	31,279	39,235
Development	358	
Like-for-like portfolio	4,353	5,056
Other	58	1,050
EPRA capital expenditure	**36,047**	**45,340**

GLOSSARY

ASSETS HELD FOR SALE
Investment property will be reclassified to assets held for sale if it is expected that the carrying amount will be recovered principally through disposal rather than from continuing use. For this to be the case, the concerning investment property must be available for immediate sale in its present condition, taking into account the common terms for sale of such property and its sale must be highly probable. This means the property must be actively marketed for sale at a price that is reasonable compared to its current market value and the sale should be expected to be effectuated within one year from the date of reclassification.

AVERAGE RENT PER SQM (€ P.A.)
The total annual contracted rent divided by the total leased square meters.

COST RATIO (EPRA)
EPRA costs include all administrative costs, net service costs and operating expenses as reported under IFRS, but do not include ground rent costs. These costs are reflected including and excluding direct vacancy costs. The EPRA cost ratio is calculated as a percentage of gross rental income less ground rent costs.

DUTCH REIT (FBI-REGIME)
NSI qualifies as a Dutch Real Estate Investment Trust (fiscale beleggings-instelling or FBI) and as such is charged a corporate income tax rate of 0% on its earnings. The tax regime stipulates certain conditions, such as a maximum ratio of 60% between debt and the book value of real estate, maximum ownership of shares by one legal entity or natural persons, and the obligation to pay out the annual profit by way of dividends within eight months after the end of the financial year.
Before 2014, activities permitted under FBI legislation were limited to portfolio investments activities only. Effective 1 January 2014, new legislation that allows FBI's to perform enterprise-type business activities within certain limits. These activities must be carried out by a taxable subsidiary and must support the operation of the FBI's real estate business.

EARNINGS (EPRA)
EPRA earnings is a measure of operational performance and represents the net income generated from operational activities. It excludes all components not relevant to the underlying net income performance of the portfolio.

EARNINGS PER SHARE (EPRA EPS)
Indicator for the profitability of NSI; portion of the EPRA earnings attributable to shareholders allocated to the weighted average number of ordinary shares.

EUROPEAN PUBLIC REAL ESTATE ASSOCIATION (EPRA)
Association of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors.

ESTIMATED RENTAL VALUE (ERV)
The estimated amount at which a property or space within a property, would be let under the market conditions prevailing on the date of valuation.

HNK
HNK stands for 'Het Nieuwe Kantoor', (which means 'The New Office'). HNK is NSI's flexible office concept and offers an inspiring environment with stylish workplaces, office spaces, meeting areas, catering facilities and various ancillary services. HNK offers different propositions, including memberships (flexible workstations), managed offices (fully equipped offices), bespoke offices and meeting rooms.

INTEREST COVERAGE RATIO (ICR)
Debt ratio and profitability ratio used to determine how easily a company can pay interest on outstanding debt. The interest coverage ratio is calculated by dividing net rental income during a given period by net financing expenses during the same period.

INVESTMENT RESULT - DIRECT
The direct result reflects the recurring income arising from core operational activities. The direct result consists of gross rental income minus operating costs, service costs not recharged to tenants, administrative costs, direct financing costs, corporate income tax on the direct result, and the direct investment result attributable to non-controlling interests.

INVESTMENT RESULT - INDIRECT
The indirect result reflects all income and expenses not arising from day-to-day operations. The indirect result consists of revaluations of property, net result on sales of investment, indirect financing costs (movement in market value of derivatives and exchange rate differences, corporate income tax on the indirect result, and the indirect investment result attributable to non-controlling interests.

INVESTMENT RESULT - TOTAL
The total result reflects all income and expenses; it is the total of the direct and the indirect investment result.

LEASE INCENTIVES
Adjustments in rent granted to a tenant or a contribution to tenants' expenses in order to secure a lease. The impact of lease incentives on net rental income is straightlined over the firm duration of the lease contract under IFRS.

LIKE-FOR-LIKE RENTAL INCOME
Like-for-like growth figures aim at assessing the organic growth of NSI. In the case of like-for-like rental income the aim is to compare the rental income of all or part of the standing portfolio over a certain period with the rental income for the same portfolio over a previous period (i.e. year-on-year and/or quarter-on-quarter). In order to calculate like-for-like growth, the nominal increase in rent is adjusted for the impact of acquisitions, divestments and properties transferred to and from the development portfolio and between segments (e.g. office to HNK).

LOAN TO VALUE (LTV, NET)
The LTV-ratio reflects the balance sheet value of interest-bearing debts plus short term debts to credit institutions, net of cash and cash equivalents, expressed as a percentage of the total real estate investments, including assets held for sale.

MARKET VALUE INVESTMENT PROPERTY (FAIR VALUE)
The estimated amount for which a property should change hands on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein each party had acted knowledgeably, prudently, and without compulsion. The market value does not include transaction costs.

NET ASSET VALUE (NAV)
The net asset value represents the total assets minus total liabilities. At NSI this equates to the shareholders' equity (excluding non-controlling interests as stated in the balance sheet). The NAV is often expressed on a per share basis; in this calculation the number of shares outstanding at reporting date is used rather than the average number of shares is used.

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

NET MARGIN
The net margin measures operating efficiency; it indicates how effective NSI is in managing its expense base. It is calculated as net rental income as a percentage of gross rental income.

NET RESULT ON SALES OF INVESTMENT PROPERTY
The net result on sales of investment property reflects the disposal price paid by a third party for a property minus the value at which the respective property was recorded in the accounts at the moment of sale, net of sales costs made. The sales costs include costs of real estate agents and legal costs, but can also include internal costs made which are directly related to transaction.

RANDSTAD
The Randstad is the central-western area of the Netherlands, consisting primarily of the four largest Dutch cities (Amsterdam, Rotterdam, The Hague and Utrecht) and their surrounding areas.

RENT - EFFECTIVE RENT
The effective rent reflects the contractual annual rent after straight-lining of rent free periods and rental discounts.

RENT - GROSS RENTAL INCOME (GRI)
Gross rental income reflects the rental income from let properties, after taking into account the net effects of straightlining for lease incentives and key money, including turnover rent and other rental income (e.g. specialty leasing and parking income).

RENT - NET RENTAL INCOME (NRI)
Gross rental income net of (net) costs directly attributable to the operation of the property (non-recoverable service charges and operating costs). Income and costs linked to the ownership structure, such as administrative expenses, are not included.

RENT - PASSING (CASH) RENT / CONTRACTED RENT
The estimated annualised cash rental income as at reporting date, excluding the net effects of straight-lining of lease incentives. Vacant units and units that are in a rent-free period at the reporting date are deemed to have no passing cash rent.

REVERSIONARY POTENTIAL
This ratio compares the minimum guaranteed rent and the turnover rent to the estimated rental value and as such indicates whether a unit or property is underlet or over-rented.

REVERSIONARY RATE (RESULT FROM RE-LETTINGS AND RENEWALS)
The reversionary rate measures the rental gain/loss of a deal as the difference between the new rent (after the deal) and the old rent (before the deal).

STANDING PORTFOLIO
Standing portfolio is used in like-for-like calculations and concerns the real estate investments at a specific date that have been consistently in operation as part of NSI's portfolio during two comparable periods.
Note that an investment property can be considered both standing and at the same time non standing, depending on the comparison periods used (e.g. year-on-year and quarter-on-quarter).

TARGET CITIES
Target cities G4 refers to the locations Amsterdam, The Hague, Rotterdam, Utrecht, Eindhoven, Den Bosch and Leiden, being the focus cities of NSI in the Netherlands.

TRIPLE NET ASSET VALUE (EPRA NNNAV)
The EPRA NNNAV is designed to provide a spot measure of NAV including all assets and liabilities at fair value. This measure adjusts the EPRA NAV for the market to market of the financial instruments, debt and deferred taxes.

VACANCY RATE (EPRA)
Vacancy rate (EPRA): reflects the loss of rental income against ERV as a percentage of ERV of the total operational portfolio.

WEIGHTED AVERAGE UNEXPIRED LEASE TERM (WAULT)
This ratio is used as an indicator of the average length of leases in portfolios. It can be calculated over the full lease term of the contracts either up to expiration date or up to break option date.

YIELD
Yield can generally be defined as the income or profit generated by an investment expressed as a percentage of its costs or the total capital invested.

- EPRA net initial yield: annualised net effective cash passing rent (including estimated turnover rent and other recurring rental income) net of non-recoverable property operating expenses as a percentage of the gross market value of the real estate investments in operation;
- EPRA topped-up net initial yield1: EPRA net initial yield adjusted for expiring lease incentives;
- Reversionary yield: the anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.