TRADING UPDATE

Q3 2022

- Prospective abolishment of FBI regime in 2024 significantly distorts level playing field for Dutch listed property sector
- Mitigating measures by government are necessary; otherwise NSI will be forced into business/tax restructuring
- Strong gross like-for-like rental growth of 5.3% in Q3 2022, of which circa 3% contribution from indexation
- EPRA vacancy rate stable, at 6.9% at Q3 2022
- No decision made yet on start of Well House development
- EPRA EPS guidance raised to € 2.10 - € 2.15 for FY2022

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FINANCIAL CALENDAR

Publication preliminary results FY 2022	26 January 2023
Publication annual report 2022	10 March 2023
Publication trading update Q1 2023	20 April 2023
Publication half year results H1 2023	14 July 2023

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NSI HIGHLIGHTS

KEY FINANCIAL METRICS[1]

REVENUES AND EARNINGS

	Q3 2022	Q3 2021	Change
Net rental income	44,148	47,201	-6.5%
Net rental income - like-for-like	41,418	38,141	8.6%
Direct investment result	31,401	34,665	-9.4%
Indirect investment result	8,713	11,672	-25.4%
Total investment result	40,114	46,337	-13.4%
Earnings per share	2.02	2.38	-15.3%
EPRA earnings per share	1.59	1.78	-11.1%
EPRA cost ratio (excl. direct vacancy costs)	26.8%	27.7%	-0.9 pp

BALANCE SHEET

	30 September 2022	31 December 2021	Change
Investment property	1,344,873	1,338,034	0.5%
Net debt	-377,437	-382,073	-1.2%
Other assets / liabilities	-8,945	-7,504	19.2%
Equity	958,492	948,457	1.1%
IFRS equity per share	47.79	48.15	-0.7%
EPRA NTA per share	47.72	48.23	-1.1%
Net LTV	27.7%	28.2%	-0.5 pp
Number of ordinary shares outstanding	20,054,241	19,698,207	1.8%
Weighted average number of ordinary shares outstanding	19,807,878	19,499,825	1.6%

KEY PORTFOLIO METRICS

	30 September 2022					
	Amsterdam	Other G4	Other NL	TOTAL	31 December 2021	Change
Number of properties	23	15	13	51	52	-1.9%
Market value (€ m)[2]	787	364	210	1,361	1,355	0.5%
Lettable area (sqm k)	178	124	85	387	409	-5.3%
Annual contracted rent (€ m)[3]	39	24	15	77	76	1.7%
ERV (€ m)	47	26	15	88	87	0.9%
EPRA net initial yield	4.4%	4.5%	4.6%	4.5%	4.1%	0.4 pp
Reversionary yield	6.5%	7.1%	7.3%	6.8%	6.7%	0.1 pp
EPRA vacancy	7.8%	6.3%	4.9%	6.9%	5.9%	0.9 pp
Wault	4.0	4.0	3.4	3.9	4.1	-4.5%

1 The trading update is based on unaudited results.
2 Reported in the balance sheet at book value including right of use leasehold (IFRS 16), excluding lease incentives and part of NSI HQ (own use).
3 Before free rent and other lease incentives.

CEO COMMENTS

Q3 is usually a quiet period, but not this time. Q3 2022 saw the inflation rate increase to 10%+, with much higher energy costs in particular, weighing on business and consumer confidence, but also saw significantly rising interest rates and, to top it off, Government pre-announced the abolishment of the Dutch real estate FBI per 2024. We are in a strong position to weather the storm, but a storm it is.

Optimising our corporate/tax structure

The Dutch Government was leading the rest of Europe when it introduced a successful tax transparent regime for investing in real estate back in 1969. We are therefore disappointed by the recently announced intention of Government to exclude real estate from this tax transparent regime per 2024. This measure does not do justice to the overall contribution, the accountability, nor the leading role in sustainability of the Dutch listed real estate sector.

If no mitigating measures are to follow, NSI will be taxed as a regular corporation and pay 25.8% corporation tax on its fiscal profits, equating to an effective tax rate of circa 10-12% on commercial profits. This is so far removed from tax transparency for our shareholders that, in search for a level playing field, we are now examining how to adjust our tax structure.

We believe there are several restructuring opportunities available to us to lower the effective tax rate below the 10-12% indicated. Re-domiciling NSI is one of the more extreme options available.

Standing to lose the FBI regime is perhaps not all negative, as it opens up new opportunities for NSI to explore. For example, we could potentially sell development projects; we could set up JVs more easily to manage our overall capital/risk allocation more effectively; we could explore fund management; and we could start to provide more types of services to our customers and potentially offer these directly (and make a margin).

Continued strong operational performance

We are seeing increasing evidence that corporates are actively upgrading to (and paying up for) better quality space in better, vibrant, locations, especially to highly sustainable buildings with a good level of services. The market continues to polarise and with our asset portfolio and ongoing initiatives we believe we are on the right side of this divide. Our results confirm this.

Despite the uncertain economic environment, our operational results remain solid. Our vacancy rate is stable at 6.9% and our like-for-like gross rental income for Q1-Q3 is up by 5.3%.

Indexation is set to increase our annual rent roll by circa 6% per year end 2022. As such rental growth in 2023 is likely to benefit from a high level of indexation as well, although significantly higher energy costs will impact the ability of some tenants to absorb all prospective cost increases.

Development

At the end of Q3 2022 we obtained a higher quote from our contractor for the development of Well House. This quote is unfortunately above our budget, partly due to a high level of volatility in the market for building materials. Positively, our rental assumptions for this project are looking increasingly conservative based on the latest market evidence. The building permit for Well House has been granted in Q3 and is expected to be irrevocable by end October.

We will use the coming months to obtain more comfort over the possible profit margin on this project, be it through lower costs, more clarity on current and prospective capital values, or higher pre-lets and rent levels, before starting construction.

At both the Laanderpoort and Vitrum projects we expect to complete the final design in November, after which we will apply for the environmental permit.

Finance

With the 5-year euro swap rate up from 0.0% in January to 1.7% in June, and to 3.1% in September, the real estate investment market is facing a challenging period ahead now the marginal cost of borrowing for investors has increased to well in excess of 4%, and often much higher for highly leveraged operators.

We have €146m of debt maturing in H1 2023 and whilst we see no major issues in refinancing this, nor on the margins, given our low 28% LTV, the all-up cost for this new financing will drive the average cost of borrowing up to circa 3.0% at year-end 2023.

Sustainability

We have spent significant time this year in analysing and pricing suitable Paris proof scenarios for each of our assets, so that the entire portfolio will be, on average, Paris proof (50Kwh/m2/pa) by 2035. These scenarios are now being included in our asset business plans. Based on this assessment HNK Alexanderpoort in Rotterdam should be our first asset to become Paris proof, with the upgrade expected to be completed in 2024.

Outlook

Going into Q4 and into 2023 there are lots of moving variables to consider. It may be tempting to succumb to short-termism, but real estate is a long term asset class and NSI is about long term value creation and so we continue with our strategy and will plan and act accordingly.

In what will be an uncertain period ahead we are convinced new opportunities will arise. Location, sustainability and services are our key strengths, and with a solid balance sheet and excellent team we are well positioned to navigate the storm.

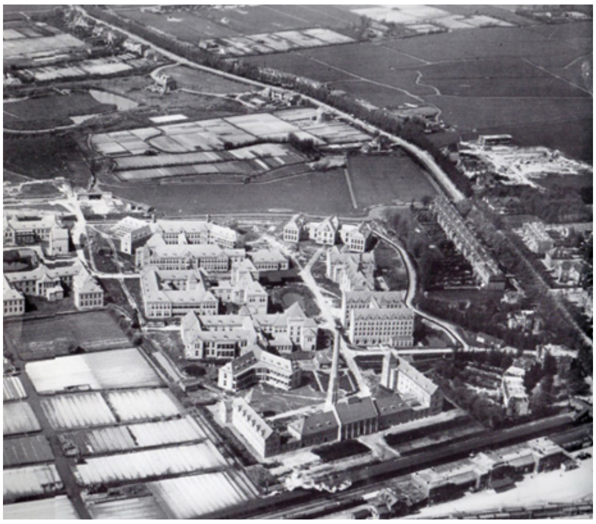
EPRA EPS for Q1-Q3 is € 1.59. Looking ahead to the remainder of this year we are comfortable to raise our guidance for EPRA EPS for FY 2022 to € 2.10 - € 2.15.

Bernd Stahli

LEIDEN BIO SCIENCE PARK: FROM BUSINESS PARK TO ATTRACTIVE CAMPUS

Leiden Bio Science Park has developed from a conventional business park into an attractive campus with housing and meeting spots for students, scientists and entrepreneurs. Nowadays, the park is considered one of the economic crown jewels of the Randstad and is gaining increasing economic importance in the Netherlands.

Half a century ago, Leiden was looking for ways to strengthen its economic position. The metal and wool industry, strongly linked to the city's history, was coming to an end. Unemployment was sky-high and Leiden was one of the poorest municipalities in the Netherlands. The only bright spot was the University of Leiden. It was for this university that the Central Government Real Estate Agency was prepared to acquire Polder Leeuwenhoek. The Leeuwenhoek - located between the A44 motorway and the old city centre - was still largely empty. It had ample space available for the realisation of a multitude of new university buildings and a large new hospital complex.



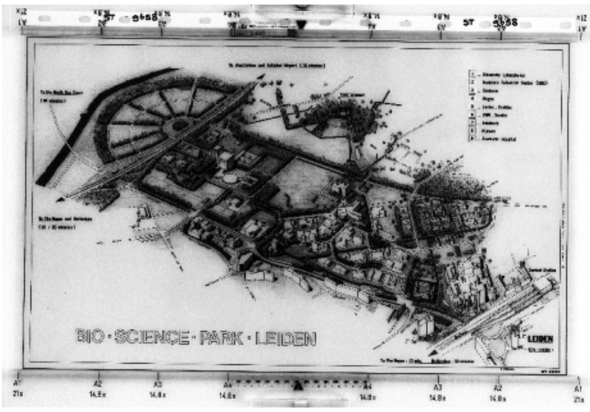
The University Hospital pavilions with empty fields behind. *Source: Unknown.*

Opposition to the construction plans

With the rise of the environmental movement in the early 1970s, opposition to these extensive new construction plans grew. The plans to build a new university hospital were particularly criticised. It would occupy a large amount of space and was only going to be easily accessible by car. This did not only dissatisfy environmentalists, but also the progressive city council that took office in 1974. After much debate, they managed to persuade national politicians to build a new hospital near Leiden Centraal railway station. The land that had previously been bought in the polder was sold to the municipality.

With this purchase, the municipality acquired an important land position. The new city council wanted thousands of new houses in Leeuwenhoek. Very much against the wishes of the university, the other major landowner. Uncertainty about the risks of genetic manipulation and resistance to modern biotechbology led to the housing ambitions being withdrawn in 1985.

Biochemist Rob Schilperoort discovered a trick to genetically modify plants. *Source: Leiden University Library.*



Leiden Bio Science Park, 1989. *Source: Direktie ROS, Gemeente Leiden – Tekenkamer.*

Cooperation with the business community

It was in this context that Professor Rob Schilperoort (1938-2012), lecturer and professor of biochemistry - also called the godfather of the Leiden Bio Science Park (LBSP) - unfolded his plan. He was one of the pioneers in the field of genetic research of plants and bacteria, and played an important role in the breakthroughs in unravelling the DNA mystery. At the same time, he advocated cooperation between universities and industry. As far as he was concerned, scientists should come out of their ivory towers and contribute to solving the world's problems. In order to do so, they would have to undertake much more themselves or seek contact with the business community. For this reason, he was eager to attract young, experimental foreign companies to Leiden and introduced the idea of the Bio Science Park.

Start of Leiden Bio Science Park

LBSP was one of the first themed business parks in the Netherlands in the mid-1980s. The appeal of LBSP cannot only be traced back to Rob Schilperoort's international reputation. Easy access to university research, support of the national government for new companies, and willingness of the municipality to offer land to the business community also contributed to its appeal.

The business area has now developed into one of the most important centres for biotechnology in the world. There are educational and research buildings of Leiden University, the Leiden University Medical Centre and a large number of small start-ups and internationally established names, such as Janssen and Galapagos.

Hartlijn in Leiden Bio Science Park. *Source: Unknown.*

FUN FACTS

- Inseparable from LBSP is bull Herman. In the late 1980s, professor Herman de Boer wanted to produce medicines by genetically manipulating cows: their milk had to contain proteins that could be used as medicine against diseases that are difficult to treat. The method was tested on bull Herman and proved theoretically successful, but not efficient. It also fuelled fierce social debates between proponents and opponents of genetic manipulation. Bull Herman was later stuffed and can be admired in the Naturalis Biodiversity Center, which is located on LBSP. The spot where Herman's stable once stood is now home to grand café De Stal.
- The LBSP Foundation plans to further grow LBSP. The aim is to host over 300 companies and (research) institutes, 25,000 professionals; 35,000 students and 3,600 homes by 2025. To achieve this growth, the foundation believes internationalisation is key. Specifically, it will support the international expansion of its clients (outbound) while attracting and retaining companies, institutions, investors and talent from abroad (inbound).
- To accommodate future developments and encourage the growth of LBSP, the Leeuwenhoek area is being redesigned according to a new urban plan. The area was previously bounded to the west by the A44 motorway, but is now being further developed up to the banks of the Oude Rijn river, meaning it is now also partially located in Oegstgeest.

LEIDEN BIO SCIENCE PARK

Archimedesweg 6 (7,239 sqm), Archimedesweg 6

Archimedesweg 30 (2,686 sqm), Archimedesweg 30

Economic importance

LBSP is one of the economic crown jewels of the Randstad. The area is one of the most important centres for biotechnology and Life Sciences in Europe. An estimated 20,000 people work there, half of whom at Life Science companies and suppliers. With the further development of the campus, the addition of new facilities and the growth of the business community, the area is gaining further economic importance. It is expected that several thousand more jobs will be created.

Archimedesweg 17 (2,526 sqm), Archimedesweg 17

Mendelweg 30 (6,234 sqm), Mendelweg 30

Newtonweg 1 (9,421 sqm), Newtonweg 1

Development projects in LBSP

LBSP continues to be highly dynamic with new commercial buildings being developed. Provast is developing a 12,000 sqm complex for Batavia Biosciences. Red Company is building new premises (13,500 sqm) for Janssen Biologics. The university is investing tens of millions in new buildings for the Faculty of Mathematics and Natural Sciences, among other things. The Anatomy Building was completed earlier and the University Sports Centre is the centre of new facilities, such as shops and a cafeteria.

The voice of fifty years ago is also being heard: extensive new housing construction. West of LBSP, new neighbourhoods are being built in Oegstgeest with mostly single-family houses in a green, low-traffic environment. In addition, student housing provider DUWO has started building a complex with almost three hundred homes on Kolffpad, close to the university buildings and Leiden city centre.

Better infrastructure

The appearance of the area will also change. Based on a joint Master Plan of the municipality and the university dating from 2016, investments will be made to improve the accessibility of the area and to create an attractive public space. This year, the first paving stones were laid for the Hartlijn: a bicycle and pedestrian path right through LBSP that will more easily connect the important places in the area, including a flowery strip with medicinal plants and pollard willows.

NSI's cluster in LBSP

NSI is present in LBSP with a cluster of five buildings (a total of 28,100 sqm): Archimedesweg 6, Archimedesweg 17, Archimedesweg 30, Mendelweg 30 and Newtonweg 1. NSI strongly believes in the area for a number of reasons. LBSP has a very low vacancy rate and with the expected growth in the life sciences industry, we foresee a high potential for rental growth. Additionally, the cluster is strategically located on a number of crucial transport routes, including important motorways, railways and Schiphol Airport. LBSP will be further developed into a multifunctional innovation hub, where good accessibility and infrastructure form the basis for ambitious densification plans.

We would like to thank Bert Pots for his major contribution to this document.

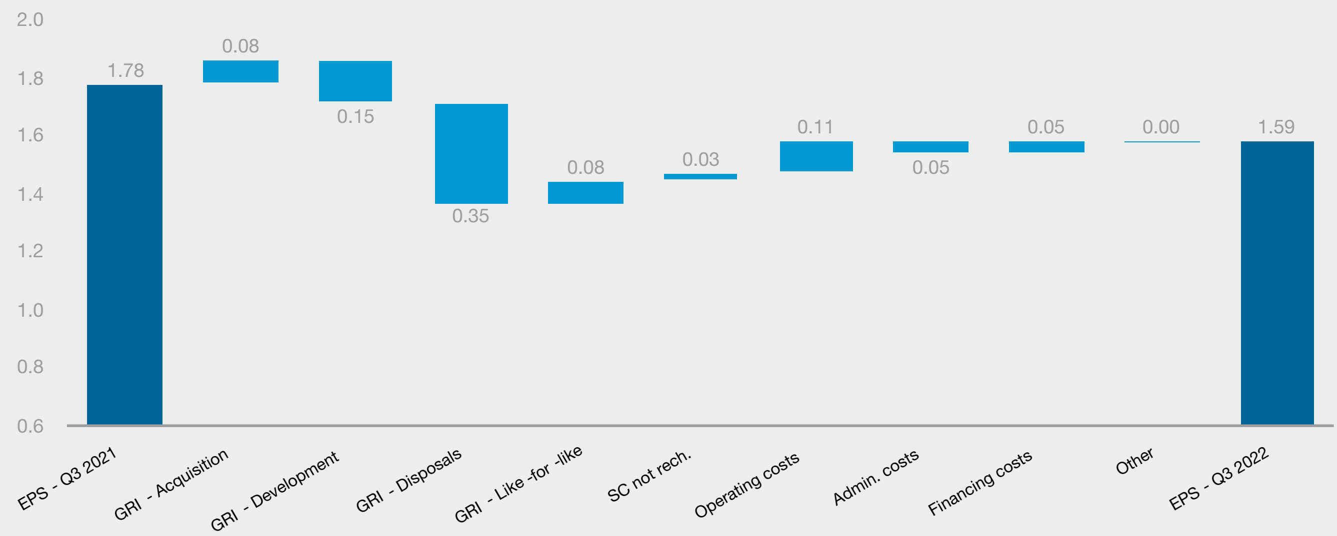
SUPPORTING DATA

Results

Income segment split

	Q3 2022					
	Amsterdam	Other G4	Other Netherlands	Corporate	TOTAL	Q3 2021
Gross rental income	26,810	16,655	9,816		53,281	58,893
Service costs not recharged	-430	-113	-208		-751	-1,290
Operating costs	-3,511	-3,120	-1,751		-8,382	-10,401
Net rental income	**22,869**	**13,422**	**7,857**		**44,148**	**47,201**
Administrative costs				-6,424	-6,424	-5,391
Earnings before interest and taxes	**22,869**	**13,422**	**7,857**	**-6,424**	**37,723**	**41,810**
Net financing result				-6,321	-6,321	-7,143
Direct investment result before tax	**22,869**	**13,422**	**7,857**	**-12,745**	**31,402**	**34,667**
Corporate income tax				-2	-2	-2
Direct investment result / EPRA earnings	**22,869**	**13,422**	**7,857**	**-12,747**	**31,401**	**34,665**

EPS Bridge



Like-for-like growth gross rental income

	2022	2021	L-f-l
Amsterdam	24.5	23.2	5.6%
Other G4	16.1	15.0	7.2%
Other Netherlands	9.0	8.9	1.1%
TOTAL	**49.5**	**47.1**	**5.3%**

Like-for-like growth net rental income

	2022	2021	L-f-l
Amsterdam	21.0	19.8	6.2%
Other G4	13.2	11.2	18.3%
Other Netherlands	7.2	7.2	0.1%
TOTAL	**41.4**	**38.1**	**8.6%**

Balance sheet & financing

Net debt

	Sep. 2022	Dec. 2021	Change
Debt outstanding	375.9	391.4	-15.5
Amortisation costs	-1.3	-1.6	0.3
Book value of debt	**374.6**	**389.8**	**-15.2**
Cash and cash equivalents	0.0	-7.7	7.7
Debts to credit institutions	2.9	0.0	2.9
Net debt	**377.4**	**382.1**	**-4.6**

Maturity profile