CEO COMMENTS

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

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

Ready for the next phase

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

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

KPI's portfolio turnaround 2016-2019

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

Bernd Stahli
CEO

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

We intend to retain 't Loon shopping centre in Heerlen until all legal proceedings related to the 2011 sinkhole issue have come to a final conclusion. We also, at least for now, intend to retain our interest in Zuidplein shopping centre in Rotterdam as we expect to be able to further optimise this asset, whilst at the same time the wider centre is being refurbished.

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

Acquisitions vs developments

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

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

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

EPS/DPS trajectory to 2024

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

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

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

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

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

Organisation

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

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

Outlook for 2020

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

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

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

Bernd Stahli

> "We are now seeing the full fruits of the team's efforts over the past three years."