CONTENT
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

(x € 1,000)

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2020

(x € 1,000)

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

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

(x € 1,000)

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

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(x € 1,000)

2020

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

2019

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REPORTING ENTITY

NSI N.V. (hereinafter 'NSI', or the 'company'), with its principal place of business in Antareslaan 69-75, 3132 JE Hoofddorp, the Netherlands and its registered office in Amsterdam, the Netherlands is a property investment company, primarily focussing on offices.

These consolidated financial statements are presented for the company and its subsidiaries (together referred to as the 'Group').

The company is licensed pursuant to the Dutch Financial Supervision Act (Wet op het financiële toezicht). NSI N.V. is listed on Euronext Amsterdam.

BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with International Reporting Standards (IFRS), as endorsed by the European Union (EU-IFRS) and with Title 9 of Book 2 of the Dutch Civil Code.

The financial statements were prepared by the Company's Management and approved by the Supervisory Board on 4 March 2021. The financial statements will be submitted to the General Meeting of Shareholders on 21 April 2021 for adoption.

Unless stated otherwise, all amounts in the financial statements are in thousands of euros, the euro being the company's functional currency, and are rounded off to the nearest thousand. There could be minor rounding off differences between in the figures presented.

The statement of comprehensive income, the statement of financial position, the cash flow statement and the statement of changes in shareholders' equity make reference to the notes in the financial statements to provide more information. The financial year of NSI presents the period from 1 January until 31 December.

Assumptions and estimation uncertainties

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019. The most significant assumption relates to the unobservable information used in the valuation of the investment property. Other judgements are made relating to the claims for shopping center 't Loon and the feasibility of the three investment properties under construction.

Valuation principles

The financial statements have been prepared on the basis of historical cost except for investment property, investment property under construction and assets held for sale and derivative financial instruments, which are subsequently measured at fair value.
The accounting principles applied to the valuation of assets and liabilities and the determination of results in financial statements are based on the assumption of continuity (going concern) of the company.

At the end of 2020 NSI had a negative working capital position. However, this does not impact the assumption of continuity as NSI still has a remaining committed undrawn credit facility amply exceeding this negative working capital (reference is made to note 20).

Measurement at fair value

A number of accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities.
Significant valuation issues are reported to the company's audit committee.

In measuring the fair value of an asset or a liability, the company uses observable market data as much as possible. Fair value measurements are categorized into different levels of a fair value hierarchy based on the inputs applied to the valuation techniques. The different levels are defined as follows:

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

If the input parameters used to measure the fair value of an asset or a liability may be categorised into different levels of the fair value hierarchy, the fair value measurement is categorised entirely in the level of the lowest level input that is significant to the entire measurement.

The company recognises reclassifications between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The company has established a control framework with regard to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation process is supervised by the Management Board.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third-party information is used to measure fair value, NSI assesses and documents the third-party data to verify that the valuations and their classification into different levels of the fair value hierarchy comply with IFRS, including their level in the fair value hierarchy.

Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 10 - Investment property;
- Note 20 - Financial instruments;
- Note 25 - Remuneration Management Board.

Implications of Covid-19

Rental income and debtors

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

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

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

Liquidity

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

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

Main principles for financial reporting

Principles for consolidation

Subsidiaries

Subsidiaries are entities over which NSI has decisive control. There is a situation of control if the company's involvement in the entity exposes or entitles it to variable returns and the company has the ability to influence such returns using its control in the entity.

The results of subsidiaries are included in the consolidated financial statements from the date of commencement of control until the date on which the control ends.

The following companies are included in the consolidated financial statements:

		31 December 2020	31 December 2019
NSI N.V.	Amsterdam, The Netherlands		
NSI Real Estate B.V.	Amsterdam, The Netherlands	100.0%	100.0%
NSI Kantoren B.V.	Amsterdam, The Netherlands	100.0%	100.0%
NSI Vastgoed B.V.	Amsterdam, The Netherlands	100.0%	100.0%
NSI Flexoffices B.V.	Amsterdam, The Netherlands	100.0%	100.0%
HNK Vastgoed B.V.	Amsterdam, The Netherlands	100.0%	100.0%
HNK Services B.V.	Amsterdam, The Netherlands	100.0%	100.0%
NSI Development B.V.	Amsterdam, The Netherlands	100.0%	100.0%

Elimination of intragroup transactions

Intragroup balances and transactions as well as any unrealised profits and losses on intragroup transactions are eliminated, except where there are indications for impairment.

Foreign currency

Foreign currency translation

Assets and liabilities denominated in foreign currency are converted into euros using the exchange rate prevailing on the balance sheet date. Transactions in foreign currency are converted into euros at the exchange rate prevailing on the transaction date. Exchange rate differences arising from conversion are recognised in the consolidated statement of comprehensive income.

Investment property

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

Investment property in operation

Investment property in operation consists of real estate that is held to generate rental income or value, or a combination of both, but that is not intended for sale in the ordinary course of business.

Investment property is initially recognised as from the date of transfer of the legal title at cost (including all costs relating to the purchase, such as legal costs, transfer tax, estate agent fees, costs of due diligence and other transaction costs). Subsequent measurement of investment property is at fair value.

The fair value of the right of use of leasehold is added to the fair value of the investment property and as such included in the balance sheet value of investment property in operation. Future leasehold obligations are valued at net present value of the future lease payments.

For all properties in the portfolio the fair value of the investment property is appraised by external registered appraisers twice a year. In principle, valuations may only be performed and provided by appraisers registered with the Dutch register of property appraisers (Nederlands Register van Vastgoed Taxateurs). Valuations are performed on the basis of the guidance of the RICS Red Book. NSI works with at least two valuation firms. The valuation firms for individual properties are changed every three years in accordance with the RICS guidelines. The valuations are assessed and analysed by the Management Board and asset management considering the methods and assumptions applied, as well as the outcome.

The fair value is based on the market value (adjusted for purchase costs such as transfer tax). This means that the estimated price on the date of valuation at which a property could be traded between a seller and a purchaser willing to enter into an objective, arm's length transaction preceded by sound negotiations between both well- informed parties.

The fair value is calculated using primarily the capitalisation method, on the basis of a gross initial yield and therefrom derived net initial yield calculation, whereby the net market rent prices are capitalised, and is subsequently validated by the DCF calculation method, based on the present value of the future cash flows for the next ten year including an exit value at the end of the tenth year. The respective outcomes of both methods are compared. The returns applied are specified for the property type, location, maintenance condition and letting potential of each property, and are based on comparable transactions, along with market-specific and property-specific data.

Key assumptions in the valuations are: yield and market rent. Future investments and maintenance assumptions are also taken into account in the valuations. Further, assumptions are made for each tenant and for each vacant unit with regard to the probability of letting and (re) letting, the number of months of vacancy, incentives and letting costs. Adjustments are made to the present value of differences between the market rent prices and the rent price contractually agreed. The valuation is made after deduction of transaction expenses borne by buyers.

Subsequent expenditures are only included in the value of the property if it is probable that future economic benefits related to these investments or expenses would benefit the company. All other costs of maintenance and repairs are recognised as costs at the moment that they are incurred. No depreciation is made on investment properties, given that they are recognised at fair value.

Changes to the fair value of investment properties are included in the consolidated statement of comprehensive income in the period in which they occur.

Profits or losses on the sale of an investment property are recognised in the period in which the sale occurs as the difference between the net sales proceeds and the fair value most recently determined by NSI. If an investment property is sold, the cumulative positive revaluation, if any, is transferred from the revaluation reserve to retained earnings. Investment property is derecognised when it has been sold and control has been transferred.

If the use of a property becomes owner occupied and a reclassification as a tangible fixed asset is required, the fair value at the date of reclassification becomes the cost price for administrative processing purposes.

Investment property under construction

Investment property under construction is referred to as 'investment property under construction' for the purpose of future lease activity. A property is considered as investment property under construction either if NSI is developing a new property or if NSI considers that for continued future use of an existing property a major (re-)development is required and the property is no longer available for letting during the (re-)development.

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

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

The costs associated with investment property under construction consists of all the directly attributable costs required to complete the project, including internal costs of employee benefits arising directly from the development project and financing costs. The finance costs concerns capitalised interest, which is charged as from the date capitalisation of costs commences until the date of delivery, and is calculated based on the average cost of debt of NSI. The cost of debt include interest and all other costs associated with NSI raising funds.

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

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

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

At the date of delivery the investment property under construction is transferred to investment property in operation.

Assets held for sale

Certain investment properties, or groups of investment properties, will be reclassified to assets held for sale if it is expected that their book value will be recovered through a disposal and not through further use. This is only possible if the asset is available for immediate sale at arm's length conditions and at customary conditions applicable in similar cases. Moreover, the probability of a sale must be high and based on an initiated and active sales programme. This means that it must be actively offered in the market at a price that is reasonably proportionate to the current market value and the sale is expected to be completed within twelve months after the end of the reporting period.

After being reclassified to 'Assets held for sale', an investment property valued at fair value continues to be valued on this basis. Assets held for sale are presented separately from the regular investment properties in the balance sheet under current assets.

Tangible fixed assets

Tangible fixed assets consists of real estate (office building) fully or partly used by the company, its furniture and fixtures and office equipment (hardware). These assets are valued at cost, less cumulative depreciation and any cumulative impairment losses.
Furthermore, the value of the right of use of lease cars is included under tangible fixed assets following the IFRS 16 standard. The right of use of car leases are valued at net present value of the future lease payments at the time of capitalisation, less cumulative depreciation.

If a property used by the company changes into an investment property, the property is revalued on the basis of fair value and reclassified as an investment property. Any gain arising from this revaluation is recognised in the result insofar as the gain results in a reversal of a previously recognised impairment loss for that specific property. Any residual gain is recognised in the unrealised results and is reported in the revaluation reserve. Any loss is recognised in the result.

Depreciation of tangible fixed assets is charged to the consolidated statement of comprehensive income under administrative costs and is calculated using the straight-line method based on the estimated useful life and residual value of the asset concerned. Land is not depreciated.

The estimated useful life is as follows:
- Real estate in own use: 25 years;
- Furniture and fixtures: 4 years;
- Hardware: 3 years.

Depreciation of right of use lease cars is calculated using the straight-line method over the contractual lease period of the asset concerned.

The applied methodology of calculating depreciation, useful life and residual value is assessed at the end of every book year and adjusted if necessary.

Intangible fixed assets

Intangible assets only consist of software.

Development and implementation costs relating to purchased and/or developed software are capitalised based on the costs of acquiring the software and taking it into operation. The capitalised costs are reduced by cumulative amortisation and cumulative impairment losses.

Amortisation is calculated to write off the costs of intangible fixed assets less their estimated residual value on a straight-lined basis over their estimated useful life. Amortisation is recognised in the statement of comprehensive income. The estimated useful economic lives of capitalised software is 3 years.

Impairment non-financial fixed assets

The carrying value of the non-financial assets of the Group, excluding investment properties together with the lease incentives and deferred tax assets, are reviewed at each reporting date to determine whether there are indications for impairment. If any such indication exists, an estimate is made of the recoverable amount of the asset.

The recoverable amount of an asset or cash-generating unit is the highest of the value in use or the fair value less costs of disposal. In assessing value in use, the present value of the estimated future cash flows is calculated using a pre-tax discount rate that reflects current market assessments of the time value of money as well as the risks specific to the asset or cash-generating unit.
An impairment loss is recognised if the book value of the asset or cash-generating unit to which the asset belongs is higher than the estimated recoverable value.

Impairment losses are recognised in profit or loss. They are deducted on a pro rata basis from the book value of each asset in the cash-generating unit.

Impairment losses are reversed only to the extent that the asset's book value does not exceed its book value, net of any depreciation or amortisation that would have been determined had no impairment loss been recognised.

Financial instruments

NSI classifies non-derivative financial assets in the categories: tenant loans, debtors and other receivables and cash and cash equivalents.

NSI has the following non-derivative financial liabilities: interest-bearing loans, creditors and other payables and amounts owed to credit institutions.

Non-derivative financial assets and liabilities - recognition

NSI initially recognises financial assets and financial liabilities at the transaction date.

NSI no longer recognises a financial asset in the balance sheet if the contractual rights to the cash flows from the asset expire, or if NSI transfers the contractual rights to receive cash flows from the financial asset through a transaction in which substantially all the risks and benefits related to the ownership of the asset are transferred, or if NSI neither transfers or retains the risks and benefits related to ownership of the asset, nor has control over the transferred asset. If NSI retains or creates an interest in the transferred financial assets, the interest is recognised as a separate asset or liability.

NSI no longer recognises a financial liability in the balance sheet if the contractual obligations are waived or cancelled or have expired.

Financial assets and liabilities are only offset and the resulting net amount is only presented in the balance sheet if NSI has a legally enforceable right to offset and if it intends to offset on a net basis or to realise the asset and the liability simultaneously.

Non-derivative financial assets - measurement

Loans and debtors and other receivables

Loans and debtors and other receivables, excluding taxes and prepayments, are measured at initial recognition at fair value plus any directly attributable transaction costs. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

For loans and debtors and other receivables the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Cash and cash equivalents

Cash and cash equivalents are recognised and subsequently valued at amortised costs and consist of cash and bank balances. Current account overdrafts that are payable on demand and which form an integral part of NSI's cash management are included in cash and cash equivalents and amounts owed to credit institutions in the consolidated statement of financial position and the consolidated cash flow statement.

Non-derivative financial liabilities - measurement

Interest bearing loans

Interest-bearing loans are initially recognised at fair value, after deduction of attributable transaction costs. After initial recognition, the interest-bearing loans are measured at amortised cost using the effective interest method.
Interest-bearing loans include both fixed-rate and variable-rate loans. In principle, the fair value of the variable-rate loans is equal to their amortised cost. Part of the interest risk on the variable-rate loans is hedged through interest-rate swaps.

In principle, the fair value of the fixed-rate loans is not equal to their amortised cost. The fair value of the fixed-rate loans is calculated using the net present value method at the market interest rates prevailing on 31 December 2020 (including margin).

Any redemption of interest-bearing debt within one year is recognised as current liabilities.

Creditors and other payables

Creditors and other payables, excluding taxes and deferred income, are at initial recognition measured at fair value plus any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments

NSI uses derivative financial instruments to hedge (in full or in part) the interest rate risks associated with its finance activities. These derivatives are not held or issued for trading purposes.

Derivatives are initially recognised at cost, after which they are recognised at fair value. Profits or losses arising from changes in the fair value of derivative financial instruments are immediately recognised in the consolidated statement of comprehensive income. Hedge accounting is not applied.

The fair value of the financial instruments is the amount the Group would expect to pay or receive if the financial derivative were to be liquidated at balance sheet date, taking into account the interest rate on the balance sheet date and the current credit risk of the counterparties concerned as well as the credit risk of the Group. The interest payable on derivatives is incorporated in other payables. A derivative financial instrument is reported as a current asset or current liability if its remaining term to maturity is less than one year or if it is expected that it will be liquidated or settled within one year.

Prepayments and deferred income

Prepayments and deferred income are measured at costs.

Equity

Ordinary shares are classified as shareholders' equity. External costs that can be attributed directly to the issuance of new shares are deducted from the earnings reserve.

The increase in the paid-up and called-up capital relating to a stock dividend programme is deducted from the share premium reserve as well as the expenses relating to the stock dividend.

When repurchasing NSI shares, the amount of the consideration paid including directly attributable costs, is recognised as a change in shareholders' equity. Cash dividends are deducted from the other reserves in the period in which the dividends are set.

Income

Rental income

The rental income from investment property let on the basis of operating lease agreements is recognised in the consolidated statement of comprehensive income on a straight-line basis for the duration of the lease agreement.

Rent-free periods, rent reductions and other rent incentives are reported as an integral part of total net rental income. These rent incentives are allocated over the term of the lease agreement until the first moment at which the lease agreement may be terminated. The resulting accrued income is included in the fair value of the respective investment properties by the external appraisers and is separated in the balance sheet for reporting purposes.

Compensations received or paid for leases terminated early are immediately recognised in the consolidated statement of comprehensive income in the period in which the contractual requirements are met.

Service costs recharged to tenants

Service costs can be charged on to the tenants. These charges mainly relate to gas, water, electricity, cleaning and security, etc., costs which can be recharged to tenants based on the lease agreement. NSI acts as principal with respect to service costs, whereby the costs incurred are recharged to the tenants, including an administrative fee.

Net result on sale of investment property

Proceeds from the sale of investment properties are recognised when the control of the property is transferred to the purchaser.

The profits or losses on the sale of investment properties are identified as the difference between the net proceeds of the sale and the carrying value of the investment properties in NSI's most recently published (interim) balance sheet.

Costs

Service costs not recharged

Service costs not recharged to tenants mainly relate to vacant properties, in which situation these costs cannot be recharged to tenants and / or to other irrecoverable service costs as a result of contractual limitations or service costs.

Operating costs

Operating costs consist of costs directly related to the operation of the investment properties, such as property management, municipal taxes, insurance premiums, maintenance costs, letting costs and other business expenses.

Except for letting fees, these costs are charged to the result when they occur. Letting fees are straight-lined over the remaining lease term of the related contract until the first possible moment of termination by the tenant. The resulting accrued income is included in the fair value of the respective investment properties by the external appraisers and is separated in the balance sheet for reporting purposes.

Administrative costs

Administrative expenses include staff costs, office expenses, consultancy fees, remuneration of Supervisory Board members and the costs of fund management.

Costs relating to the commercial, technical and administrative management of investment properties are included in the operating costs. Costs relating to the supervision and monitoring of investment projects may be capitalised on the basis of hours spent.

Financing income and costs

Financing income and expenses consist of interest expenses on loans and debts, and interest income on outstanding loans and receivables attributable to the period, including interest income and expenses based on interest rate swaps and dividends received. As a result of the valuation of interest-bearing debt based on amortised cost, financing expenses also include interest accrued on the interest-bearing debt.

Financing expenses directly attributable to the purchase, renovation or expansion of an investment property are capitalised as part of the integral cost of the property involved. The interest applied is the average interest paid by the Group in the respective currency.

Net financing income and expenses also include the profits and losses arising from changes in the fair value of the derivative financial instruments.

Employee benefits

Defined contribution pension plan

Liabilities relating to contributions to defined contribution pension plans are recognised as costs in the period in which they occur. Prepayments are recognised as an asset insofar as a cash refund or a reduction in future payments is available. The pension arrangements are insured externally.

Management Board variable remuneration

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

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

At the end of 2020, the total obligation was calculated and recognised as an expense with a corresponding increase in liabilities.

Shareholding requirement

To further stimulate long-term value creation, NSI applies a shareholding requirement to align the interests of the members of the Management Board with the interests of the company's shareholders. The CEO is required to hold NSI shares with a value of at least 125% of the applicable annual (gross) base salary; a requirement of at least 75% of the applicable annual (gross) base salary applies to the other members of the Management Board. Board members are required to invest respectively one-third and two-thirds of the net payments resulting from the short-term and long-term incentive schemes to acquire NSI shares until the shareholding requirement has been met. Before reaching the required value in shares, members of the Management Board are not allowed to sell any of the NSI shares they have acquired by investing these net payments. This shareholding requirement continues to be applicable during one year after the end of the membership of the Management Board of NSI. The Supervisory Board will evaluate at the end of each financial year the extent to which the shareholding requirement is met.

Tax on profits

Tax status

NSI has the status of a fiscal investment institution within the context of Article 28 of the Dutch Corporate Income Tax Act 1969 (Wet op de Vennootschapsbelasting 1969). This means no corporate income tax is owed under certain conditions. The main conditions relate to the investment requirement, the distribution of taxable earnings as dividend, limitations on the financing of investments with debt capital and the composition of the shareholder base. Profits from the disposal of investments and fair value adjustment results on investment property are not included in the distributable earnings.

In addition, there are legal restrictions on the activities that may be undertaken by a Dutch Real Estate Investment Trust (FBI). Since 1 January 2014, 'associated business activities' attributable to the main task of letting and managing of investment properties may be performed, within certain limits, by a normal taxable subsidiary.

To the best of the Management Board's knowledge the Group meets the legal requirements. As long as the Group continues to meet the conditions and therefore maintains the status of fiscal investment institution, corporate income tax will not be taken into account in the determination of profit or the reserves.

Corporate income tax may be payable on the fiscal results of the Dutch subsidiaries (NSI Development B.V., HNK Services B.V., NSI Services HNK B.V.) and foreign subsidiary companies which do not have the status of a fiscal investment institution.

Corporate income tax

Corporate income tax consists of payable tax liabilities, and is reported in the statement of comprehensive income. The tax payable consists of the sum of the expected tax payable or receivable on the taxable results for the year, taking into account earnings elements exempt from tax and non-deductible costs whereby the tax rates applied are those prevailing on the balance sheet date or changed tax rates already known on the balance sheet date. The tax payable also includes any changes to tax payments made in previous years.

Cash flow statement

Operating cash flows are reported on the basis of the indirect method. Cash and cash equivalents and debts to credit institutions also include overdraft facilities which are part of NSI's cash management policy.

Segment information

All operating results of an operating segment are assessed periodically by the Management Board in order to decide on the allocation of resources to the segment and to assess performance, based on the confidential financial information available.

The Management considers the business from the nature of the investment property and assesses performance for "Offices", "HNK", both with a geographical sub-segmentation in Amsterdam, other target cities and other Netherlands, and "Other" (retail and industrial) and "Corporate".

A segment consists of assets and activities with specific risks and results, differing from other sectors.

Significant accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for 2020.

New and amended standards not applied

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020. These standards and amendments did not have an impact on these consolidated financial statements:

- Amendments to IFRS 3, "*Business combinations*" - Definition of a business;
- Amendments to IAS 1, "*Presentation of financial statements*" and IAS 8 "*Accounting policies, changes in accounting estimates and errors*" - Definition of material;
- Amendments to IFRS 9, IAS 39 and IFRS 17 - Interest rate benchmark reform.

There are no IFRS or IFRIC interpretations that are not yet effective which are expected to have a significant impact financial statements of NSI.

1. SEGMENT INFORMATION

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

2020

Statement of comprehensive income

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

Statement of financial position as per 31 December

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

2019

Statement of comprehensive income

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

Statement of financial position as per 31 December

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

2. NET RENTAL INCOME

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

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

Gross rental income can be specified in the following components:

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

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

NSI leases its investment properties on the basis of operating leases with various maturities. Each lease contract specifies the space, rent and rights and obligations of the landlord and the tenant, including notice periods, options to extend the rental period and provisions related to service costs. In general, the rent is indexed during the life of the rental agreement on an annual basis. The total annual rent

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

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

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

3. OPERATING COSTS

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

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

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

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

4. REVALUATION OF INVESTMENT PROPERTY

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

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

Further details on revaluation can be found in note 10.

5. NET RESULT ON SALE OF INVESTMENT PROPERTY

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

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

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

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

6. ADMINISTRATIVE COSTS

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

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

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

Employees

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

7. OTHER INCOME AND COSTS

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

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

8. NET FINANCING RESULT

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

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

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

9. CORPORATE INCOME TAX

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

NSI has the status of a Dutch real estate investment trust (FBI) within the context of Article 28 of the Dutch Corporate Income Tax Act 1969 (Wet op de Vennootschapsbelasting 1969). This means that no corporate income tax is owed under certain conditions.

The main conditions relate to the investment requirement, the distribution of taxable earnings as dividend, limitations on the financing of investments with debt capital and the composition of the shareholder base. Profits from the disposal of investments are not included in the distributable earnings.

In addition, there are legal restrictions on the activities that may be undertaken by a FBI, as stated under the main principles for financial reporting. Since 1 January 2014, 'associated business activities' attributable to the main task of letting and managing of investment properties may be performed, within certain limits, by a normal taxable subsidiary.

The subsidiaries NSI Development B.V. and HNK Services B.V. are not part of the fiscal real estate investment trust NSI N.V. for tax purposes and are as such liable to pay corporate income tax.

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

LTV and Dutch REIT-status

A number of requirements must be met to achieve and maintain the status of a Dutch real estate investment trust (FBI). One such requirement relates to the maximum LTV (norm: ≤ 60%).

The basis for calculating this LTV differs fundamentally from the basis used for financial institutions. For the latter group NSI uses its commercial figures. The figures for tax purposes are used to calculate the LTV to assess the Dutch FBI status. NSI complied with this requirement in both 2019 and 2020.

10. INVESTMENT PROPERTY

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

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

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

At 31 December 2020 100% (2019: 100%) of investment property were externally appraised by external appraisers. Both in 2019 and 2020 the appraisers were JLL, Colliers, Cushman & Wakefield and CBRE. The fair value is based on the market value (including buyer's costs, i.e. adjusted for purchase costs such as transfer tax). That means the estimated price on the date of valuation at which a property can be traded between a seller and a purchaser willing to enter into an objective, arm's length transaction preceded by sound negotiations between both well-informed parties.

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

The table below summarises the both valuation techniques used to determine the fair value of investment property, as well as the significant unobservable inputs used primarily for the capitalisation method. The respective outcomes of both methods are compared:

Valuation technique	Unobservable inputs	Relationship between significant unobservable inputs and the fair value measurement
Capitalisation method and net discounted cash flow calculation.		*The estimated fair value increases (decreases) if:*
The capitalisation method consists of a net initial yield calculation, whereby the net market rent prices are capitalised by a yield percentage.	Significant: – Gross initial yield / net initial yield – Market rent (Estimated Rental Value)	– The gross / net yield is lower (higher) – The estimated market rent levels are higher (lower)
The DCF valuation method is based on the present value of net future cash flows to be generated by the property, taking into account the expected increases in rent levels, periods of vacancy, the occupancy rate, costs of letting incentives such as rent free periods and other costs not covered by the tenant.	Other: – Rent free periods and other lease incentives and periods of vacancy following expirations of a lease	– The occupancy rate is higher (lower) – The periods of vacancy are shorter (longer) – The rent free periods are shorter (longer)
The expected net cash flows are discounted using a risk adjusted discount rate. The discount rate is estimated based on factors including the quality and location of the property, the creditworthiness of the tenant and the lease conditions.		

The fair value is the outcome of the (theoretical) rent divided by the net initial yield (expressed as a percentage) of the investment property. The average theoretical net initial yield at 31 December 2020 was 4.8% (2019: 5.5%). The yields applied are specific to the type of property, location, maintenance condition and letting potential of each asset. The yields are determined based on comparable transactions, as well as on market and asset-specific knowledge.

The most important assumptions and input parameters used in the valuations are:

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

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

Impact of COVID-19 in external valuation

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

Change transfer tax rate

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

Investment property in operation

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

2020

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

2019

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

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

Collateral

On 31 December 2020, properties with a market value of € 237.4m (2019: € 305.8m) were mortgaged as security for loans drawn and current account overdraft facilities at banks amounting to € 67.1m (2019: € 92.8m). The level of security can vary within the financing facilities, enabling NSI to create additional loan capacity within the existing facilities or to allocate part of the security to another financing facility.

Sensitivities to yield fluctuations

The value of investment property implies an average theoretical net yield of 4.8% (2019: 5.5%). Valuations can be affected by the general macro-economic and market environment, but also by local factors. Covid-19 is considered a significantly changed macro-economic factor; for this reason NSI has performed a more extensive sensitivity analysis to get a better view of possible consequences on our business and balance sheet.

If, on 31 December 2020, the yields applied for the valuation of investment property had been 100 basis points lower than the yields currently applied, the value of investment property would increase by 26.4% (2019: 21.5%). In that case NSI's equity would be € 331m (2019: € 277m) higher due to a higher positive result. The loan-to-value would then decrease from 29.2% (2019: 27.4%) to 23.1% (2019: 22.5%).

If, on 31 December 2020, the yields applied for the valuation of investment property had been 100 basis points higher than those currently applied, the value of investment property would decrease by 17.3%. In that case NSI's equity would be € 216m (2019: € 192m) lower due to a lower result for the year. The loan-to-value would then increase from 29.2% to 35.3%.

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

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

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

Investment property under construction

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

2020

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

2019

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

As per 31 December 2020 investment property under construction consists of capitalised project costs of Laanderpoort, Vivaldi III and Vitrum, all located in Amsterdam.

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

11. FINANCIAL FIXED ASSETS

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

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

12. TANGIBLE FIXED ASSETS

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

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

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

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

13. INTANGIBLE FIXED ASSETS

Intangible fixed assets consist of capitalised software.

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

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

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

14. OTHER NON-CURRENT ASSETS

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

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

15. DEBTORS AND OTHER RECEIVABLES

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

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

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

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

16. CASH AND CASH EQUIVALENTS

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

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

17. ASSETS HELD FOR SALE

At the end of 2019 the office buildings at Europaweg, Zoetermeer and De Hoefse Wing, Amersfoort and the shopping center De Hagenborgh in Almelo are classified as held for sale, which were sold in the first quarter of 2020.

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

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

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

2020

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

2019

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

18. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

Issued share capital

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

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

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

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

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

The holders of ordinary shares are entitled to receive the dividend declared by the company and to exercise one vote per share at the General Meeting of Shareholders.

Share premium reserve

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

The share premium reserve consists of the paid-up capital for ordinary shares in excess of the nominal value. The share premium reserve qualifies as fiscally recognised paid-up capital for Dutch tax purposes.

In the movement of the share premium reserve 2020, € 10k transaction costs on the issue of stock dividend is included.

Other reserves

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

Dividend and earnings per share

The final dividend for 2020 is to be distributed in the form of cash, shares or a combination of both as proposed by the Management Board and subject to approval by the General Meeting of Shareholders on 21 April 2021. This proposal was not included as a liability in the balance sheet at 31 December 2020.

Number of shares

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

Dividend

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

Earnings per share

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

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

The proposed distribution of the final dividend complies with the fiscal distribution obligation and is in line with the current dividend policy to distribute at least 75% of the direct result.

Capital management

NSI prefers to work with a conservative capital structure to underpin its real estate activities, to secure the group's continuity in the long run. The benefit of a conservative capital structure is that it is possible to keep the overall cost of capital low. The aim is to have at any point in time sufficient balance sheet capacity to pay out dividends, honour all capital commitments and absorb a material fall in appraisal values, be able to fund investment opportunities and stay well within all loan covenants and so not having to resort to asset disposals or equity issue to restore the balance sheet.

NSI prefers to finance itself mostly through unsecured financing to maintain optimal flexibility. It will also look to manage its balance sheet risk in relation to the other risks inherent to the business (economic cycle risk, leasing risk, development risk etc.).

NSI also consistently monitors its fiscal capital base to make sure it meets and continues to meet all the requirements related to its FBI-status.

Management seeks to achieve a balance between a higher return that could be achieved through a higher level of debt capital, on the one hand, and the benefits and security of a healthy financial position, on the other. In addition, management safeguards capital by monitoring the loan to value ratio and the debt owed to credit institutions / equity ratio. The ratio of debt owed to credit institutions / property investments was 29.2% on 31 December 2020 (2019: 27.4%). The ratio of debt owed to credit institutions / equity was 30.0% / 70.0% on 31 December 2020 (2019: 28.1% / 71.9%).

All bank covenants are monitored proactively and periodically. The key covenants for NSI relate to:
- Loan-to-value;
- The interest coverage ratio;
- Solvency.

Furthermore, loans differ in the use or non-use of security, (public) transferability and other possible characteristics such as convertibility, affiliations with indices and inflation.

Loan-to-value

NSI has two covenants relating to loan-to-value (LTV):
- LTV of NSI units regarding independent financing arrangements with specific assets acting as security. The maximum individual LTV relating to this specific security must be below 60%;
- LTV regarding NSI's entire portfolio. The maximum LTV must not exceed 60%.

The following table provides an overview of the LTV at group level:

	LTV (%) as per 31 December		Individual LTV's are compliant	
	2020	2019	2020	2019
NSI - group-level	29.2%	27.4%	Yes	Yes

In 2020 NSI and its subsidiaries complied with the LTV requirements agreed with banks on both an individual and consolidated level.

Furthermore, a number of requirements must be met to achieve and maintain the status of a Dutch real estate investment trust (FBI). One such requirement relates to the maximum LTV (norm: ≤ 60%). The basis for calculating this LTV differs fundamentally from the basis used for financial institutions. For the latter group NSI uses its commercial figures. The figures for tax purposes are used to calculate the LTV to assess the Dutch FBI status. NSI complied with this requirement in both 2019 and 2020.

Interest coverage ratio

NSI has two covenants relating to the interest coverage ratio (ICR):
- The interest coverage ratio for independently financed NSI subsidiaries must be at least 2.0;
- Interest coverage ratio for NSI's entire portfolio must be at least 2.0.

The table below shows the interest coverage ratio (ICR):

	ICR as per 31 December		Individual ICR's are compliant	
	2020	2019	2020	2019
NSI - group-level	7.2	6.8	Yes	Yes

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

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

Solvency

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

Other than the requirements ensuing from its status as a fiscal investment institution, the company nor its subsidiaries are subject to any externally imposed capital requirements.

19. INTEREST BEARING LOANS

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

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

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

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

In 2021 € 0.7m (2020: € 25.7m) of financing will expire. The amount concerns the amortisation requirement of two loans due and will be covered by retained cash or the available financing facilities.

Loans outstanding have a remaining average maturity of 5.2 years (2019: 5.4 years) The weighted average annual interest rate on the loans and interest-rate swaps at the end of 2020 was 2.1% (2019: 2.1%). These include margin, utilisation fees and amortised costs and exclude commitment fees.

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

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

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

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

20. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Recognition categories and fair values

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

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

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

Level 2 applies to all financial instruments; a model in which fair value is determined based on directly or indirectly observable market data. In level 2 fair values for over-the-counter derivatives is calculated as the present value of the estimated future cash flows based on observable yield curves obtained by external data sources (e.g. Bloomberg) and valuation statements received from our counterparties These quotes are regularly tested for adequacy by discounting cash flows using the market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments that take into account the credit risk of the group entity and the counterparty, when appropriate.

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

Fair value hierarchy
The categories of financial instruments are:
- AC: Amortised Cost;
- FVPL: Fair Value through Profit or Loss;
- FVOCI: Fair Value through Other Comprehensive Income.

The book value of the financial instruments in the balance sheet and the fair values are as follows:

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

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

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

NSI minimises its interest rate risk by swapping the variable interest it pays on the majority of its loans for a fixed interest rate by means of contracts with fixed interest rates varying from -0.11% to 0.73% (2019: -0.11% to 0.73%) and with maturity dates between 2021 and 2023 (2019: between 2020 and 2023). The weighted average remaining maturity of the derivatives is 2.4 years (2019: 3.4 years).
NSI is hedged at a weighted average interest rate of 0.3% (2019: 0.1%), excluding margin, 13.5% of the total outstanding variable interest loans (2019: 0.0%) are not hedged (volume hedge of 86.5%).

Financial risk management

In the normal conduct of business, the group is subject to liquidity risk, including financing and refinancing risk, market risk and credit risk. Overall risk management is focused on the unpredictability of the financial markets and is designed to minimise any negative effects on the group's business performance. The group closely monitors the financial risks associated with its business and financial instruments. The group is a long-term investor in real estate and therefore applies the principle that the financing of these investments should also be planned for the long term, in accordance with the risk profile of its business.

The policy and monitoring of risks are reviewed regularly and adjusted if necessary to reflect changes in market conditions and the group's operations.

Liquidity risk

Investing in property is a capital-intensive activity. The property portfolio is financed partly with equity and partly with debt. Funding with debt carries refinancing risks. The potential impact is that there is insufficient liquidity available to meet the company's obligations at the moment of the interest payment or repayment. Liquidity risk involves the risk of the group having problems fulfilling its financial obligations. The basic principle of liquidity risk management is that sufficient resources should be kept available, if possible, for the group to fulfil its current and future financial obligations under normal and difficult circumstances and without incurring unacceptable losses or harming the reputation of the group.

Liquidity risk management involves ensuring the availability of adequate credit facilities. To spread its liquidity risk, the group has funded its operations with various loans and shareholders' equity. Furthermore, measures have been taken to ensure a higher occupancy rate and to prevent financial losses resulting from the bankruptcies of tenants. Fluctuations in the company's liquidity needs are absorbed by undrawn parts of committed credit facilities of € 250.0m (2019: € 260.0m).

The interest and repayment obligations were safeguarded for 2021 based on the undrawn parts of committed credit facilities, extensions on loans and lease agreements. Maturity dates are spread over time to minimise liquidity risk. The average remaining maturity of loans is 5.2 years (2019: 5.4 years).

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

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

2020

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

2019

		Contractual cash flow					
	Book value	Total	< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Loans	341,490	377,728	3,625	27,973	6,341	199,401	140,388
Other non-current liabilities	5,365	6,054	1,191	511	837	2,002	1,513
Creditors and other payables	14,811	14,821	14,637	184			
Debts to credit institutions	12,576	12,576	12,576				
Liabilities associated to assets held for sale	279	279	279				
Non-derivative financial liabilities	**374,521**	**411,458**	**32,308**	**28,668**	**7,178**	**201,403**	**141,901**
Derivative financial instruments	4,185	4,884	454	752	1,394	2,284	
Derivative financial instruments	**4,185**	**4,884**	**454**	**752**	**1,394**	**2,284**	
Total	**378,706**	**416,342**	**32,762**	**29,420**	**8,572**	**203,687**	**141,901**

The gross inflow / outflow reflected in these table shows the non-discounted contractual cash flows related to the derivative financial liabilities held for risk management purposes that are generally not terminated before the end of the contractual period. The information shows the net cash flow amounts for derivatives settled net in cash and the gross cash inflows and outflows for derivatives that are simultaneously settled gross in cash.

The interest payments on the loans in the above table with variable interest rates and interest rate swaps used for hedging purposes are based on market interest rates at the end of the reporting period. The amounts may change due to changes in market interest rates. It is not expected that the cash flows assumed in the maturity analysis will occur significantly earlier or with significantly different amounts.

Market risk

Market risk exists because of price changes. The purpose of market risk management is to manage and control market risk exposures within acceptable limits while simultaneously optimising returns. Market risk consists of interest rate risk and foreign currency risk. The group uses derivatives to manage the market risk of volatility of interest rates. Such transactions take place within the guidelines laid down in the treasury policy.

There is no currency risk exposure at the end of December 2020.

Interest rate risk

NSI must at all times meet its obligations under the loans drawn and the interest coverage ratio shows the company's ability to do so. The interest coverage ratio is calculated as the net rental income divided by the net financing costs. The financing covenants stipulate that the interest coverage ratio may not fall below 2.0.

In addition, NSI must comply with the requirements set in terms of its loan-to-value ratio (debts to credit institutions divided by its investments). The financing covenants stipulate that the total amount of loans drawn may not exceed 60% of the value of the underlying investment property. The applicable interest rates on loans are partly dependent on the loan-to-value ratio at the moment the interest rate is being set. If the loan-to-value ratio increases, the interest costs will therefore rise. The ratios to which the company has committed itself in the loan agreements are monitored on a regular basis, at least once every six months.

If NSI were not able to meet these criteria and were not able to reach an agreement about this with the banks involved, this could result in the financing arrangements being renegotiated, terminated or prematurely repaid. If NSI does not have sufficient cash or alternative funding sources of funding to meet its obligations, any "default" or "cross-default" situation can occur.

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

Variable-interest rate loans expose NSI to uncertainty about interest expenses. Derivatives are used to manage interest rate risk. NSI's policy regarding the hedging of interest rate risk is defensive by nature, NSI does not take speculative positions. NSI aims to hedge the majority of the outstanding loans for the medium to long term. On 31 December 2020 NSI held financial derivatives with a nominal value of € 147.5m (2019: € 187.5m) for the purpose of managing the interest rate risk on its loans.

Sensitivity of interest rate

If the variable interest rate were to rise 100 basis points compared to 31 December 2020, the theoretical interest expenses for 2021 would decrease by € 0.6m (2019: decrease by € 0.7m), due to the effect of interest rate swaps based on three-months Euribor with no floor against loans with a Euribor floor of zero, assuming no changes to the portfolio or financing (including margins). In case the variable interest rate would be 100 basis points lower, the interest expenses would increase by € 1.5m (2019: increase by € 1.9m). The financial derivatives are discounted (inclusive and exclusive of derivatives) in this calculation, but potential changes to the fair value of the derivatives are not.

Analysis of effective interest rates and interest rate revisions

The table below shows the effective interest rate (the variable interest rate is based on 3-month Euribor as per 31 December) of financial assets and liabilities for which interest is payable at the balance sheet date, together with the dates when the rates will be reviewed.

2020

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

2019

	Effective interest	Total	< 1 year	1 - 2 years	2 - 5 years	> 5 years
Fixed interest loans	2.1%	154,540	25,025			129,516
Variable interest loans	1.5%	-551	700	700	-1,951	
Fixed interest as a result of swaps	2.0%	187,500			187,500	
Total	**2.1%**	**341,490**	**25,725**	**700**	**185,549**	**129,516**
Redemption obligations		25,725	25,725			
Balance as per 31 December 2019		**315,765**		**700**	**185,549**	**129,516**

Credit risk

Credit risk is defined as the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet their contractual obligations. Credit risks mainly arise from tenant receivables. The book value of the financial assets represents the maximum exposure to credit risk.

The maximum credit risk on the balance sheet date was as follows:

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

Banks

The risks associated with a possible non-performance by counterparties are minimised by entering into transactions for loans and derivative financial instruments and cash management with various reputable banks. These banks have credit ratings of at least A3 (Moody's) or BBB+ (Standard & Poor's). Management actively monitors the credit ratings.

Tenants

The creditworthiness of tenants is closely monitored by careful screening the credit scores of tenants in advance and by actively monitoring debtor balances. In addition, rent is generally paid in advance and tenants are required to provide collateral for rent payments for a limited period of three months in the form of guarantee payments or bank guarantees. As the tenant base consists of a large number of different parties, there is no concentration of credit risk.

The maturity of (gross) receivables was as follows:

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

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

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

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

Impairment losses recognised at 31 December 2020 were related to various tenants who indicated that they would not be able to pay outstanding balances due to the economic circumstances.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared characteristics and the days past due date, adjusted if deemed needed with forward looking information.

On this basis the expected loss rate for trade receivables which are less than 90 days expired is below 2.5% and for trade receivables more than 90 days expired these rates per segment are:

	> 90 days expired
Offices	62.98%
HNK	54.33%
Other	79.58%

21. OTHER NON-CURRENT LIABILITIES

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

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

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

22. CREDITORS AND OTHER PAYABLES

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

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

23. DEBTS TO CREDIT INSTITUTIONS

The item Debts to credit institutions concerns cash loans and current account overdrafts with banks. NSI has concluded credit arrangements with a number of banks, of which a part is available as overdraft facility. In the case of cash-pool arrangements, cash and cash equivalents and debts to credit institutions are offset if allowed under IFRS9. The weighted average interest on available credit facilities as per yearend 2020 was 1.3% (2019: 1.3%) per annum including margin.

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

24. OFF-BALANCE SHEET COMMITMENTS

Shopping center 't Loon, Heerlen

Insurance companies

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

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

Both the VvE and Chubb have brought interim appeal against the interlocutory judgement.

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

Insurance company tenant

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

Former tenant

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

Other

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

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

25. RELATED PARTIES

The following parties qualify as related parties:
- The company and its group companies;
- Its Supervisory Board members and;
- Management Board members.

NSI defines its statutory Management Board as "key management personnel".

Interests of major investors

Notifications of shareholdings of more than 3% are disclosed under the Dutch Disclosure of Major Holdings in Listed Companies Act. According to the Dutch Authority for the Financial Markets (AFM) the following shareholders hold a stake of more than 3% on 31 December:

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

Supervisory Board and Management Board Members

The members of the Supervisory and Management Boards of NSI N.V. have no direct personal interest in the investments made by NSI N.V., nor did they have such an interest at any time in the past year. The company is not aware of any investment property transactions with persons or institutions that could be considered to have a direct relationship with the company in the reporting year.

Remuneration of the Supervisory Board

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

The schedule above includes the payment the Supervisory Board members receive as a member of the Audit Committee, the Remuneration Committee, the Selection & Appointment Committee and the Real Estate Committee.

The Supervisory Board members did not hold any shares in the company at the end of 2020 (2019: 0), except for Mrs. Koks - van der Sluijs who holds 159 shares (2019: 154 shares adjusted for share consolidation). Furthermore, Mr. Meijer is one of the shareholders at ICAMAP Investments SARL, holding 10.0% of NSI shares as per 31 December 2020 (2019: 10.0%).

Remuneration of the Management Board

2020

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

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

2019

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

NSI shares held by directors are purchased at their own risk and expense.

The Annual General Meeting of Shareholders (AGM) of 27 April 2012 adopted an amended remuneration policy for the Management Board. At the Extraordinary General Meeting (EGM) of 25 August 2016 an amendment was adopted regarding the ratio between the fixed and variable remuneration components.

The remuneration of the Management Board consists of a fixed annual salary, a variable remuneration and secondary employment benefits.

Until 31 December 2019, for the CEO the variable component has consisted solely of a long-term share plan (LTSP). It covers a three-year period and is capped: the maximum to be awarded to the CEO under the LTSP amounts to 180% of the average fixed annual salary during the LTSP period.

Of the remuneration under the LTSP 80% is based on the total shareholder return (TSR) during the LTSP period. This TSR takes into account the NSI share price at the beginning and at the end of the period as well as dividends distributed during the period. In addition, NSI's TSR is compared with a benchmark TSR. This benchmark consists of Wereldhave, VastNed Retail, Alstria, Befimmo, Cofinimmo and Eurocommercial Properties. The LTSP remuneration is determined based on the relative performance of NSI in relation to the benchmark. This is based on a scale. Of the LTSP reward 20% is based on personal targets that are determined and assessed by the Supervisory Board.

The LTSP contract of the current CEO commenced on 1 January 2017 and expired on 31 December 2019.

As from 1 January 2019, the variable component of the CFO and the CIO consists of a long-term incentive (LTI) and a short-term incentive (STI). The LTI concerns a rolling cash incentive plan covering a three-year period. The LTI is capped to 45% of the base salary at the moment of the grant and is based on the TSR during the LTI-period. As the new remuneration policy was adopted in 2019, the 2020 LTI will be based on two years (2019 / 2020).

As from 1 January 2020, also the variable component of the CEO was adjusted to this model. However, the LTI is capped to 90% of the base salary at the moment of the grant. The 2020 LTI will be based on one year only.

The short-term incentive concerns an annual performance related cash incentive. The collective performance measures in the STI represent short-term results needed for sustainable value creation with respect to the most important achievement areas of the company. These could include occupancy rate, like-for-like net rental income, EPRA earnings per share, organisational targets like personnel retention rate and sustainability performance. Next to these collective measures the company could also apply individual targets, related to the individual roles of the members and specific short-term achievements needed for NSI.

The STI is capped to 36% of the base salary for the CFO and to 24% for the CEO.

The variable remuneration is a cash-settled, share-based payment transaction. Its allocation is paid in cash under the condition that the respective Management Board member uses two-thirds of the net amount of the LTI and one-third of the amount of the STI to purchase NSI shares until the shareholding requirement has been met.

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

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

The variable component in the remuneration overviews consists of the balance of the release of prior year provisions versus the actual payments made to the Management Board and the additional provision taken in the course of 2020.

No share options and no loans

No members of the Management Board or Supervisory Board hold option rights in NSI N.V.. No loans, advances or guarantees have been provided to members of the Management Board or Supervisory Board by NSI N.V..

26. COST RATIO

Under the Dutch Financial Supervision Act (Wet financieel toezicht) NSI is required to report its ratio of expenses to its net asset value. In 2020 this ratio is was 2.8% (2019: 3.0%). This cost ratio is calculated as total expenses (operational costs, non-recharged service costs, administrative expenses and corporate tax) divided by the weighted average net asset value for the latest financial year.

COMPANY BALANCE SHEET (BEFORE PROPOSED PROFIT APPROPRIATION)

FOR THE YEAR ENDED 31 DECEMBER 2020

(x € 1,000)

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

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

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

(x € 1,000)

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

GENERAL

NSI N.V. exclusively performs holding activities. NSI's structure as described in the notes to the consolidated financial statements also applies to the company financial statements.

The company financial statements have been prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code regarding financial reporting. In the preparation of its financial statements, the company has also applied the provisions for the contents of financial reporting by investment institutions pursuant to the Dutch Financial Super- vision Act.

PRINCIPLES OF DETERMINATION OF THE RESULT

The company financial statements have been prepared in accordance with Article 362 Paragraph 8 Book 2 of the Dutch Civil Code. This means that the principles for the processing and valuation of assets and liabilities and the determination of the result as described in the disclosure to the consolidated financial statements also apply to the company financial statements, unless stated otherwise. For a description of these principles, please refer to pages 86 to 91. If required notes have been incorporated in the consolidated financial statements these notes have not been incorporated here.

Financial fixed assets

Shares in group companies are valued at net asset value. In determining the net asset value, all assets, liabilities and profits and losses are subject to the accounting principles used for the consolidated financial statements, in accordance with the provisions of Article 362 Paragraph 8 (final sentence) of Book 2 of the Dutch Civil Code.

All receivables from group companies are considered as an extension of net investments in group companies.

1. FINANCIAL FIXED ASSETS

	31 December 2020	31 December 2019
Balance as per 1 January	**1,267,150**	**1,191,889**
Result from participations	-3,898	219,583
Changes in receivables from group companies	-32,739	-144,322
Balance as per 31 December	**1,230,513**	**1,267,150**

2. SHAREHOLDERS EQUITY

2020

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

2019

	Issued share capital	Share premium reserve	(Statutory) participations reserve	Retained earnings	Result for the year	Shareholders' equity
Balance as per 1 January 2019	**68,353**	**920,935**	**145,930**	**-493,460**	**91,525**	**733,283**
Total result for the year					196,297	196,297
Total comprehensive income / expense for the year					**196,297**	**196,297**
Profit appropriation - 2018				91,525	-91,525	
Distribution final dividend - 2018	646	-651		-13,926		-13,931
Interim dividend - 2019	618	-624		-12,335		-12,340
Realised revaluation			-9,923	9,923		
Addition to participations reserve			110,045	-110,045		
Contributions from and to shareholders	**1,264**	**-1,274**	**100,122**	**-34,858**	**-91,525**	**-26,271**
Balance as per 31 December 2019	**69,617**	**919,661**	**246,051**	**-528,318**	**196,297**	**903,308**

Both the retained earnings reserve and the share premium reserve are available for distribution as dividend.

For further details on movements in shareholders' equity, please refer to the consolidated financial statements (see disclosure 17 to the consolidated financial statements).

Statutory reserves

The statutory reserves in the company balance sheet are reserves which must be retained pursuant to the Dutch Civil Code and consist of the participation reserve and the reserve for foreign currency translation.

Participation reserve

The revaluation reserve relates to investment properties and consists of the cumulative positive (unrealised) revaluations of these investments. This statutory reserve is a non-distributable reserve in accordance with the Dutch Civil Code. The revaluation reserve was determined at individual property level in 2019 and 2020, before appropriation of profits.

Dividend

Taking into consideration the interim dividend of € 1.04 per share already distributed (2019: € 1.04; adjusted for stock consolidation), a final dividend of € 1.12 per share has been proposed (2019: € 1.12).

Proposed profit appropriation

The Articles of Association of NSI N.V. stipulate that the allocation of the result after tax for the financial year is determined by the General Meeting of Shareholders. For the 2020 financial year the Management Board, with the approval of the Supervisory Board and in line with the applicable dividend policy (i.e. a pay-out of at least 75% of the direct result), has proposed a final dividend of € 1.12 per share.

This puts the total dividend for 2020 at € 2.16 per share, of which € 1.04 per share was already distributed as an interim dividend in August 2020. Subject to the approval of the General Meeting of Shareholders, NSI will offer shareholders the option to receive the final dividend in cash and/or fully or partly in shares.

Based on the number of outstanding shares eligible for dividend (19,291,415), the total amount of the final dividend is € 21.6m and will be withdrawn from the retained earnings (excluding dividend paid in shares).

Provided that the General Meeting of Shareholders approves this dividend proposal, the final dividend will be made payable from 13 May 2021.

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

NSI is offering shareholders the option to receive this final dividend in cash and / or partly in shares. In anticipation of a decision on the matter by the General Meeting of Shareholders the non-allocated result after tax for the financial year is accounted for separately in equity as the result for the financial year.

3. ADMINISTRATIVE COSTS

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

4. NET FINANCING RESULT

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

5. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

NSI N.V. has issued guarantees for its 100%-owned subsidiary companies in accordance with Article 403, Book 2 of the Dutch Civil Code.

NSI N.V. is part of a tax group for corporate income tax and Dutch sales tax, and is therefore jointly and severally liable for the tax payable by the tax group as a whole.

6. AUDIT FEES

PricewaterhouseCoopers Accountants N.V. charged the following fees to NSI and its subsidiaries:

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

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

7. EVENTS AFTER BALANCE SHEET DATE

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

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

Hoofddorp, 4 March 2021

The Management Board

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

The Supervisory Board

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