



HALF YEAR RESULTS

H1 2020

- Strong operational performance in H1 despite coronavirus impact
- Rent collection for Q2 2020 at 96.0%; Q3 2020 already at 90.4% per 10 July
- H1 EPRA EPS of € 1.14 per share, with net rents up 4.0% on a like-for-like basis
- EPRA NAV € 44.79, reflecting a 4.1% negative asset revaluation
- Vacancy rate of 7.8%; LTV of 29.2%
- Re-instating EPRA EPS guidance for FY 2020 at € 2.30 - € 2.40
- Interim dividend confirmed at € 1.04

INDEX

NSI HIGHLIGHTS	3
CEO COMMENTS	4
DETAILED RENT COLLECTION REVIEW	5
INCOME, COSTS AND RESULT	6
REAL ESTATE PORTFOLIO	7
BALANCE SHEET, NAV AND FINANCING	11
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION	12
MANAGEMENT BOARD STATEMENT	27
REVIEW REPORT	28
EPRA KEY PERFORMANCE MEASURES	29
GLOSSARY	32

FINANCIAL CALENDAR

Publication trading update Q3 2020	22 October 2020
Publication preliminary results 2020	26 January 2021
Publication annual report 2020	5 March 2021
Publication trading update Q1 2021	15 April 2021
Publication half year results 2021	14 July 2021
Ex-dividend date (interim dividend 2020)	15 July 2020
Record date	16 July 2020
Stock dividend election period	17 July 31- July 2020
Payment date	4 August 2020

For additional info please contact:

NSI N.V.
Investor Relations

Dirk Jan Lucas
T +31 (0)20 763 0368
E ir@nsi.nl

Publication date:
13 July 2020

NSI HIGHLIGHTS

KEY FINANCIAL METRICS¹

EVENUES AND EARNINGS

	H1 2020	H1 2019	Change (%)
Gross rental income	37,919	42,130	-10.0% ²
Net rental income	29,519	32,138	-8.1% ²
Direct investment result	21,756	23,169	-6.1%
Indirect investment result	-56,404	64,746	-187.1%
Total investment result	-34,648	87,915	-139.4%
Earnings per share	-1.81	4.72	-138.4%
EPRA earnings per share	1.14	1.24	-8.3%
Dividend per share	1.04	1.04	0.0%
EPRA cost ratio (incl. direct vacancy costs)	28.4%	29.2%	-0.7 pp
EPRA cost ratio (excl. direct vacancy costs)	26.3%	27.0%	-0.6 pp

BALANCE SHEET

	30 June 2020	31 December 2019	Change (%)
Investment property	1,253,333	1,263,089	-0.8%
Assets held for sale		15,903	-100.0%
Net debt	-368,827	-352,632	4.6%
Equity	858,298	903,308	-5.0%
IFRS equity per share	44.61	47.75	-6.6%
EPRA NAV per share	44.79	47.97	-6.6%
EPRA NNNAV per share	44.54	47.40	-6.0%
Net LTV	29.2%	27.4%	1.8 pp
Number of ordinary shares outstanding	19,240,116	18,917,764	1.7%
Weighted average number of ordinary shares outstanding	19,070,084	18,751,178	1.7%

KEY PORTFOLIO METRICS

	30 June 2020				31 December 2019	Δ
	Offices	HNK	Other	TOTAL		
Number of properties ³	45	14	4	63	65	-3.1%
Market value ⁴	932	255	76	1,262	1,287	-1.9%
Annual contracted rent ⁵	55	19	7	82	81	0.6%
ERV ⁶	62	23	7	92	92	-0.3%
Lettable area (sqm k)	302	127	53	482	491	-2.0%
Average rent / sqm	203	187	155	194	188	3.3%
EPRA vacancy ⁷	4.8%	15.9%	7.3%	7.8%	7.1%	0.7 pp
EPRA net initial yield	4.6%	4.5%	6.4%	4.7%	4.6%	0.1 pp
Reversionary yield	6.9%	9.0%	9.4%	7.5%	7.3%	0.2 pp
Wault	4.2	3.2	5.1	4.0	4.2	-4.6%

1 These half year results are unaudited.

2 On a like-for-like basis GRI growth is 2.6% and NRI growth is 4.0%.

3 Two office assets were reclassified in 2020 to the category "Other" due to usage as community college and student housing complex.

4 Reported in the balance sheet at book value including right of use leasehold (IFRS 16), excluding lease incentives and part of NSI HQ (own use).

5 Before free rent and other lease incentives.

6 Excluding ERV for investment properties under construction (Donauweg, Amsterdam and Bentinck Huis, The Hague)

7 In line with EPRA-guidelines EPRA vacancy excludes Donauweg, and Bentinck Huis, which are currently under construction.

CEO COMMENTS

H1 2020 has been an unprecedented period for NSI due to coronavirus. We started the year on a positive footing, with a clear plan to lease up the remaining vacancy, eyeing new value-add opportunities to expand the business and having established a new Customer Excellence team to strengthen our services offering across the portfolio. Mid-march, coronavirus forced us to shift our immediate focus.

H1 2020: focus on operational business

The onset of coronavirus in The Netherlands necessitated immediate action to secure the safety and well-being of our team, our tenants and all the people in our buildings. We rapidly established a detailed programme (communications, signage, demarcations, hand sanitisers etc.) to allow for the safe usage of our buildings, and we pro-actively increased our engagement with tenants to discuss their needs.

We fully appreciated the liquidity strain some of our tenants experienced in Q2 and as such have been willing to accommodate sensible requests on rent payments. A detailed review on how we managed rent collection during the quarter is available on page 5 of this report.

We were in the fortunate position that we did not have to worry about the balance sheet or any immediate financing or liquidity issues, so we were able to focus on the day-to-day operational business. Going into Q3 the operational business remains a key focus. We are preparing for a second wave of coronavirus, which may or may not happen, but otherwise are back to focus on executing our long term strategy.

Our greatest leasing success in Q2 was the 10-year lease at Bentinck Huis, our first significant office redevelopment, to Rijksvastgoedbedrijf per 1 December 2020. We have successfully and profitably upgraded a prominent monument on one of the best streets in The Hague to a healthy and sustainable future-proof office building.

Working from Home (WFH)

The big question is what will happen to tenant demand longer term. It is clear that the near term outlook for demand is not as good as it was at the start of the year, but it will prove hard to distinguish between cyclical effects due to an increasingly uncertain economic outlook and more structural effects related to the ongoing WFH experiment.

We believe the lessons currently being learned from the ongoing WFH experiment will determine long term structural demand levels for office space, where these need to be located, what these will be used for and what level of services need to be offered. This will take time to play out.

We expect corporates to look for increasing flexibility in lease contracts, mindful that their requirements are likely to remain fluid for some time, in search for a balance between WFH and office activities. Subletting of surplus space is also likely to pick up, as cost control is also a key focus for many corporates at this time.

Our Customer Excellence team is actively engaging with our customers to understand their needs and is further developing our 'Space-as-a-service' offering. We are confident that with a now much more focussed portfolio, our HNK concept, team and flexible mindset we will benefit from some of the new opportunities that are bound to arise from the ongoing shift in the balance between WFH and office activities.

Development review

We have reviewed our potential development programme in light of the current uncertain economic environment. The result is that we remain committed to Laanderpoort (where we already have an agreement with ING) and continue to work on the redevelopment of Vitrum.

At Laanderpoort Paul de Ruiter Architects has been commissioned for the project. The project team is continuing on schedule and on budget. The start of the project is still foreseen for Q1 2022.

At Vitrum we are working hard on our plans for the upgrade and possible extension of the building. The current tenant will vacate the building H2 2021 and our current assumption is that we can start the works in Q1/Q2 2022.

At Centerpoint in Amsterdam we have decided not to proceed with our initial plans for a 60,000 - 90,000 sqm mixed-use redevelopment, based on the demolition of the existing buildings. The potential profitability of this scheme, with an estimated maximum all-up cost of up to € 350m, is proving too marginal in relation to the potential scale and risk of this project. In recent years one of the challenges in our initial plans was the rising book value of the existing assets, which continued to impact prospective returns. We are back to the drawing board.

We are still progressing with our plans for Motion in Amsterdam, but this project will realistically only start if and when the other two projects have been substantially de-risked, the balance sheet permits us to start and a substantial pre-let is in place.

Investment market and valuations

We acquired only one asset in H1 2020, the 9,700 sqm ONE20 office building in Amsterdam Sloterdijk, for € 34.0m and a 3.5% initial yield. As we have leased up some of the vacancy, the yield has subsequently increased to 4.2% and we are in active discussions for most of the remaining vacancy.

The June 2020 external appraisals result in a -4.1% revaluation over the six month period. The fall is not a surprise given that coronavirus-related uncertainty has increased the cost of capital for most actors in the real estate market.

At present transactional evidence is limited, but the few assets that do trade appear to price at levels well ahead of the implied fall in asset values that our current share price suggests.

Our balance sheet, at 29.2% LTV, and with no major debt maturities until April 2023, remains comfortable and can absorb a possible further fall in capital values, finance our two (re)-development projects and provides some room to acquire additional assets on top of this.

Outlook for 2020

The business generated an EPRA EPS for H1 2020 of € 1.14 per share, underpinned by like-for-like net rental growth of 4.0%. Adjusting for Coronavirus one-offs (rent free at HNK and costs related to our safety initiatives) like-for-like net rental growth is 6.4%.

Back in April we deemed it prudent to withdraw our EPS guidance for the year, given coronavirus. Now, at the start of H2, we are comfortable to re-instate the guidance at exactly the same level. We forecast an EPRA EPS for FY 2020 of € 2.30 - 2.40.

As such we are entirely comfortable to declare an - unchanged - interim dividend of € 1.04 per share and it is our clear intention to maintain the full year dividend for 2020 at the usual € 2.16 per share.

The health and well-being of everyone remains first and foremost on our mind as coronavirus is still with us, impacting lives and businesses. We acknowledge the uncertainty and challenges ahead, especially as there may well be a second wave of coronavirus still to come, but this is also the environment to genuinely make a difference.

We have the right building blocks as a business: a strong balance sheet, a high quality and increasingly sustainable portfolio, a regular open dialogue with our customers, focus on space-as-a-service, value-add potential in our portfolio and a highly ambitious team. As such, we should be able to come out stronger as a business at the other end.

Bernd Stahl

DETAILED RENT COLLECTION REVIEW

Initial response

We fully appreciate that coronavirus has resulted in an economic shock such that some of our tenants have faced immediate liquidity issues, or worse. We recognised the problem early on and saw it confirmed in early April, when rent collection was starting to fall behind usual levels.

By early April we decided to offer a rent holiday for the month of May to all our tenants on flexible contracts at HNK. This gesture provided some tenants much needed relief and allowed us to manage the flow of incoming requests for relief. This came at a one-off cost of € 0.4m.

At the same time we decided for our two remaining shopping centres to suspend rent payments for the F&B operators, which were effectively forced to close as a result of government guidelines. This suspension in rent ended up lasting for the entire second quarter period.

In further support to our office tenants, we decided to absorb all costs associated with the implementation of coronavirus-related measures in the common areas of our HNK and multi-tenant office buildings. We also offered Plexiglas dividers between desks for our managed offices. At our multi-tenant assets, including HNK, these costs would normally be recharged back to tenants through the service charge, but we felt it was appropriate to offer this as a service to our tenants and absorb the costs. The costs related to these measures amount to € 0.3m.

Customised solutions

We have received numerous requests for rent relief in Q2 – the majority of these were received in the first two weeks of April. Many of these we were unable to honour, due to lack of supporting financial information, but requests for temporary leniency, such as monthly payments instead of quarterly payments, or rent payment at the end of the month instead of at the start were usually honoured.

Several requests, mostly from retail tenants, resulted in a discussion on lease extensions and ultimately in a lease restructuring whereby (part of) the rent for Q2 was 'waived' as an incentive to agree a two to five year lease extension. Other requests were dealt with in a similar mutually beneficial fashion, if appropriate.

Laser focus on rent collection

We sent out invoices for a total of € 25.4m for the second quarter, including service charges and VAT. We received 24.3m and the € 1.1m difference includes rent waived (mostly HNK), rent restructured (incentive for lease extension), rent deferred and 'other' (mostly rent still due). The difference between the € 19.0m rent invoiced and the € 18.6m in GRI reported for Q2 (IFRS) is more or less the rent waived, with other factors effectively cancelling each other out.

At the end of Q1 the level of debtors stood at only € 0.6m, or 0.8% of our annual rent roll. The absence of a major rent backlog has made it much easier to have discussions with tenants on rent collection in Q2, as we did not have to bring rent arrears into the discussion.

As such, we were adamant that we wanted to end Q2 as we started, without any significant loose ends on rent arrears going into Q3. We largely achieved this, ending Q2 with the level of debtors at € 1.3m, of which now € 0.3m is provisioned. The € 0.7m increase in debtors includes rent restructured (temporary effect), deferred and still due.

Rent collection outlook for Q3 2020

The initial data for rent collection for Q3 2020 confirms that collection rates are improving and already well ahead of Q2. For our retail tenants, with shops now back open and with sales levels moving back to regular levels, the outlook is indeed much brighter.

We have received 90.4% of rent due for Q3 and for the month of July, as per 10 July. This is ahead of the Q2 level as per the comparable date and better when compared to the same period last year.

Rent collection for Q2 2020 was 95.7% per 30 June and has increased to 96.0% per 10 July. Given lease restructurings and rent waivers for Q2 2020 we now only have 0.6% of rent outstanding for the Q2 period.

Rent collection Q2 & Q3 2020 (% of invoiced rent)

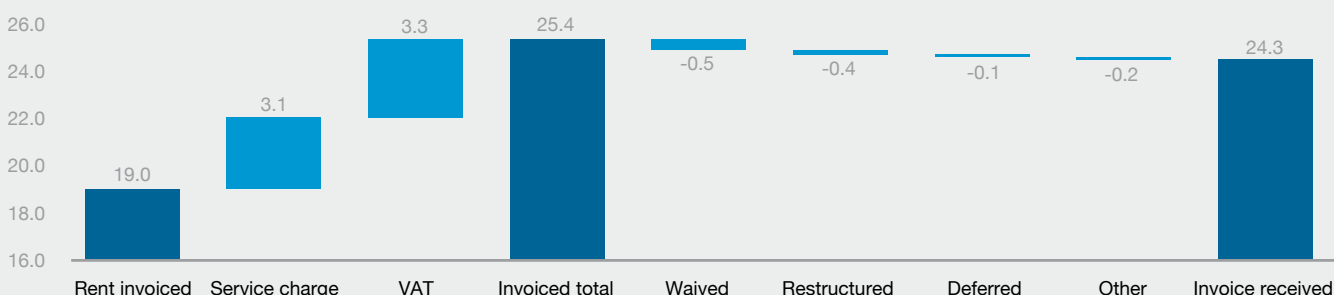
	Q2 per 10 April	Q3 per 10 July
Offices	86.3%	92.3%
HNK	83.9%	86.5%
Other	56.6%	84.8%
TOTAL	83.5%	90.4%

As per 10 July we have received 2 requests for rent relief for Q3. We have agreed to temporarily shift from quarterly to monthly rents in both cases.

We have deemed it appropriate to offer all our flex customers at HNK half rent for the month of August, as a further gesture for the usually rather quiet Summer period, business wise. This gesture reflects a one-off cost of € 0.2m in lost rent, impacting EPS in Q3 2020.

No further leniency, support or gestures are planned at this stage. We recognise we may have to reconsider this position if we are to face a possible second wave of coronavirus later this year or next year.

Rent collection bridge Q2 2020



INCOME, COSTS AND RESULT

Introduction

EPRA EPS for H1 2020 is € 1.14, of which € 0.54 in Q1 and € 0.60 in Q2. This is a decrease of 8.3% compared to the same period last year. The decrease is mainly due to disposals in 2019 and the associated loss of rental income.

EPRA NAV is down by 6.6% or € 3.18 per share, primarily due to a € 2.94 per share negative revaluation of the investment portfolio. The two other main drivers impacting NAV over the period are retained earnings and the distribution of the final dividend over FY 2019, paid out in May.

Rental income

Gross rental income is down by 10.0% compared to H1 2019, due to net disposals in 2019. On a like-for-like basis gross rental income is up 2.6%.

The NRI margin for the first 6 months improved by 1.5pp to 77.8% compared to the same period last year. Net rent is up by 4.0% on a like-for-like basis, despite the additional coronavirus-related measures discussed above. This was driven by like-for-like net rental growth of 6.7% for the Offices portfolio, due to higher gross rents from improved occupancy last year and lower maintenance expenditure this year. Most of the one-off coronavirus-related costs are incurred at HNK, which explains the negative net rental growth in this segment in H1.

Service costs

Non-recoverable service charges are down by 14.2% in H1 2020, compared to the same period last year, due to asset rotation and lower vacancy.

Operating costs

Operating costs are 16.1% (€ 1.4m) lower compared to H1 2019, primarily driven by lower maintenance costs (€ 0.6m) and lower municipal taxes (€ 0.5m). Coronavirus-related costs of € 0.3m are negatively impacting property management costs on a one-off basis.

Administrative expenses

Admin expenses are 4.0% (€ 0.2m) lower compared to H1 2019. This is mainly due to the capitalisation of some staff costs in relation to our development programme.

Net financing expenses

Financing costs in H1 2020 are down 20.4% (€ 1.1m) compared to the same period last year. This is primarily due to a lower average amount of debt outstanding and the capitalisation of interest (€ 0.3m) relating to development projects.

Indirect result

In H1 2020 the investment portfolio incurred a negative revaluation of 4.1% (€ 55.6m) compared to the end of December 2019.

A fall in interest rates in H1 2020 has resulted in a € 0.8m negative mark-to-market effect for NSI's interest rate swaps. In total the indirect result for H1 2020 is € 56.4m negative (- € 2.95 per share).

Post-closing events and contingencies

There are no post-closing events.

Income segment split H1 2020

	H1 2020									TOTAL H1 2019
	Offices			HNK			Other	Corp.	TOTAL	
	A'dam	Other	Other NL	A'dam	Other	Other NL				
	Target	Target	Target	Target	Target	Target				
Cities	Cities	Cities	Cities	Cities	Cities					
Gross rental income	14,405	10,548	933	2,367	4,645	1,656	3,365		37,919	42,130
Service costs not recharged	-106	-158	-53	-62	-146	-205	-115		-844	-983
Operating costs	-1,358	-2,369	-100	-577	-1,609	-667	-878		-7,557	-9,009
Net rental income	12,942	8,021	780	1,729	2,890	784	2,372		29,519	32,138
Administrative costs									-3,625	-3,778
Earnings before interest and taxes	12,942	8,021	780	1,729	2,890	784	2,372	-3,625	25,893	28,360
Net financing result									-4,136	-5,193
Direct investment result before tax	12,942	8,021	780	1,729	2,890	784	2,372	-7,761	21,758	23,167
Corporate income tax									-2	2
Direct investment result / EPRA earnings	12,942	8,021	780	1,729	2,890	784	2,372	-7,763	21,756	23,169

REAL ESTATE PORTFOLIO

In H1 2020 NSI acquired one asset, the ONE20 office building in Amsterdam-Sloterdijk for € 34.0m (excluding acquisition costs). Three assets (€ 16.0m) which were classified as held-for-sale at December 2019 left the balance sheet.

Portfolio breakdown - 30 June 2020

	# Assets	Market value (€ m)	Market value (%)
Offices	45	932	74%
HNK	14	255	20%
Other	4	76	6%
TOTAL	63	1,262	100%

Two assets have been reclassified from the category Offices to Other in 2020. Solar Eclipse in Amsterdam-Sloterdijk is a former office that is now let to a community college for woodworking, furniture and interior design. The other asset is a former school at Koningin Wilhelminaplein in Amsterdam-West, which years ago was transformed into student housing accommodation, but was actually still classified as Offices.

Vacancy

The EPRA vacancy is up 0.7% to 7.8% in the first half of 2020. The rise is almost entirely a consequence of the acquisition of ONE20 in Amsterdam during the period.

On a like-for-like basis the vacancy rate is up by only 0.1%. Several smaller contracts expired and take-up, in particular in the second quarter, was lower than normal following the outbreak of coronavirus. Of the current vacancy 0.5% is intentionally held vacant for future value-add initiatives. This includes Leiden Stationade and part of HNK Amsterdam Zuid-Oost.

EPRA vacancy

	Dec. 2019	L-f-l	Other	Jun. 2020
Offices	4.1%	-0.3%	1.0%	4.8%
HNK	14.5%	1.4%		15.9%
Other	8.0%	-0.3%	-0.4%	7.3%
TOTAL	7.1%	0.1%	0.6%	7.8%

Rents

Gross rents are up 2.6% on a like-for-like basis, compared to the same period last year. Split by sector Offices are up 3.0%, HNK 2.0% and Other 1.2%.

Net rents increased by 4.0% on a like-for-like basis. This is driven by Offices where net rents are up 6.7%. In HNK (-2.8%) and the segment Other (-2.3%) net rents are down. In HNK this fall is entirely due to the rent holiday we offered all tenants on flexible contracts for the month of May (circa € 0.4m) and due to one-off higher property management costs in relation to our coronavirus initiatives (circa € 0.3m). Adjusting for these effects the like-for-like rental growth for HNK would have been approximately 9.2%.

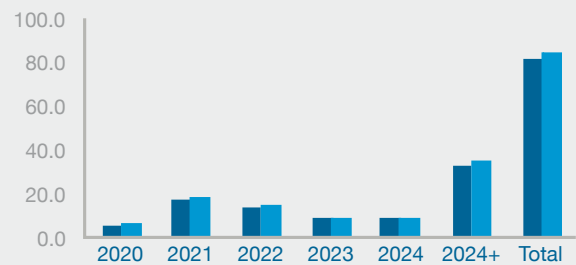
Like-for-like growth net rental income

	H1 2020	H1 2019	L-f-l
Offices	20.9	19.5	6.7%
HNK	5.5	5.6	-2.8%
Other	2.3	2.3	-2.3%
TOTAL	28.6	27.5	4.0%

Reversionary potential / ERV bridge

At June 2020, the portfolio is 3.6% reversionary, slightly less than December 2019. This is mainly due to asset rotation and modestly lower ERVs in the HNK and Other segments.

Annual expirations and reversionary potential



■ Contract rent	4.7	16.2	12.8	7.9	7.9	31.9	81.5
■ ERV	4.8	17.5	13.3	7.6	7.6	33.8	84.5
# Contracts	342	185	146	107	101	143	764
Rev. Potential	1.6%	7.6%	3.3%	-3.6%	-4.3%	5.8%	3.6%

The reversionary potential for Offices is 5.8%, with the reversion for the Amsterdam assets at over 10%. ERVs for Offices are flat year-to-date. In HNK rents are in line with ERV, but these ERVs do not reflect the additional rent we receive in most locations for greater flexibility and more services. In the segment Other we see continued pressure on ERVs for our two remaining retail assets.

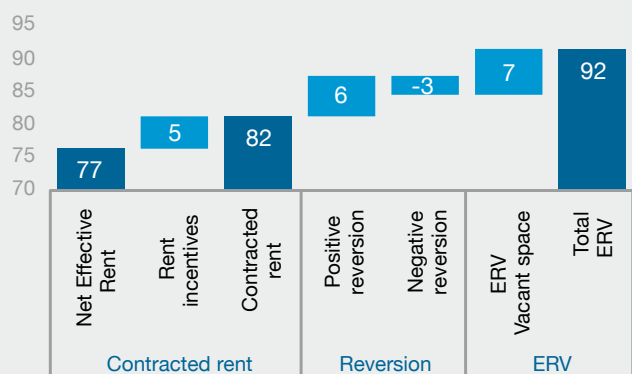
Reversionary potential

	Jun. 2020	Dec. 2019
Offices	5.8%	7.9%
HNK	0.8%	1.1%
Other	-5.3%	-1.9%
TOTAL	3.6%	5.4%

Like-for-like growth ERV

	Jun. 2020	Dec. 2019	L-f-l
Offices	57	57	0.0%
HNK	23	23	-1.3%
Other	7	7	-2.3%
TOTAL	87	88	-0.5%

Bridge Contracted rent to ERV - 30 June 2020



EPRA yields

The EPRA net initial yield is up 0.1% to 4.7% as the external valuers have moved yields out marginally at the end of the period. This is due to coronavirus-related uncertainties and sentiment more than it is based on actual transactional evidence, as many transactions have been put on hold, or because investors have withdrawn their bids.

At the end of H1 we have started to see some deals coming (back) to the market. If and when these transact there should be a clearer view on where the market is, which will probably be late Q3 at the earliest.

Yields

	EPRA net initial yield		Gross initial yield		Reversionary yield	
	Jun. 2020	Dec. 2019	Jun. 2020	Dec. 2019	Jun. 2020	Dec. 2019
	2020	2019	2020	2019	2020	2019
Offices	4.6%	4.5%	6.2%	6.0%	6.9%	6.7%
HNK	4.5%	4.6%	7.5%	7.5%	9.0%	8.8%
Other	6.4%	5.8%	9.2%	8.8%	9.4%	9.4%
TOTAL	4.7%	4.6%	6.6%	6.4%	7.5%	7.3%

Valuations

The revaluation of the portfolio at the end of H1 2020 is negative 4.1%. In general G5 assets have outperformed assets in provincial cities. Capital values for Offices in Amsterdam have been impacted by corona-virus related uncertainties and in particular by Vitrum, where the upcoming lease expiry and the subsequent redevelopment of the asset have impacted the valuation.

The Other segment is down only 5.1%, despite a difficult period for the retail industry in general. This is partly due to a new letting in Heerlen and partly because our two remaining shopping centre assets have already seen significant write-downs over the past few years.

Revaluation

	Market value (€ m)	Revaluation			%
		Positive	Negative	TOTAL	
Offices	932	2	-44	-42	-4.2%
HNK	255		-9	-9	-3.4%
Other	76		-4	-4	-5.1%
TOTAL	1,262	2	-57	-55	-4.1%

Capital expenditure

We continue to invest in our assets. Defensive capex was € 1.9m in the first half. Despite the lock-down most of the planned work could continue which resulted in only minor delays. Most offensive capex is spent on Bentinck Huis in The Hague and Donauweg in Amsterdam.

Capital expenditure

	Offensive	Defensive	TOTAL
Offices	5.9	1.3	7.2
HNK	1.4	0.4	1.7
Other	0.1	0.2	0.3
TOTAL Portfolio	7.4	1.9	9.3

Development and renovations

Two large re-developments are currently underway. The first phase of the Bentinck Huis redevelopment completed in Q2 with only a few weeks delay versus our original planning, due to fire-safety related issues and the coronavirus. Based upon a specific request of our tenant additional works are taking place. NSI is fitting-out the building for the new tenant as part of the lease incentive at a total cost of circa € 1.8m. Delivery of these works will complete in November 2020, just ahead of the start of the lease per 1 December 2020.

At Donauweg in Amsterdam construction works started in Q2, with an expected delivery in Q4 2020. Total committed costs are € 3.3m, of which € 1.7m is spent up to June. Marketing of the asset has commenced, with lease up of the asset foreseen in 2021. As such, this asset could negatively impact the overall vacancy rate by approximately 0.8% at year-end.

Project	New area (sqm k)	Increase area (sqm k)	Expected start / completion	Current phase
Renovation				
Donauweg, Amsterdam	4.6	0.0	Q2 2020 / Q4 2020	Execution
Bentinck Huis, Den Haag	6.0	0.0	Q4 2019 / Q3 2020	Execution
Near term				
Vitrum, Amsterdam	11.7	t.b.d.	H1 2022 / H2 2023	Design
Laanderpoort, Amsterdam	35.0	c. 22.0	Q1 2022 - Q2 2023	Definition
Medium term				
Motion Building, Amsterdam	10.0 - 25.0	10.0 - 25.0	Earliest 2023	Definition

Offices

The vacancy rate for Offices at 30 June 2020 is 4.8%, up 0.7% compared to the end of 2019. This can be entirely attributed to the acquisition of ONE20 in Amsterdam-Sloterdijk, which has circa 40% vacancy at the end of Q2. With a new lease commencing on 1 July the occupancy at ONE20 will rise from 60% to 75%.

Despite a relatively quiet Q2, with leasing activity effectively coming to a halt both in April and May due to coronavirus, the vacancy rate in the office portfolio fell by 0.3% on a like-for-like basis. Many deals were put on hold or aborted as businesses were unable to predict future space requirements. In June a number of tenants resumed their searches and we are currently in multiple discussions with new potential tenants and existing tenants for new and/or additional space or lease extensions.

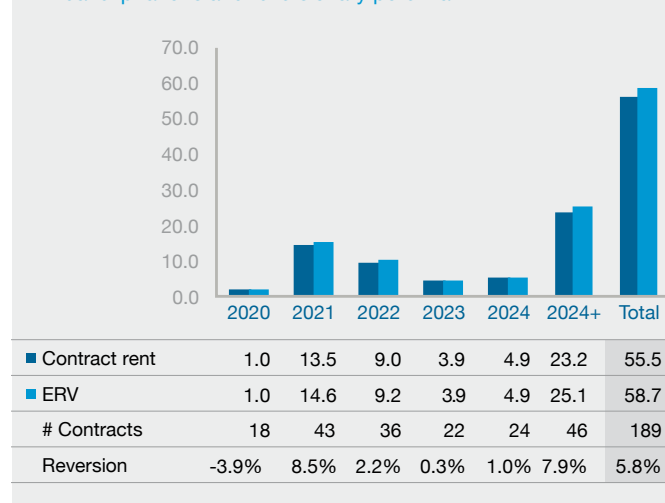
At Bentinck Huis in The Hague a 10-year firm lease contract was signed with the Central Government Real Estate Agency for 6,000 sqm of office space and parking. The lease contract will commence 1 December 2020. NSI will use the intermediate period to fit out the building, as part of the lease incentive agreed. Tenant fit-out works are estimated at € 1.8m and will complete in November.

Key office metrics - breakdown by segment

	Jun. 2020			TOTAL	Dec. 2019
	A'dam	Other Target Cities	Other NL		
Number of properties	16	24	5	45	46
Market value (€ m)	554	359	18	932	945
Market value asset (€ m)	35	15	4	21	21
Ann. contract rent (€ m)	31	23	2	55	54
Average rent / sqm	230	178	158	203	194
Reversionary potential	10.7%	-0.1%	-4.4%	5.8%	7.9%
Lettable area (sqm k)	144	145	13	302	308
Market rent (€ m)	35	24	2	62	61
EPRA vacancy	3.1%	7.0%	8.2%	4.8%	4.1%
EPRA net initial yield	4.4%	4.8%	7.0%	4.6%	4.5%
Reversionary yield	6.5%	7.3%	10.7%	6.9%	6.7%
Wault	3.9	4.7	3.0	4.2	4.5

Most lease contracts expiring in 2020 in the segment Offices have been renewed. Contracts expiring in H2 amount to approximately € 1.0m. Future leases, which are signed contracts with a future start date, amount to circa € 0.5m in annual rent.

Annual expirations and reversionary potential



HNK

At HNK the EPRA vacancy rate is up 1.4% to 15.9%, mainly due to some large expiries in January and a bankruptcy in HNK Houthavens in April which is unrelated to the coronavirus. Lease terminations from tenants with a flexible, monthly, contract were limited. In Q2 a total of 35 managed office tenants left, at a loss of € 0.3m annual rent. This level of notices is in line with normal churn, but what has largely fallen away for now is the new demand for managed offices.

All tenants on a flexible contract were given a rent free for the month of May at a one-off cost of € 0.4m. Leasing activity for large (conventional) floors at HNK resumed in June with several prospects actively looking for space.

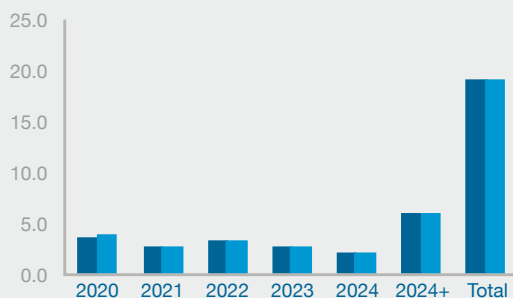
In June HNK Scheepvaartkwartier in Rotterdam was the first office building in The Netherlands to receive a WiredScore rating. The score aims to display the digital infrastructure and connectivity of a building. The events of the past few months have highlighted that the digital transformation is intensifying and accelerating. Hence, connectivity will become an ever more decisive requirement for tenants in the future.

Key HNK metrics - breakdown by segment

	Jun. 2020				Dec. 2019
	A'dam	Other Target Cities	Other NL	TOTAL	
Number of properties	3	6	5	14	14
Market value (€ m)	92	131	33	255	262
Market value asset (€ m)	31	22	7	18	19
Ann. contract rent (€ m)	5	11	4	19	20
Average rent / sqm	208	194	151	187	190
Reversionary potential	19.3%	-4.6%	-7.4%	0.8%	1.1%
Lettable area (sqm k)	27	64	36	127	127
Market rent (€ m)	7	12	5	23	23
EPRA vacancy	12.7%	13.3%	26.7%	15.9%	14.5%
EPRA net initial yield	3.6%	4.7%	6.1%	4.5%	4.6%
Reversionary yield	7.1%	8.9%	14.4%	9.0%	8.8%
Wault	2.3	3.4	3.4	3.2	3.1

Lease contracts with an annual contract rent of € 3.5m are expiring in H2 2020. This mainly concerns flexible contracts, which are rolling over on a monthly basis. Future leases, which are signed and will commence in the second half of 2020 amount to approximately € 0.3m.

Annual expirations and reversionary potential



Contract rent	3.5	2.4	3.0	2.5	1.9	5.7	19.0
ERV	3.6	2.5	3.0	2.5	1.8	5.9	19.2
# Contracts	280	88	56	31	23	43	521
Reversion	3.2%	2.6%	-1.1%	-3.0%	-5.7%	3.3%	0.8%

Other

Two office assets were transferred to the segment Other in Q1, a community college and a student housing complex, both fully let and both located in Amsterdam. One retail asset in Almelo, which at the end of 2019 was classified as 'held for sale' was transferred to the buyer and left the balance sheet in January.

At shopping centre 't Loon in Heerlen a new lease contract was signed with Aldi for a 1,100 sqm unit, lowering the EPRA vacancy rate of the shopping centre by 5% to 22%. Having a second supermarket in the centre will improve the overall attractiveness and is expected to be a catalyst for further tenant demand.

The overall retail WAULT will improve in Q3 as for some retail leases an agreement has been reached to extend the lease, with unpaid rent in Q2, as a result of coronavirus, being waived as an incentive.

ESG

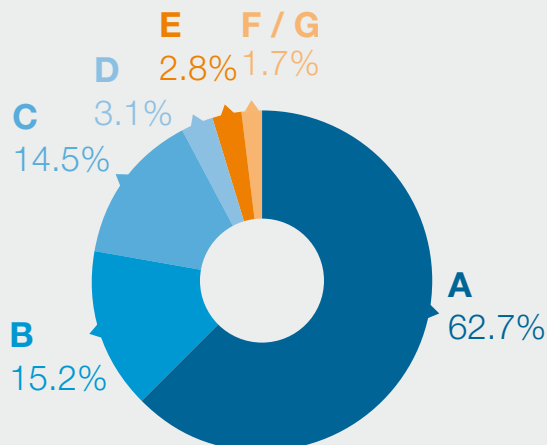
Health and wellbeing of both tenants and NSI employees are a key part of our ESG strategy. During the lockdown throughout Q2 we kept our multi-tenant buildings open to allow tenants with vital functions to proceed without interruption. During Q2 several initiatives were implemented to safeguard the health of all users of our buildings. We completed these initiatives for all 43 multi-tenant offices and HNK buildings by early June.

We continue to work hard to improve the energy efficiency of the portfolio. As per June 2020 the percentage of assets with an EPC score A increased to 62.7% of the portfolio by value, up from 61.3% at the end of December. We are on schedule for the Government requirement of 100% of assets achieving a C-label or better per 2023. By 2030 the Government will subsequently require assets to reduce CO2 emission by 49% compared to 2018. For now NSI is working towards an A label for the remaining assets.

The team continues to work towards all our assets having a BREEAM in-use score, with the intention to achieve this for all our core assets by the end of 2021.

NSI has been reporting on GRESB since last year. Due to coronavirus GRESB has announced last year's results will be delayed by one month and will be published in October.

Portfolio breakdown energy labels by value

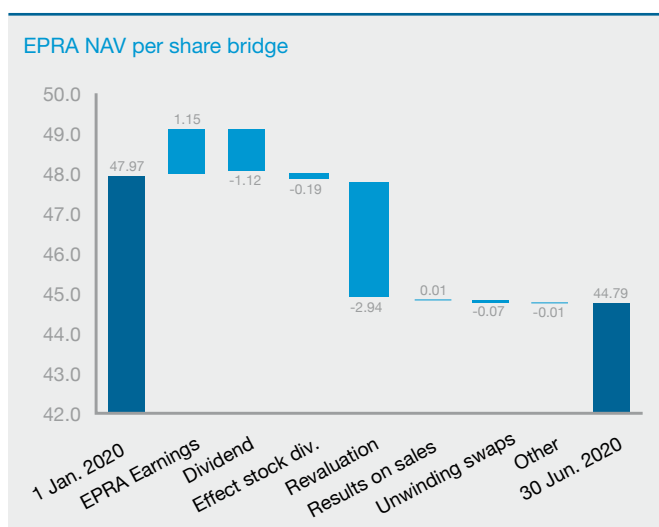


BALANCE SHEET, NAV AND FINANCING

Net asset value

The EPRA NAV at the end of June 2020 is € 862m, a decrease of 5.0% over the 6 months period (€ 907m at YE 2019). Due to a small rise in the number of shares following the issuance of stock dividend, EPRA NAV per share decreased by 6.6% to € 44.79 at June 2020.

The stock dividend alternative for the final dividend for FY 2019 payable in May was, at € 33.60 on an ex-dividend basis, attractively priced relative to NAV and so resulted in an above average take up of 51.1% and the issuance of 322,352 new shares. The resulting dilution on the H1 2020 EPRA NAV is, however, modest at € 0.19 per share.



The gap between EPRA NAV and EPRA NNNAV of € 0.25 per share reflects the negative fair value of derivatives and the market value of the debt.

Funding environment

Financing markets were significantly impacted by coronavirus late Q1 and into Q2, with rising margins. During this period we never felt the urge to draw down our RCF to confirm our liquidity position, but we did end Q1 with a slightly higher cash balance than usual, as a precaution. Now, at the end of Q2, we are managing our liquidity position as usual.

In March we issued € 40m of 10-year unsecured notes to clients of Metlife Investment Management. The notes are euro denominated and have a fixed coupon of 1.6%. This deal reflects pre-coronavirus pricing. We believe pricing moved to 3%+ at the height of the coronavirus crisis, but has since fallen back.

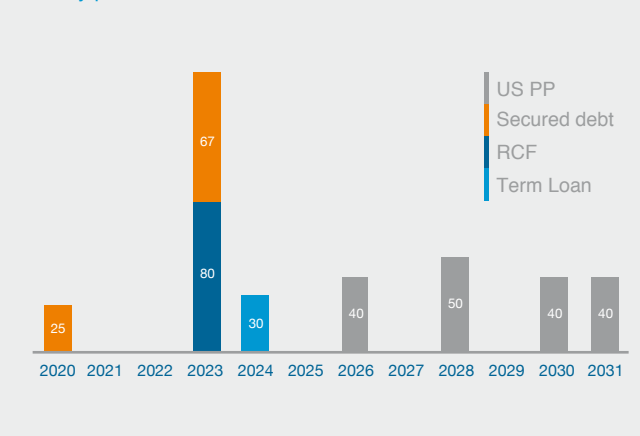
In June we repaid € 10m of the outstanding balance on the RCF, as a result of which only € 30m remains drawn by June 2020.

Debt maturity profile

At the end of June 2020 the average loan maturity is 5.4 years (December 2019: 5.4 years). Of debt drawn 75% is unsecured (86% of available debt) and the average cost of debt is 2.1%.

The € 25m of debt due in 2020 is secured on the Jacobsweerd asset in Utrecht, acquired back in 2018, and was part of the original transaction. This debt will be repaid in July by drawing down the RCF, further increasing our percentage of unsecured debt and average debt maturity. There are no other loan maturities until April 2023.

Maturity profile



Net debt is up by € 16.2m in H1 2020. This is primarily driven by the acquisition of ONE20 in March, for € 34.0m excluding costs, and payment of the final dividend, partially offset by disposals and retained earnings. Taking into account debts to credit institutions, as of June 2020 NSI has circa € 270m of cash and remaining committed undrawn credit facilities at its disposal.

Net debt

	Jun. 2020	Dec. 2019	Δ
Debt outstanding	372.2	342.8	29.4
Amortisation costs	-1.3	-1.3	0.0
Book value of debt	370.9	341.5	29.4
Cash and cash equivalents	-2.1	-1.4	-0.7
Debts to credit institutions		12.6	-12.6
Net debt	368.8	352.6	16.2

Leverage and hedging

The LTV is 29.2% at June 2020, up 1.8 percentage point compared to December 2019 (27.4%). This is primarily explained by the decline in asset values over the period. The LTV still stands well below our 60% covenant. As a result of lower financing costs the ICR increased to 7.1x at the end of June, well above the 2.0x covenant.

Covenants

	Covenant	Dec. 16	Dec. 17	Dec. 18	Dec. 19	Jun. 20
LTV	≤ 60.0%	44.1%	36.9%	36.9%	27.4%	29.2%
ICR	≥ 2.0x	3.8x	4.7x	5.5x	6.8x	7.1x

NSI is using swaps to hedge its interest rate risk on variable rate loans. As a result of the issue of fixed notes in March and the partial repayment of the RCF, which has a variable rate, the volume hedge ratio increased above NSI's internal limit of 100% in Q2 2020.

In June € 40m of swaps were broken at a cost of € 1.4m, bringing down the volume hedge ratio to below 100%. The volume hedge ratio at the end of June is 92% (target range: 70-100%). The maturity of derivatives and fixed rate debt is 5.5 years at the end of June 2020 and the maturity hedge ratio is 102% (target range 70-120%).

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	H1 2020	H1 2019
Gross rental income	2	37,919	42,130
Service costs recharged to tenants		6,180	6,254
Service costs		-7,023	-7,237
Service costs not recharged	2	-844	-983
Operating costs	2, 3	-7,557	-9,009
Net rental income		29,519	32,138
Revaluation of investment property	4	-55,609	65,654
Net result on sale of investment property	5	129	4,425
Net result from investments		-25,962	102,216
Administrative costs	6	-3,625	-3,778
Other income and costs		-171	-225
Financing income		1	1
Financing costs		-4,136	-5,194
Movement in market value of financial derivatives		-753	-5,108
Net financing result		-4,888	-10,301
Result before tax		-34,646	87,913
Corporate income tax		-2	2
Total result for the year		-34,648	87,915
Other comprehensive income			
Total comprehensive income for the year		-34,648	87,915
Total comprehensive income attributable to:			
Shareholders		-34,648	87,915
Total comprehensive income for the year		-34,648	87,915
Data per average outstanding share:			
Diluted as well as non-diluted result after tax		-1.81	4.72

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2020	31 December 2019
Assets			
Investment property	7	1,253,333	1,263,089
Tangible fixed assets		1,501	1,531
Intangible fixed assets		240	366
Other non-current assets		8,395	7,662
Non-current assets		1,263,469	1,272,649
Debtors and other receivables	8	2,454	1,101
Cash and cash equivalents		2,097	1,433
Assets held for sale	9		15,950
Current assets		4,551	18,484
Total assets		1,268,020	1,291,133
Shareholders' equity			
Issued share capital	10	70,804	69,617
Share premium reserve	10	918,469	919,661
Other reserves	10	-96,327	-282,266
Total result for the year		-34,648	196,297
Shareholders' equity		858,298	903,308
Liabilities			
Interest bearing loans	11	345,474	315,765
Derivative financial instruments	12	3,527	3,978
Other non-current liabilities		5,578	5,365
Non-current liabilities		354,580	325,108
Redemption requirement interest bearing loans	11	25,450	25,725
Derivative financial instruments	12		208
Creditors and other payables	13	29,692	23,930
Debts to credit institutions			12,576
Liabilities directly associated with assets held for sale			279
Current liabilities		55,142	62,717
Total liabilities		409,722	387,825
Total shareholders' equity and liabilities		1,268,020	1,291,133

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Notes	H1 2020	FY 2019
Result from operations after tax		-34,648	196,297
Adjusted for:			
Revaluation of investment property	4	55,609	-144,642
Net result on sale of investment property	5	-129	-8,728
Net financing result		4,888	14,950
Corporate income tax		2	1
Depreciation and amortisation	6	298	520
		60,668	-137,900
Movements in working capital:			
Debtors and other receivables		-2,094	-703
Creditors and other payables		6,515	-2,995
		4,422	-3,694
Cash flow from operations		30,442	54,703
Financing income received		1	2
Financing costs paid		-5,180	-9,480
Settlement of derivatives		-1,411	-5,971
Tax paid		-50	-31
Cash flow from operating activities		23,801	39,222
Purchases of investment property and subsequent expenditure	7,9	-45,572	-45,886
Proceeds from sale of investment property	7,9	16,079	128,539
Investments in tangible fixed assets		-7	
Disinvestments in tangible fixed assets			2
Investments in intangible fixed assets			-68
Cash flow from investment activities		-29,500	82,588
Dividend paid to the company's shareholders		-10,362	-26,271
Proceeds from interest bearing loans	11	40,000	100,000
Transaction costs interest bearing loans paid		-75	-179
Repayment of interest bearing loans	11	-10,625	-196,250
Cash flow from financing activities		18,939	-122,701
Net cash flow		13,240	-891
Cash and cash equivalents and debts to credit institutions - balance as per 1 January		-11,143	-10,252
Cash and cash equivalents and debts to credit institutions - balance as per 31 December 2019 / 30 June 2020		2,097	-11,143

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

H1 2020

	Issued share capital	Share premium reserve	Other reserves	Result for the year	Shareholders' equity
Balance as per 1 January 2020	69,617	919,661	-282,266	196,297	903,308
Total result for the year				-34,648	-34,648
Total comprehensive income for the year				-34,648	-34,648
Profit appropriation - 2019			196,297	-196,297	
Distribution final dividend - 2019	1,186	-1,192	-10,357		-10,362
Contributions from and to shareholders	1,186	-1,192	185,940	-196,297	-10,362
Balance as per 30 June 2020	70,804	918,469	-96,327	-34,648	858,298

FY 2019

	Issued share capital	Share premium reserve	Other reserves	Result for the year	Shareholders' equity
Balance as per 1 January 2019	68,353	920,935	-347,531	91,525	733,283
Total result for the year				196,297	196,297
Total comprehensive income for the year				196,297	196,297
Profit appropriation - 2018			91,525	-91,525	
Distribution final dividend - 2018	646	-651	-13,926		-13,931
Interim dividend - 2019	618	-624	-12,335		-12,340
Contributions from and to shareholders	1,264	-1,274	65,264	-91,525	-26,271
Balance as per 31 December 2019	69,617	919,661	-282,266	196,297	903,308

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

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 2019.

The interim financial information was authorised for issue by the Company's Management and Supervisory Board on 13 July 2020. The interim financial information was reviewed by the independent 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 2019.

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).

Implications of COVID-19

Valuation

The market value of NSI's properties has decreased and the appraisers all included a specific clause in their valuation stating valuations are reported on the basis of 'material valuation uncertainty' and consequently, less certainty should be attached to the valuations than normally should be the case. Further information on the (possible) consequences of the COVID-19 outbreak and measures taken to minimise risks can be found under note 4 and 7.

Rental income and debtors

NSI is closely monitoring the payment behaviour of its tenants. Up to 30 June 2020, most part of the rents have been received, though individual arrangements have been made with several tenants. In some specific cases NSI decided to take additional provisions for doubtful debts.

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

Further information on the (possible) consequences of the COVID-19 outbreak and measures taken to minimise risks can be found under note 4 and 2, 3, 6 and 8.

Liquidity

NSI has drawn up a liquidity forecast and performed stress tests for loan-to-value, solvency and debt covenants. Based on the assumptions currently used in forecasting, which includes already foreseen consequences of the COVID-19 outbreak, no additional financing will be required in 2020 and 2021. Also loan-to-value, solvency and ICR will remain well within the covenants.

Further information on the outcome of the stress tests can be found under note 7 and 11. Based on the outcome, the Management of the company concludes that it is not expected that the COVID-19 outbreak will affect the company's ability to continue as a going concern.

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 2019

1. SEGMENT INFORMATION

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

H1 2020

	Offices			HNK			Other	Corporate	TOTAL
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL			
Gross rental income	14,405	10,548	933	2,367	4,645	1,656	3,365		37,919
Service costs not recharged	-106	-158	-53	-62	-146	-205	-115		-844
Operating costs	-1,358	-2,369	-100	-577	-1,609	-667	-878		-7,557
Net rental income	12,942	8,021	780	1,729	2,890	784	2,372		29,519
Revaluation of investment property	-29,071	-11,459	-1,619	-2,798	-4,142	-2,417	-4,103		-55,609
Net result on sale of investment property		-19	-233		500		-119		129
Net result from investment	-16,129	-3,457	-1,072	-1,070	-751	-1,633	-1,850		-25,962
Administrative costs								-3,625	-3,625
Other income and costs								-171	-171
Net financing result								-4,888	-4,888
Result before tax	-16,129	-3,457	-1,072	-1,070	-751	-1,633	-1,850	-8,685	-34,646
Corporate income tax								-2	-2
Total result for the year	-16,129	-3,457	-1,072	-1,070	-751	-1,633	-1,850	-8,687	-34,648
Other comprehensive income									
Total comprehensive income for the year	-16,129	-3,457	-1,072	-1,070	-751	-1,633	-1,850	-8,687	-34,648

H1 2019

	Offices			HNK			Other	Corporate	TOTAL
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL			
Gross rental income	13,298	11,092	3,442	2,309	4,494	1,698	5,798		42,130
Service costs not recharged	-159	-238	-7	-48	-191	-176	-163		-983
Operating costs	-1,513	-2,786	-767	-438	-1,441	-639	-1,425		-9,009
Net rental income	11,626	8,068	2,668	1,823	2,861	883	4,210		32,138
Revaluation of investment property	17,700	18,566	2,478	14,433	13,963	4,098	-5,584		65,654
Net result on sale of investment property	1,363	1,036	2,435				-410		4,425
Net result from investment	30,688	27,670	7,581	16,256	16,824	4,981	-1,784		102,216
Administrative costs								-3,778	-3,778
Other income and costs								-225	-225
Net financing result								-10,301	-10,301
Result before tax	30,688	27,670	7,581	16,256	16,824	4,981	-1,784	-14,304	87,913
Corporate income tax								2	2
Total result for the year	30,688	27,670	7,581	16,256	16,824	4,981	-1,784	-14,302	87,915
Other comprehensive income									
Total comprehensive income for the year	30,688	27,670	7,581	16,256	16,824	4,981	-1,784	-14,302	87,915

2. NET RENTAL INCOME

	Gross rental income		Service costs not recharged		Operating costs		Net rental income	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Amsterdam	14,405	13,298	-106	-159	-1,358	-1,513	12,942	11,626
Other Target Cities	10,548	11,092	-158	-238	-2,369	-2,786	8,021	8,068
Other Netherlands	933	3,442	-53	-7	-100	-767	780	2,668
Offices	25,886	27,831	-317	-404	-3,826	-5,066	21,743	22,361
Amsterdam	2,367	2,309	-62	-48	-577	-438	1,729	1,823
Other Target Cities	4,645	4,494	-146	-191	-1,609	-1,441	2,890	2,861
Other Netherlands	1,656	1,698	-205	-176	-667	-639	784	883
HNK	8,668	8,500	-412	-415	-2,852	-2,518	5,404	5,567
Other	3,365	5,798	-115	-163	-878	-1,425	2,372	4,210
Net rental income	37,919	42,130	-844	-983	-7,557	-9,009	29,519	32,138

Gross rental income includes the effect of waved rental income for an amount of € 0.4m related to the COVID-19 outbreak.

3. OPERATING COSTS

	H1 2020	H1 2019
Leasehold	0	0
Municipal taxes	-2,501	-2,967
Insurance premiums	-271	-262
Maintenance costs	-1,652	-2,261
Property management costs	-2,226	-2,170
Letting costs	-584	-814
Contribution to owner association	-187	-220
Doubtful debt costs	-3	25
Other operating costs	-132	-340
Operating costs	-7,557	-9,009

Operating costs include an amount of € 0.3m related to health and safety measures taken as an effect of COVID-19, which are reported as property management costs. Furthermore, the doubtful debt costs include an amount of € 0.0m related to particular tenants for which NSI obtained indications they possibly are in financial difficulties due to the effects of COVID-19.

Property management costs include administrative costs charged to operations for an amount of € 2.0m (H1 2019: € 1.6m).

An amount of € 0.0m (H1 2019: € 0.0m) relates to operating costs of fully vacant properties.

4. REVALUATION OF INVESTMENT PROPERTY

	H1 2020			FY 2019		
	Positive	Negative	TOTAL	Positive	Negative	TOTAL
Investment property in operation	555	-55,735	-55,180	160,406	-19,163	141,244
Investment property under construction	1,155	-814	341	5,051		5,051
Revaluation - market value	1,710	-56,549	-54,839	165,457	-19,163	146,295
Movement in right of use leasehold			-30			-19
Movement in lease incentives			-741			-1,634
Revaluation of investment property			-55,609			144,642

Negative revaluation also reflects the implications of the COVID-19 outbreak.

All appraisers have included a specific COVID-19 clause in the valuations stating valuations are reported on the basis of 'material valuation uncertainty' and consequently, less certainty should be attached to the valuations than normally should be the case.

5. NET RESULT ON SALE OF INVESTMENT PROPERTY

	H1 2020	H1 2019
Proceeds on sale of investment property	16,450	48,110
Transaction costs on sale of investment property	-371	-767
Sale of investment property	16,079	47,343
Book value at the time of sale (excl. right of use leasehold)	-15,950	-42,918
Net result on sale of investment property	129	4,425

The result on the right of use leasehold at the moment of disposal amounts to € 0.0m (H1 2019: € 0.0m).

During 2020 2 office properties (H1 2019: 10 objects) and 1 other property (H1 2019: 2 objects) were sold.

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

6. ADMINISTRATIVE COSTS

	H1 2020	H1 2019
Salaries and wages	-2,688	-2,487
Social security	-308	-294
Pensions	-152	-142
Depreciation right of use tangible fixed assets	-138	-90
Other staff costs	-764	-624
Staff costs	-4,050	-3,637
Compensation supervisory board	-140	-94
Depreciation and amortisation	-160	-122
Other office costs	-894	-660
Office costs	-1,054	-782
Audit, consultancy and valuation costs	-385	-453
Other administrative costs	-404	-438
Administrative costs	-6,034	-5,404
Allocated administrative costs	2,408	1,626
Administrative costs	-3,625	-3,778

Administrative costs directly related to the operation of the investment property portfolio are recharged to the operating costs. Directly attributable costs related to development project are capitalised as part of the respective project. These are reported as “Allocated administrative costs”.

Administrative costs include an amount of € 0.3m related to health and safety measures COVID-19, reported under other office costs. These costs are charged to the property operating expenses and as such included under allocated administrative costs.

7. INVESTMENT PROPERTY

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

	30 June 2020	31 December 2019
Investment property in operation	1,217,807	1,232,439
Investment property under construction	35,526	30,650
Investment property	1,253,333	1,263,089

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

At 30 June 2020 100% (31 December 2019: 100%) of investment property were externally appraised by external appraisers. In 2020 the

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

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

The fair value is the outcome of the (theoretical) rent divided by the net initial yield (expressed as a percentage) of the investment property. The total theoretical net initial yield at 30 June 2020 was 5.7% (31 December 2019: 5.5%).

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

Impact COVID-19 in external valuations

All appraisers included a COVID-19 clause in their valuations related to material uncertainty in the valuations.

The outbreak of COVID-19 has impacted economic activity in many sectors. As possible (negative) market evidence only gradually manifests itself on real estate markets, the appraisers consider they can attach less weight to previous market evidence for comparison purposes, to form opinions on the value of the properties. In addition, in the period from March till June 2020 less transactions took place, which also causes that less weight can be attached to the transactions that did take place.

Therefore, valuations are reported on the basis of material valuation uncertainty as per VPS 3 and VGPA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to the valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, appraisers recommend to keep the valuation of the property under frequent review.

Investment property in operation

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

H1 2020

	Offices			HNK			Other	TOTAL
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL		
Balance as per 1 January 2020	534,446	339,293	19,969	93,999	132,820	32,189	79,723	1,232,439
Acquisitions	36,310							36,310
Investments	717	2,235	17	539	740	463	290	5,000
Revaluation	-28,257	-12,614	-1,611	-2,798	-4,142	-2,417	-4,103	-55,942
Balance as per 30 June 2020	543,216	328,914	18,375	91,740	129,419	30,234	75,910	1,217,807
Right of use leasehold as per 30 June 2020	-191	-111		-370			-314	-987
Lease incentives as per 30 June 2020	2,167	3,522	105	390	1,121	750	340	8,395
Market value as per 30 June 2020	545,192	332,325	18,480	91,760	130,540	30,984	75,935	1,225,216

FY 2019

	Offices			HNK			Other	TOTAL
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL		
Balance as per 31 December 2018	453,032	306,968	79,846	71,604	106,528	28,854	140,357	1,187,191
Change in accounting policy following IFRS 16	1,264			371			325	1,960
Balance as per 1 January 2019	454,296	306,968	79,846	71,975	106,528	28,854	140,683	1,189,151
Acquisitions	25,283	5,603					753	31,638
Investments	1,480	1,307	338	967	3,097	110	1,132	8,430
Revaluation	62,714	34,237	4,246	21,058	23,195	3,224	-9,092	139,582
Transfer from / to inv. property under construction	-3,775							-3,775
Transfer from / to assets held for sale		145	-17,173				-27,251	-44,278
Disposals	-5,552	-8,967	-47,288				-26,501	-88,307
Balance as per 31 December 2019	534,446	339,293	19,969	93,999	132,820	32,189	79,723	1,232,439
Right of use leasehold as per 31 December 2019	-194	-120		-377			-325	-1,016
Lease incentives as per 31 December 2019	1,998	3,442	106	363	730	681	342	7,662
Market value as per 31 December 2019	536,250	342,615	20,075	93,985	133,550	32,870	79,740	1,239,085

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

Collateral

On 30 June 2020, properties with a market value of € 301.5m (31 December 2019: € 305.8m) were mortgaged as security for loans drawn and current account overdraft facilities at banks amounting to € 92.2m (31 December 2019: € 92.8m). The level of security can vary within the financing facilities, enabling NSI to create additional loan capacity within the existing facilities or to allocate part of the security to another financing facility.

Sensitivities valuations

The value of investment property implies an average theoretical net yield of 5.7% (2019: 5.5%). Valuations can be affected by the general macro-economic and market environment, but also by local factors. COVID-19 is considered a significantly changed macro-economic factor; for this reason NSI has performed a more extensive sensitivity analysis to get a better view of possible consequences on our business and balance sheet.

If, on 30 June 2020, the yields applied for the valuation of investment property had been 100 basis points lower than the yields currently applied, the value of investment property would increase by 20.8% (31 December 2019: 21.5%). In that case NSI's equity would be € 262m (31 December 2019: € 277m) higher due to a higher positive result. The loan-to-value would then decrease from 29.2% (31 December 2019: 27.4%) to 24.2% (31 December 2019: 22.5%).

If, on 30 June 2020, the yields applied for the valuation of investment property had been 100 basis points higher than those currently applied, the value of investment property would decrease by 14.5%. In that case NSI's equity would be € 184m lower due to a lower result for the year. The loan-to-value would then increase from 29.2% to 34.2%.

One of the possible risks as a consequence of the recent economic turbulence could be a fall in rental income due to, for example tenants with liquidity problems, a below average number of lease renewals or bankruptcies. Yields might also move more than the above mentioned 100 bps, if volatility in other capital markets further affects real estate. For this reason a further sensitivity (on an individual property level) is executed, showing a combination of a yield shift of +200 basis points and a 20% fall of total annual contracted rent. In such case the value of investment property would decrease by 40%, the overall implied yield would be 10.9% and the loan-to-value would increase from 29.2% to 47.6%. In this scenario, there would still be room for € 150m in additional future capex for development projects. The LTV will in this case increase to ca. 58%, still below the LTV debt covenant of 60%.

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

Investment property under construction

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

H1 2020

	Offices			HNK			Other	TOTAL
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL		
Balance as per 1 January 2020	7,250	23,400						30,650
Investments	2,542	1,719						4,261
Capitalised interest	48	226						273
Revaluation	-814	1,155						341
Balance as per 30 June 2020	9,026	26,500						35,526
Market value as per 30 June 2020	9,026	26,500						35,526

FY 2019

	Offices			HNK			Other	TOTAL
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL		
Balance as per 1 January 2019		15,500						15,500
Investments	125	5,833						5,958
Capitalised interest	38	327						366
Revaluation	3,311	1,740						5,051
Transfer from / to inv. property in operation	3,775							3,775
Balance as per 31 December 2019	7,250	23,400						30,650
Market value as per 30 June 2020	7,250	23,400						30,650

As per 30 June 2020 investment property under construction consists of Donauweg, Amsterdam, Bentinck Huis, The Hague and three other projects.

8. DEBTORS AND OTHER ACCOUNTS RECEIVABLE

	30 June 2020	31 December 2019
Gross debtors	1,326	1,255
Provision for doubtful debts	-281	-745
Debtors		1,045
Tenant loans		41
Taxes		90
Prepayments and accrued income		711
Other current receivables		567
Debtors and other receivables	2,454	1,101

The largest item under debtors and other accounts receivable concerns debtors (€ 1.0m), mainly tenants which are overdue, which are reported after deduction of a provision for impairment.

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

9. ASSETS HELD FOR SALE

As per 31 December 2019 the assets held for sale consisted of the office buildings at Europaweg, Zoetermeer and De Hoefse Wing, Amersfoort and shopping center De Hagenborgh in Almelo. The assets have all been sold in the first quarter of 2020.

As per 30 June 2020 no assets are classified as held for sale.

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

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

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

H1 2020

	Offices			HNK			Other	TOTAL
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL		
Balance as per 1 January 2020			15,153				750	15,903
Revaluation			-8					-8
Disposals			-15,145				-750	-15,895
Balance as per 30 June 2020								

FY 2019

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

10. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

At 31 December 2019 18,917,764 ordinary shares with a nominal value of € 3.68 were placed and fully paid up. In May 2020 322,352 shares were issued as stock dividend, relating to the final dividend distribution for 2019. This resulted in 19,240,116 shares issued at 30 June 2020.

11. INTEREST BEARING LOANS

The development of the interest bearing loans during 2019 and the first half of 2020 was as follows:

	2020	2019
Balance as per 1 January	314,490	437,657
Drawn interest bearing loans	40,000	100,000
Transaction costs paid	-75	-179
Amortisation transaction costs	134	262
Repayment of interest bearing loans	-10,625	-196,250
Balance as per 30 June 2020 / 31 December 2019	370,924	341,490
Redemption requirement interest bearing loans	25,450	25,725
Balance as per 30 June 2020 / 31 December 2019	345,474	315,765

The remaining maturities of the loans at 30 June 2020 were as follows:

	30 June 2020			31 December 2019		
	Fixed interest	Variable interest	TOTAL	Fixed interest	Variable interest	TOTAL
Up to 1 year	24,750	700	25,450	25,025	700	25,725
From 1 to 2 years		700	700		700	700
From 2 to 5 years	39,927	175,300	215,228		185,549	185,549
From 5 to 10 years	89,574		89,574	89,544		89,544
More than 10 years	39,972		39,972	39,971		39,971
Total	194,224	176,700	370,924	154,540	186,949	341,490

In the coming year € 25.5m (31 December 2019: € 25.7m) of financing will expire. The amount concerns the amortisation requirement of two loans due and will be covered by retained cash or the available financing facilities.

Loans outstanding have a remaining average maturity of 5.4 years (31 December 2019: 5.4 years). The weighted average annual interest rate on the loans and interest-rate swaps at the end of June 2020 was 2.1% (31 December 2019: 2.1%). These include margin, utilisation fees and amortised costs and exclude commitment fees.

The interest coverage ratio amounted to 7.1x as at 30 June 2020 (31 December 2019: 6.8x).

Based on our ICR debt covenant of 2,0x, NSI could absorb a net rental income decline of ca.70% before breaching this covenant.

12. FINANCIAL INSTRUMENTS

Recognition categories and fair values

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

Fair value hierarchy

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

The different levels are defined as follows:

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

Level 2 applies to all financial instruments; a model in which fair value is determined based on directly or indirectly observable market data. In level 2 fair values for over-the-counter derivatives is calculated as the present value of the estimated future cash flows based on observable yield curves obtained by external data sources (e.g. Bloomberg) and valuation statements received from our counterparties. These quotes are regularly

tested for adequacy by discounting cash flows using the market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments that take into account the credit risk of the group entity and the counterparty, when appropriate.

	Note	30 June 2020		31 December 2019		
		Fair value level	Amortised cost price	Fair value	Fair value level	Amortised cost price
Financial assets valued at amortised cost price						
Debtors and other receivables	8	2	1,653		2	813
Cash and cash equivalents		1	2,097		1	1,433
Financial liabilities valued at fair value through profit or loss						
Derivative financial instruments		2		3,527	2	4,185
Financial liabilities valued at amortised cost price						
Interest bearing loans	11	2	370,924		2	341,490
Other non-current liabilities		2	5,578		2	5,365
Creditors and other payables	13	2	16,231		2	14,811
Debts to credit institutions		1			2	12,576
Liabilities associated to assets held for sale		2			2	279

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

	30 June 2020				31 December 2019			
	# contracts	Nominal value	Fair value assets	Fair value liabilities	# contracts	Nominal value	Fair value assets	Fair value liabilities
Up to 1 year					5			208
From 1 to 5 years	11			3,527	11	187,500		3,978
Total	11			3,527	16	187,500		4,185

NSI minimises its interest rate risk by swapping the variable interest it pays on the majority of its loans for a fixed interest rate by means of contracts with fixed interest rates varying from - 0.11% to 0.73% (31 December 2019: - 0.11% to 0.73%) and with maturity dates between 2021 and 2023 (31 December 2019: between 2020 and 2023). The weighted average remaining maturity of the derivatives is 2.9 years (31 December 2019: 3.4 years).

NSI is hedged at a weighted average interest rate of 0.3% (31 December 2019: 0.1%), excluding margin, 8.0% of the total outstanding variable interest loans (31 December 2019: 0.0%) are not hedged (volume hedge of 92.0%).

13. CREDITORS AND OTHER ACCOUNTS PAYABLE

	30 June 2020	31 December 2019
Creditors	4,115	2,750
Taxes	2,031	1,249
Interest	692	1,633
Lease liabilities	375	367
Deferred income	11,430	7,870
Accruals	10,448	9,423
Deferred income and accruals	21,878	17,293
Other current payables	601	638
Creditors and other payables	29,692	23,930

14. OFF-BALANCE SHEET COMMITMENTS AND LIABILITIES

Shopping center 't Loon, Heerlen

Insurance companies

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

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

Both VvE and Chubb have brought appeal against the judgement of the District Court. All parties have meanwhile brought their statement of grievances and statement of response respectively. An oral hearing (plea) is scheduled to take place on 17 November 2020.

Insurance company tenant

On 20 January 2016 the insurance company of one of the tenants held the VvE and its members, including NSI, liable for the loss of revenue covered by the insurance company, representing a principal sum of € 1.6m excluding legal interests. On 19 July 2017 the District Court rejected the claim from the insurance company of the tenant. In October 2017 this insurance company appealed the District Court' judgement. The Court of Appeal has meanwhile rendered judgement and rejected the claims against NSI and 3W. However, the VvE and Q-Park were sentenced to pay € 500k excluding legal interest each to the insurance company. This judgement that the VvE is liable for damages to tenants affects also NSI as it has a 63.46% share in the VvE. All parties have meanwhile appealed the judgement in cassation.

Other

The company has entered into investment commitments for an amount of € 2.9m (31 December 2019: € 2.1m) relating to investment properties. For maintenance, technical property management, IT-providers etc. the company has entered into other contractual obligations for € 3.1m (31 December 2019: € 5.5m).

The company has unused credit facilities amounting to € 270.0m (31 December 2019: € 247.4m).

15. EVENTS AFTER BALANCE SHEET DATE

There are no events after balance sheet date.

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 and 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 2019 for more information on existing risks.

Hoofddorp, 13 July 2020

Management Board

B.A. Stahli, *CEO*

A.A. de Jong, *CFO*

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 2020 of NSI N.V., Amsterdam, which comprises the condensed consolidated statement of financial position as at 30 June 2020, 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) 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 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 2020 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Emphasis of significant estimation uncertainty in relation to the valuation of the investment property

We draw attention to note 4 and note 7 to the interim financial information, which describes that COVID-19 has significantly increased the estimation uncertainty in relation to the valuation of investment property. These notes clarify that the external appraisers have included a 'material valuation uncertainty' clause in their valuation reports. In addition, these notes include management's disclosure of the increased estimation uncertainty through expanded sensitivity analyses. Our conclusion is not modified in respect of this matter.

Amsterdam, 13 July 2020

PricewaterhouseCoopers Accountants N.V.

Original version signed by S. Herwig MSc LL.M. RA MRE MRICS

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

'PwC' is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At www.pwc.nl more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce

EPRA KEY PERFORMANCE MEASURES

OVERVIEW KEY PERFORMANCE INDICATORS

	H1 2020		H1 2019	
	€ ' 000	per share (€)	€ ' 000	per share (€)
EPRA earnings	21,756	1.14	23,169	1.24
EPRA cost ratio (incl. direct vacancy costs)	28.4%		29.2%	
EPRA cost ratio (excl. direct vacancy costs)	26.3%		27.0%	
EPRA property related capital expenditure	45,572		36,047	

	30 June 2020		31 December 2019	
	€ ' 000	per share (€)	€ ' 000	per share (€)
EPRA NAV	861,825	44.79	907,493	47.97
EPRA NNNNAV	857,036	44.54	896,695	47.40
EPRA NRV	937,565	48.73	984,708	52.05
EPRA NTA	861,585	44.78	907,127	47.95
EPRA NDV	856,868	44.54	896,437	47.39
EPRA net initial yield (NIY)	4.7%		4.6%	
EPRA topped-up net initial yield	5.1%		4.9%	
EPRA vacancy rate	7.8%		7.1%	

EPRA EARNINGS

	H1 2020	H1 2019
Gross rental income	37,919	42,130
Service costs not recharged	-844	-983
Operating costs	-7,557	-9,009
Net rental income	29,519	32,138
Administrative costs	-3,625	-3,778
Net financing result	-4,136	-5,193
Direct investment result before tax	21,758	23,167
Corporate income tax	-2	2
Direct investment result / EPRA earnings	21,756	23,169
Direct investment result / EPRA earnings per share	1.14	1.24

EPRA NAV

	30 June 2020		31 December 2019	
	€ ' 000	per share (€)	€ ' 000	per share (€)
Equity attributable to shareholders	858,298	44.61	903,308	47.75
Fair value of derivative financial instruments	3,527	0.18	4,185	0.22
EPRA NAV	861,825	44.79	907,493	47.97
Fair value of derivative financial instruments	-3,599	-0.19	-4,294	-0.23
Fair value of debt	-1,190	-0.06	-6,505	-0.34
EPRA NNNNAV	857,036	44.54	896,695	47.40

EPRA NRV / NTA / NDV

	30 June 2020			31 December 2019		
	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	858,298	858,298	858,298	903,308	903,308	903,308
Hybrid instruments						
Diluted NAV	858,298	858,298	858,298	903,308	903,308	903,308
Diluted NAV at fair value	858,298	858,298	858,298	903,308	903,308	903,308
Fair value of financial instruments	3,527	3,527		4,185	4,185	
Intangibles as per IFRS balance sheet		-240	-240		-366	-366
Fair value of fixed interest rate debt			-1,190			-6,505
Real estate transfer tax	75,740			77,214		
NAV	937,565	861,585	856,868	984,708	907,127	896,437
Fully diluted number of shares	19,240,116	19,240,116	19,240,116	18,917,764	18,917,764	18,917,764
NAV per share	48.73	44.78	44.54	52.05	47.95	47.39

EPRA YIELD

	30 June 2020	31 December 2019
Investment property including assets held for sale	1,262,328	1,287,310
Developments	-35,433	-30,650
Property investments	1,226,895	1,256,660
Allowance for estimated purchasers' costs	85,883	87,966
Gross up completed property portfolio valuation	1,312,778	1,344,626
Annualised cash passing rental income	76,566	76,262
Annualised property outgoings	-15,221	-14,510
Annualised net rent	61,346	61,752
Notional rent expiration of rent free periods or other lease incentives	4,961	4,790
Topped-up annualised net rent	66,307	66,542
EPRA net initial yield	4.7%	4.6%
EPRA topped-up net initial yield	5.1%	4.9%

EPRA VACANCY

	30 June 2020	31 December 2019
Estimated rental value of vacant space	7,124	6,504
Estimated rental value of the whole portfolio	91,632	91,949
EPRA vacancy	7.8%	7.1%

EPRA COST RATIO

	H1 2020	H1 2019
Administrative costs	3,625	3,778
Service costs not recharged	844	983
Operating costs (adjusted for municipality taxes)	6,306	7,526
Leasehold	0	0
EPRA costs (including direct vacancy costs)	10,776	12,286
Direct vacancy costs	-791	-920
EPRA costs (excluding direct vacancy costs)	9,984	11,367
Gross rental income	37,919	42,130
EPRA gross rental income	37,919	42,130
EPRA cost ratio (incl. direct vacancy costs)	28.4%	29.2%
EPRA cost ratio (excl. direct vacancy costs)	26.3%	27.0%

EPRA PROPERTY RELATED CAPITAL EXPENDITURE

	H1 2020	H1 2019
Acquisitions	36,323	30,895
Development	4,261	331
Like-for-like portfolio	4,987	4,480
Other		341
EPRA capital expenditure	45,572	36,047

GLOSSARY

ASSETS HELD FOR SALE

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

AVERAGE RENT PER SQM

The total annual contracted rent divided by the total leased square meters.

COST RATIO (EPRA)

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

DUTCH REIT (FBI-REGIME)

NSI qualifies as a Dutch Real Estate Investment Trust (fiscale beleggingsinstelling or FBI) and as such is charged a corporate income tax rate of 0% on its earnings. The tax regime stipulates certain conditions, such as a maximum ratio of 60% between debt and the book value of real estate, maximum ownership of shares by one legal entity or natural persons, and the obligation to pay out the annual profit by way of dividends within eight months after the end of the financial year.

Before 2014, activities permitted under FBI legislation were limited to portfolio investments activities only. Effective 1 January 2014, new legislation that allows FBI's to perform enterprise-type business activities within certain limits. These activities must be carried out by a taxable subsidiary and must support the operation of the FBI's real estate business.

EARNINGS (EPRA)

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

EARNINGS PER SHARE (EPRA)

Indicator for the profitability of NSI; portion of the EPRA earnings attributable to shareholders allocated to the weighted average number of ordinary shares.

EUROPEAN PUBLIC REAL ESTATE ASSOCIATION (EPRA)

Association of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors.

ESTIMATED RENTAL VALUE (ERV)

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

HNK

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

INTEREST COVERAGE RATIO (ICR)

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

INVESTMENT RESULT - DIRECT

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

INVESTMENT RESULT - INDIRECT

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

INVESTMENT RESULT - TOTAL

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

LEASE INCENTIVES

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

LIKE-FOR-LIKE RENTAL INCOME

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

LOAN TO VALUE (LTV, NET)

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

MARKET VALUE INVESTMENT PROPERTY (FAIR VALUE)

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

NET ASSET VALUE (NAV)

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

NET ASSET VALUE (NAV, EPRA-DEFINITION)

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

(NRV, NTA, NDV (EPRA-definition))

see EPRA BPR guidelines on EPRA website: <https://www.epra.com/finance/financial-reporting/guidelines>

NET MARGIN

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

NET RESULT ON SALE OF INVESTMENT PROPERTY

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

RENT - EFFECTIVE RENT

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

RENT - GROSS RENTAL INCOME (GRI)

Gross rental income reflects the rental income from let properties, after taking into account the net effects of straight lining for lease incentives and key money, including turnover rent and other rental income (e.g. specialty leasing and parking income).

RENT - NET RENTAL INCOME (NRI)

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

RENT - PASSING CASH RENT / CONTRACTED RENT

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

REVERSIONARY POTENTIAL

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

REVERSIONARY RATE / RESULT FROM RELETING AND RENEWAL

The reversionary rate measures the rental gain/loss of a deal as the difference between the new rent (after the deal) and the old rent (before the deal).

STANDING PORTFOLIO

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

TARGET CITIES

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

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.