



PRELIMINARY RESULTS

FULL YEAR 2020

- Robust business results in an unprecedented year, with rent collection at 98.0%
- EPRA vacancy rate of 7.0%, a 0.7% improvement on a like-for-like basis
- EPRA EPS for FY 2020 of € 2.35 per share, net of € 0.08 COVID impact
- EPRA NTA of € 44.44 per share, down 7.3% vs year-end 2019
- LTV at 29.2% allows for future developments/acquisitions
- Full Year dividend stable at € 2.16 per share

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FINANCIAL CALENDAR

Publication annual report 2020	5 March 2021
Publication trading update Q1 2021	15 April 2021
Publication half year results 2021	14 July 2021
Publication trading update Q3 2021	14 October 2021
AGM	21 April 2021
Ex-dividend date (final dividend 2020)	23 April 2021
Record date	26 April 2021
Stock dividend election period	27 April – 10 May 2021
Payment date	13 May 2021

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Publication date:
26 January 2021

NSI HIGHLIGHTS

KEY FINANCIAL METRICS¹

REVENUES AND EARNINGS

	2020	2019	Change (%)
Gross rental income	76,854	82,831	-7.2% ²
Net rental income	60,466	67,227	-10.1% ²
Direct investment result	44,943	49,439	-9.1%
Indirect investment result	-65,357	146,858	-144.5%
Total investment result	-20,414	196,297	-110.4%
Earnings per share	-1.07	10.47	-110.2%
EPRA earnings per share	2.35	2.64	-10.9%
Dividend per share	2.16	2.16	
EPRA cost ratio (incl. direct vacancy costs)	30.6%	28.4%	2.2 pp
EPRA cost ratio (excl. direct vacancy costs)	28.4%	26.3%	2.1 pp

BALANCE SHEET

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

KEY PORTFOLIO METRICS

	31 December 2020				31 December 2019	Δ
	Offices	HNK	Other	TOTAL		
Number of properties ³	43	13	4	60	65	-7.7%
Market value ⁴ (€m)	931	249	73	1,253	1,287	-2.7%
Annual contracted rent ⁵ (€m)	58	19	7	84	81	4.0%
ERV (€m)	63	23	7	93	92	1.4%
Lettable area (sqm k)	296	124	53	473	491	-3.7%
Average rent / sqm (€/p.a.)	206	190	153	197	188	4.8%
EPRA vacancy	4.2%	14.9%	6.9%	7.0%	7.1%	-0.1 pp
EPRA net initial yield	4.4%	4.3%	6.1%	4.5%	4.6%	-0.1 pp
Reversionary yield	6.8%	9.2%	9.6%	7.5%	7.3%	0.1 pp
Wault (yrs)	4.1	3.2	5.2	4.0	4.2	-6.2%

1 These preliminary results are unaudited.

2 On a like-for-like basis GRI growth is 3.5% and NRI growth is 0.8%

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.

CEO COMMENTS

We are looking back on the year 2020 with mixed feelings. The global coronavirus pandemic has touched almost all aspects of personal and business life during the year. The lock downs, the new work from home (WFH) advice, the on-and-off shutdowns of parts of the economy and the resulting economic contraction were formidable challenges.

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

A robust operational performance

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

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

Rent collection for 2020 stands at 98.0%. This is below the 99%+ we tend to achieve in normal years, but respectable in light of the business disruption some of our tenants faced during the year. A more detailed discussion of this subject can be found on page 6 of this report.

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

More asset rotation to come

In Q4 we completed the disposal of HNK Groningen and of two smaller assets in Rotterdam, for a total of € 13.9m. Total disposal proceeds for the year amount to € 30.0m. One building was acquired during the year, the ONE20 building in Amsterdam in March, for € 34.0m. ONE20 went from 31% vacant at the time of acquisition to fully let by year-end 2020.

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

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

Key milestones achieved in development

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

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

The key development milestones achieved in 2020 include:

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

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

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

Our strong balance sheet is an asset

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

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

The year-end LTV is 29.2%, a very comfortable level. Given the volume of non-core assets that we still intend to dispose of in combination with the potential capital requirements for our development programme, our LTV offers room for selective further acquisitions. We are in advanced negotiations to acquire assets at an acquisition price of € 75-85m, as stated in our post-closing events on page 7 of this report.

Outlook for 2021 and beyond

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

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

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

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

Medium term the development activities, which to this date are not fully committed, will materially impact the business and our key KPIs. Whilst there are still lots of moving parts, our current estimate for 2025, including the disposal of our non-core assets, is an EPRA EPS in the range of € 2.60–2.70, as explained in detail on page 5 of this report.

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

Bernd Stahli

NSI: STRATEGY & LOOK-THROUGH TO 2025

A year ago we updated our purpose and strategy to put the customer at the centre of everything we do. We stated “We enable our customers to achieve maximum productivity and growth, providing best-in-class, flexible space solutions and an unparalleled level of services in modern, healthy, sustainable buildings in prime locations”.

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

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

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

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

Right location; right product

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

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

Anticipating a change in office demand/use

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

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

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

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

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

NSI 2016-2025

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

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

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

An important driver of shareholder returns over the period to 2025 is the potential success of the development programme, which at this point is still uncommitted. This programme will impact all KPIs of the business.

Whilst we have made significant progress in improving the business in recent years, the transition is far from complete as we pointed out above. We expect the business in 2025 will offer better returns at a lower risk profile and will be in a far better shape than when we embarked on the new strategy in 2016.

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

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

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

2020 DETAILED RENT COLLECTION REVIEW

98% rent collection for 2020

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

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

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

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

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

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

Low level of debtors at year-end

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

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

Rent collection bridge Q4 2020 and full year 2020

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

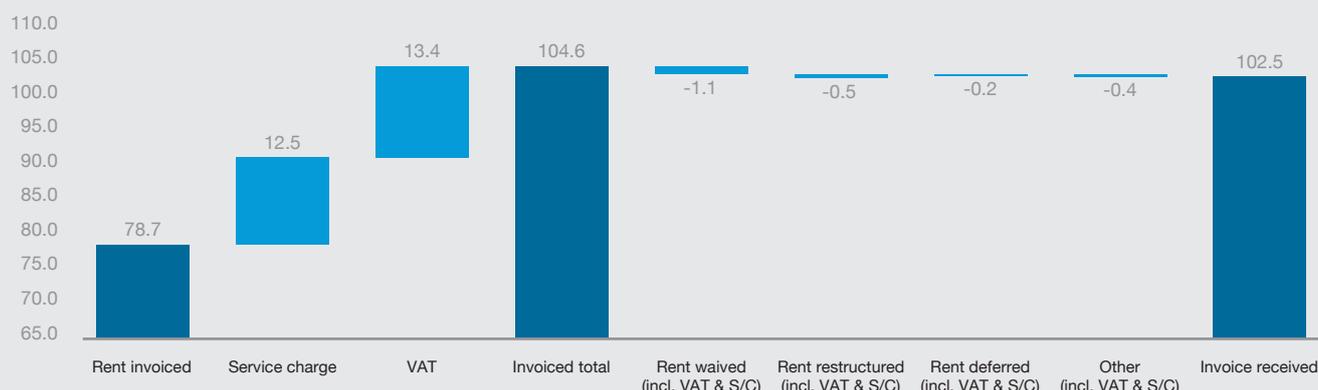
Rent collection outlook for 2021

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

Rent collection bridge Q4 (€m; as per 31/12/2020)



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



INCOME, COSTS AND RESULT

Introduction

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

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

Rental income

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

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

Both revenue and costs are impacted by coronavirus-related events. Excluding €0.9m in rent relief given in 2020 would improve like-for-like gross rental growth for the total portfolio to 4.8% and if coronavirus-related costs would also be excluded, the net like-for-like rental growth would improve to 3.5%⁶.

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

Service costs

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

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

Operating costs

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

Administrative costs

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

Net financing costs

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

Indirect result

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

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

Post-closing events and contingencies

NSI is in advanced negotiations to acquire of a portfolio of three assets in our target cities at an acquisition price in the range of € 75-85m. Further details will be made available if and when appropriate.

Income segment split 2020

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

⁶ The adjusted calculation is based on an impact on GRI like-for-like growth of €0.9m (negative) and on NRI like-for-like growth of € 1.6m (negative). See for further specification page 6

DUTCH PROPERTY MARKET OVERVIEW

Economic conditions

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

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

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

Occupational office market

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

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

Starting with a circa 8% vacancy rate the Dutch office market may be able to weather a small increase in corporate bankruptcies and a more structural move to WFH in 2021. Much will depend on how corporate occupiers view their long term space requirements and when economic activity will return to normal. At NSI we have been discussing the topic of WFH topic extensively and we refer to our Q3 report for our detailed view on WFH its impact on demand.

Amsterdam

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

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

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

Rental levels have stabilised in 2020, whilst incentives have increased from 5% to now 10-15%, even for prime product on the South Axis. The market may have gone from being overheated to a state of equilibrium, with the outlook on balance still favourable.

Medium term there continues to be a clear risk of a shortage of good quality office stock, as a continued flow of domestic and international businesses move to Amsterdam or to the wider Randstad market. New

potential future supply remains difficult to predict, but with an elevated uncertainty over tenant demand at present and only limited availability of speculative development finance the probably necessary increase in the office stock is not a given, except perhaps for the best submarkets. Longer term this is bound to fuel further rental growth.

Other markets

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

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

Demand for flex offices

Demand for flexible office space has been volatile in 2020. According to Savills requirements were down 54% year-on-year for the month of April, yet bounced back over the Summer with demand picking up in July (+8%) and August (+44%). Whilst subsequent data is not yet available, anecdotal evidence is that demand was steady in H2.

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

Investment market

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

Transaction levels improved in H2 and for the right product, in terms of location, quality, lease length, covenants, sustainability characteristics etc, pricing at year-end 2020 in markets such as Amsterdam and other prime locations was back or ahead of pre-crisis levels – especially with investors recognising that interest rates are likely to stay low for longer.

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

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

REAL ESTATE PORTFOLIO

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

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

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

Portfolio breakdown - 31 December 2020

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

Vacancy

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

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

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

EPRA vacancy

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

Rents

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

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

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

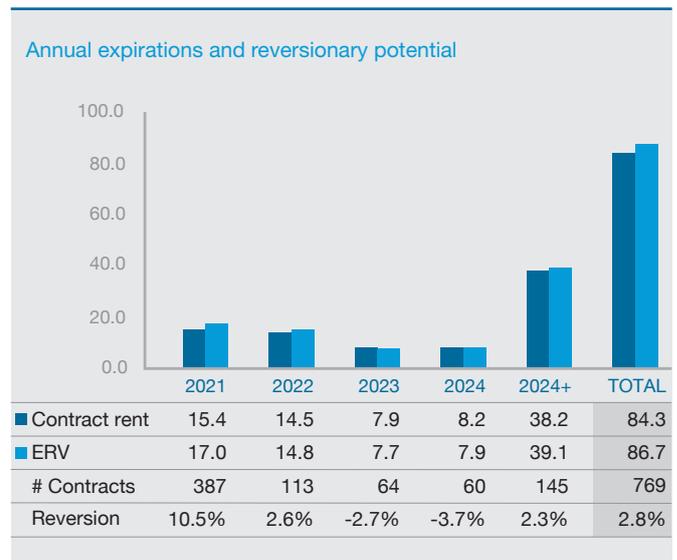
Like-for-like growth net rental income

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

Reversionary potential / ERV bridge

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

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



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

Reversionary potential

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

Like-for-like growth ERV

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



EPRA yields

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

Yields

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

Valuations

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

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

Revaluation

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

Capital expenditure

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

Capital expenditure

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

Development and renovations

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

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

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

Offices

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

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

Bentinck Huis in The Hague was acquired vacant in 2018 and has been fully refurbished. In Q2 2020 a 10-year firm lease contract

commencing on 1 December 2020 was signed with the Central Government Real Estate Agency for the entire building.

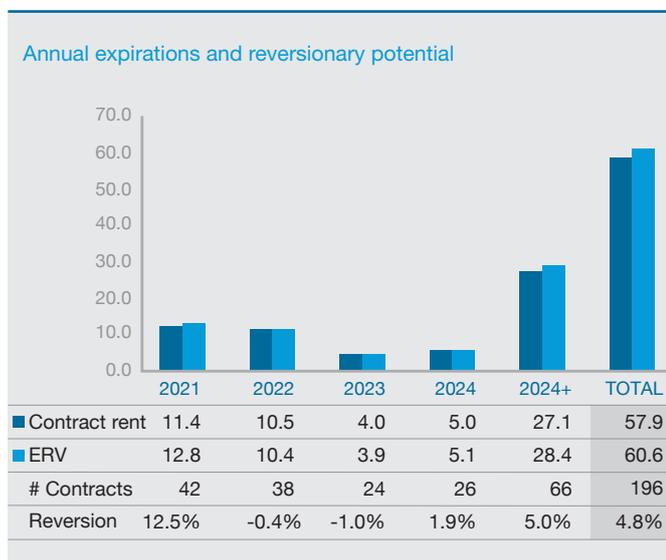
Archimedesweg 30 was acquired in 2019 in a sale-and-lease-back deal with a short lease and a 10.5% gross yield. As per 1 December 2020 the asset was fully let to Janssen Vaccines at a higher rent, affirming the continued strength of the Leiden Bioscience park.

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

Key office metrics - breakdown by segment

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

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



HNK

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

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

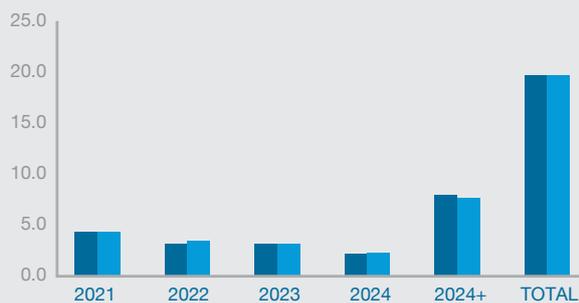
The EPRA vacancy of Managed Offices at HNK is up to 16.7%, from 9.1% at the start of the year. All tenants on flexible contracts were given rent free for the month of May, half a month in August and a full month for December at a cost of € 0.9m. Whilst this may have helped to keep the level of notices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

Key HNK metrics - breakdown by segment

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

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

Annual expirations and reversionary potential



	2021	2022	2023	2024	2024+	TOTAL
Contract rent	4.0	3.1	2.8	2.0	7.6	19.4
ERV	4.1	3.2	2.8	1.9	7.5	19.5
# Contracts	300	65	31	25	54	475
Reversion	2.3%	3.6%	1.2%	-2.7%	-1.4%	0.4%

Other

The EPRA vacancy for the segment Other is down by 1.1% to 6.9% in 2020, including improvements for both remaining retail assets 't Loon (Heerlen) and Zuidplein (Rotterdam) of 3.1% and 0.6% respectively. On a like-for-like basis the occupancy rate improved by 0.7%.

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

ESG

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

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

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

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

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

GRESB Survey

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

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

Portfolio breakdown energy labels by value

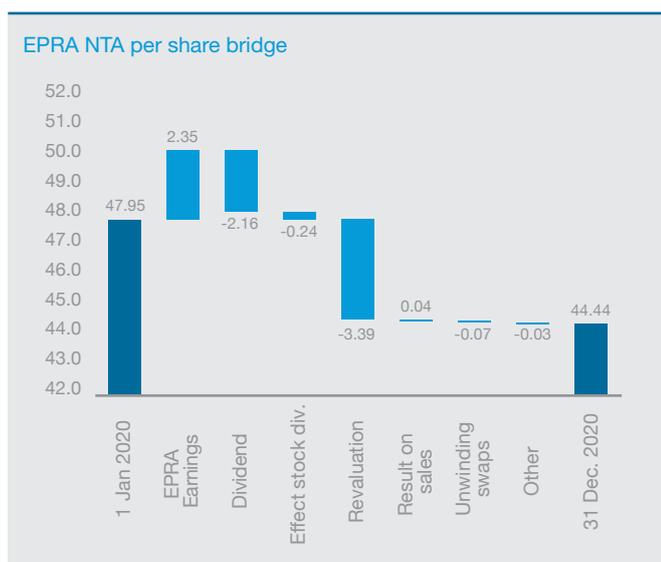


BALANCE SHEET, NTA AND FINANCING

Net tangible assets

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

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



Funding

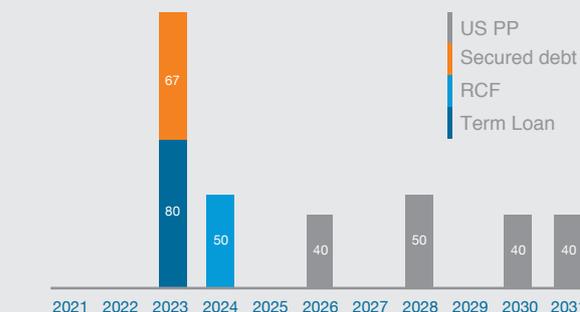
Pricing and availability of funding in financing markets were significantly impacted in Q1 and Q2, due to uncertainty amongst lenders over the near/medium term effects of the coronavirus pandemic.

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

In March 2020 NSI issued € 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%.

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

Maturity profile



Net debt

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

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

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

Leverage and hedging

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

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

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

Covenants

	Covenant	Dec. 16	Dec. 17	Dec. 18	Dec. 19	Dec. 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	7.2x

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

CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED CASH FLOW STATEMENT

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2020

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

2019

	Issued share capital	Share premium reserve	Other reserves	Result for the year	Shareholders' equity
Balance as per 1 January 2019	68,353	920,935	-347,531	91,525	733,283
Total result for the year				196,297	196,297
Total comprehensive income 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

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.

Segment split statement of comprehensive income 2020

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

Segment split statement of financial position 2020

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

Segment split statement of comprehensive income 2019

	Offices			HNK			Other	Corporate	TOTAL
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL			
Gross rental income	26,393	21,895	6,297	4,755	9,202	3,439	10,850		82,831
Service costs recharged to tenants	2,703	2,925	1,312	996	2,259	1,115	1,507		12,817
Service costs	-3,133	-3,299	-1,026	-1,127	-2,734	-1,426	-1,672		-14,418
Service costs not recharged	-430	-373	285	-131	-475	-311	-165		-1,601
Operating costs	-2,721	-3,939	-963	-819	-2,315	-779	-2,466		-14,003
Net rental income	23,242	17,583	5,619	3,804	6,411	2,348	8,219		67,227
Revaluation of investment property	66,025	35,977	4,246	21,058	23,195	3,224	-9,083		144,642
Net result on sale of investment property	1,350	3,169	5,021				-811	0	8,728
Net result from investment	90,617	56,728	14,886	24,862	29,606	5,573	-1,675	0	220,597
Administrative costs								-7,948	-7,948
Other income and costs								-1,402	-1,402
Net financing result								-14,950	-14,950
Result before tax	90,617	56,728	14,886	24,862	29,606	5,573	-1,675	-24,300	196,297
Corporate income tax								-1	-1
Total result for the year	90,617	56,728	14,886	24,862	29,606	5,573	-1,675	-24,301	196,297
Other comprehensive income									
Total comprehensive income for the year	90,617	56,728	14,886	24,862	29,606	5,573	-1,675	-24,301	196,297

Segment split statement of financial position 2019

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

EPRA KEY PERFORMANCE MEASURES

Overview key performance indicators

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

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

EPRA earnings

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

EPRA cost ratio

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

EPRA property related capital expenditure

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

EPRA NRV / NTA / NDV

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

EPRA yield

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

EPRA vacancy

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

GLOSSARY

ASSETS HELD FOR SALE

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

AVERAGE RENT PER SQM

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

COST RATIO (EPRA)

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

DUTCH REIT (FBI-REGIME)

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

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

EARNINGS (EPRA)

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

EARNINGS PER SHARE (EPRA)

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

EUROPEAN PUBLIC REAL ESTATE ASSOCIATION (EPRA)

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

ESTIMATED RENTAL VALUE (ERV)

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

HNK

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

INTEREST COVERAGE RATIO (ICR)

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

INVESTMENT RESULT - DIRECT

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

INVESTMENT RESULT - INDIRECT

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

INVESTMENT RESULT - TOTAL

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

LEASE INCENTIVES

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

LIKE-FOR-LIKE RENTAL INCOME

Like-for-like growth figures aim at assessing the organic growth of NSI. In the case of like-for-like rental income the aim is to compare the rental income of all or part of the standing portfolio over a certain period with the rental income for the same portfolio over a previous period (i.e. year-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 metrics make adjustments to the NAV as per the IFRS financial statements to provide the most relevant information on the fair value of the assets and liabilities, under different scenario's.

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

NET MARGIN

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

NET RESULT ON SALE OF INVESTMENT PROPERTY

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

RENT - EFFECTIVE RENT

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

RENT - GROSS RENTAL INCOME (GRI)

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

RENT - NET RENTAL INCOME (NRI)

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

RENT - PASSING CASH RENT / CONTRACTED RENT

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

REVERSIONARY POTENTIAL

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

REVERSIONARY RATE / RESULT FROM RELETTING AND RENEWAL

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

STANDING PORTFOLIO

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

TARGET CITIES

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

VACANCY RATE (EPRA)

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

WEIGHTED AVERAGE UNEXPIRED LEASE TERM (WAULT)

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

YIELD

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

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