

# Interim Results

16 June 2010



# Highlights



- Rental rate and occupancy growth in both UK and Paris
- Revenue up 2.8% to £42.4m
  - Average rate per sq ft up 1.1% to £25.51
  - +53,000 sq ft occupancy increase compared to -11,200 sq ft for the same period last year
  - Number of customers up by 6.5% to over 40,000
- Underlying EBITDA up 2.3% to £22.9m
- Adjusted EPRA EPS up 17.6% to 3.68 pence per share
- Interim dividend increased by 3.0% to 1.70 pence per share
- Strong balance sheet, stable operating cash flow and new increased bank facilities extended to August 2013
- New 6 year management contract to run Space Maker
- A positive start to trading in H2

# Financial Review

Richard Hodsdon, Chief Financial Officer



# Summary IFRS Income Statement



	Six Months ended 30 April 2010	Six Months ended 30 April 2009 #	Movement
	£m	£m	%
Revenue	42.4	41.3	+2.8%
Operating expenses (excluding exceptionals)	(19.5)	(18.9)	
<b>EBITDA before exceptional items and investment gain</b>	<b>22.9</b>	<b>22.4</b>	<b>+2.3%</b>
Exceptional items/ FX swap/ Contingent rent	(0.3)	0.8	
Depreciation	(0.1)	(0.1)	
<b>Operating profit before investment gain/(loss)</b>	<b>22.5</b>	<b>23.1</b>	
Investment gain/(loss)	5.0	(30.0)	
<b>Operating profit/(loss)</b>	<b>27.5</b>	<b>(6.9)</b>	
Net financing costs (underlying)	(9.5)	(10.7)	
Exceptional/ One-off financing, hedging or FX items	(11.3)	5.9	
<b>Profit before tax</b>	<b>6.7</b>	<b>(11.7)</b>	
Income tax	(1.9)	4.9	
<b>Profit for the year</b>	<b>4.8</b>	<b>(6.8)</b>	
Basic EPS	2.56p	(3.60)p	
Adjusted EPRA EPS*	3.68p	3.13p	+17.6%
DPS	1.70p	1.65p	+3.0%

\* Adjusted EPRA EPS is after adding back investment gain, exceptionals, revaluations on leasehold properties, fair value movements on derivatives and the tax thereon.

# adjusted for contingent rent treatment

# Cash Flow Reconciliation



	Six Months ended 30 April 2010	Six Months ended 30 April 2009
	£m	£m
Operating profit (before investment gain/(loss))	22.5	23.1
Working capital and non-cash movements	(1.1)	1.8
<b>Operating cash flow</b>	<b>21.4</b>	<b>24.9</b>
<b>Non-discretionary cash flow</b>		
Maintenance capex (including signage)	(1.0)	(0.9)
Net interest payments	(6.5)	(8.1)
UK GAAP rental payments	(5.6)	(5.9)
Term facility repayments	(2.0)	(2.0)
<b>Total non-discretionary cash flow</b>	<b>(15.1)</b>	<b>(16.9)</b>
<b>Discretionary cash flow</b>		
Expansion capex	(7.0)	(6.4)
Dividends paid	(5.6)	(5.6)
Costs associated with refinancing and new hedging arrangements	(16.4)	-
New cash raised/Borrowings drawn	18.0	22.1
<b>Total discretionary cash flow</b>	<b>(11.0)</b>	<b>10.1</b>
<b>Net (decrease)/increase in cash</b>	<b>(4.7)</b>	<b>18.1</b>
<b>Closing Cash</b>	<b>21.3</b>	<b>29.2</b>

# New Bank Facilities



- Facilities increased to £350m and €40m providing £69m of headroom
- Facilities run to August 2013 (previously July 2011)
- Only two covenants – Interest Cover Ratio and Loan to Value both of which are tested at consolidated level only (previously tested at Consolidated, UK and France levels)
- Interest margin on a ratchet between 200bps and 300bps based on quarterly ICR (fixed at 300bps for first 6 months)
- Hedging in place to effectively keep the blended interest rate below 5.5% in the first two years of the facilities
- The net debt position as at 30 April 2010 and the covenant levels going forward are included in the appendices on page 29



- As noted to at the year end we have reverted to analysing our portfolio performance in more detail
- We have split the performance for H1 into four main categories:
  - Developing stores – open less than two full financial years
  - Established stores – open between two and five full financial years
  - Mature stores – open more than five years
  - Large stores – Eight stores which are in excess on 65,000 sq ft
- The detail is included in the appendices on page 30 but it is interesting to note:
  - Mature stores at 64% occupancy are generating £17.5m EBITDA on £30.7m turnover (66% margin)
  - Large stores at 49% occupancy are generating £2.6m EBITDA on £4.3m turnover (69% margin)

# Operational Review

Steve Williams, Chief Executive Officer



# Where Safestore is today



- Safestore the No.1 self storage company in the UK and Paris
- 116 trading and nine pipeline stores
- 5.4 m sq ft of storage space when fully fitted out
- 95 UK stores providing national coverage plus 12 Space Maker stores
- 21 stores in Paris
- Experienced and highly motivated team
- Management contract capability
- Four pronged strategy



# A Focused Business Model



- Geographic spread & cluster strategy
- Low cost & flexible business model
- Diversified customer base
- Quality of earnings
  - Leasehold / Freehold flexibility
  - Management contracts
  - Operational gearing

# Illustrative Operational Gearing



- Currently 56% total occupancy (mature stores 64%)
- Significant scope for profit growth and value creation in portfolio through increasing overall occupancy and rates

## Illustrative EBITDA impact

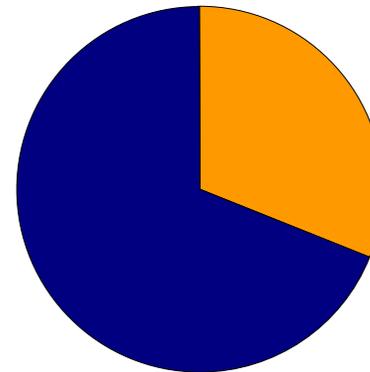
Total Occupancy	60%	70%	80%
Incremental EBITDA* (£m)	5	19	32
<hr/>			
Rate Increase (p.a.)	2%	4%	6%
Incremental EBITDA* (£m)	17	35	55

# Market Trends & Drivers



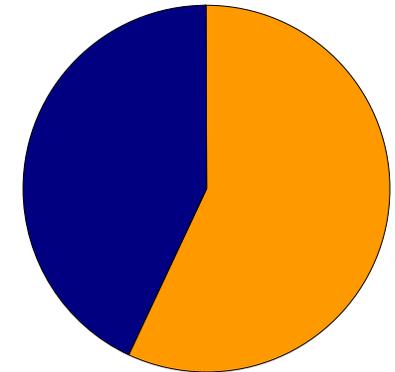
- Enquiry levels up overall
  - Particularly Web
  - Increasing domestic demand
- Strong business demand
  - Especially in National Accounts
- Number of new lets and vacates up
- Average unit size let down

**Breakdown of Business and Domestic Customers\***



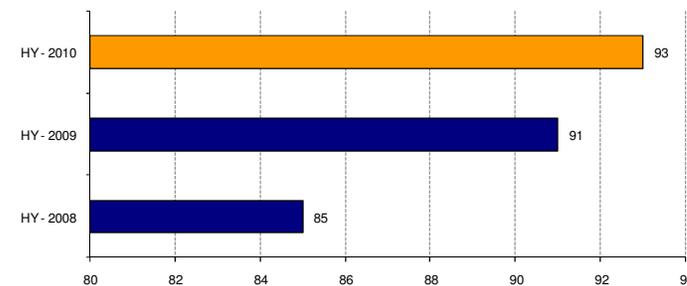
Customer Count	HY – 2008	HY – 2009	HY - 2010
Business	29.4%	31.6%	31.0%
Domestic	70.6%	68.4%	69.0%

**Percentage of Space Occupied by Customer Type\***



Occupancy Sq Ft	HY – 2008	HY – 2009	HY - 2010
Business	53.4%	57.3%	56.0%
Domestic	46.6%	42.7%	44.0%

**Average Length of Stay (in weeks)**



# Brand and Marketing



- Online:
  - Generating quality traffic
  - Strong growth in organic / natural Google traffic
  - Consistently top two position for organic and sponsored listings
  
- Focus on strategic alliances
  - Strengthening relationships with Tesco, eBay, Europcar, Wickes and DHL
  - Launch of partnerships with Countrywide and O<sub>2</sub>



# Une Pièce en Plus

Frederic Vecchioli - President



# Overview of Une Pièce en Plus (“UPP”)



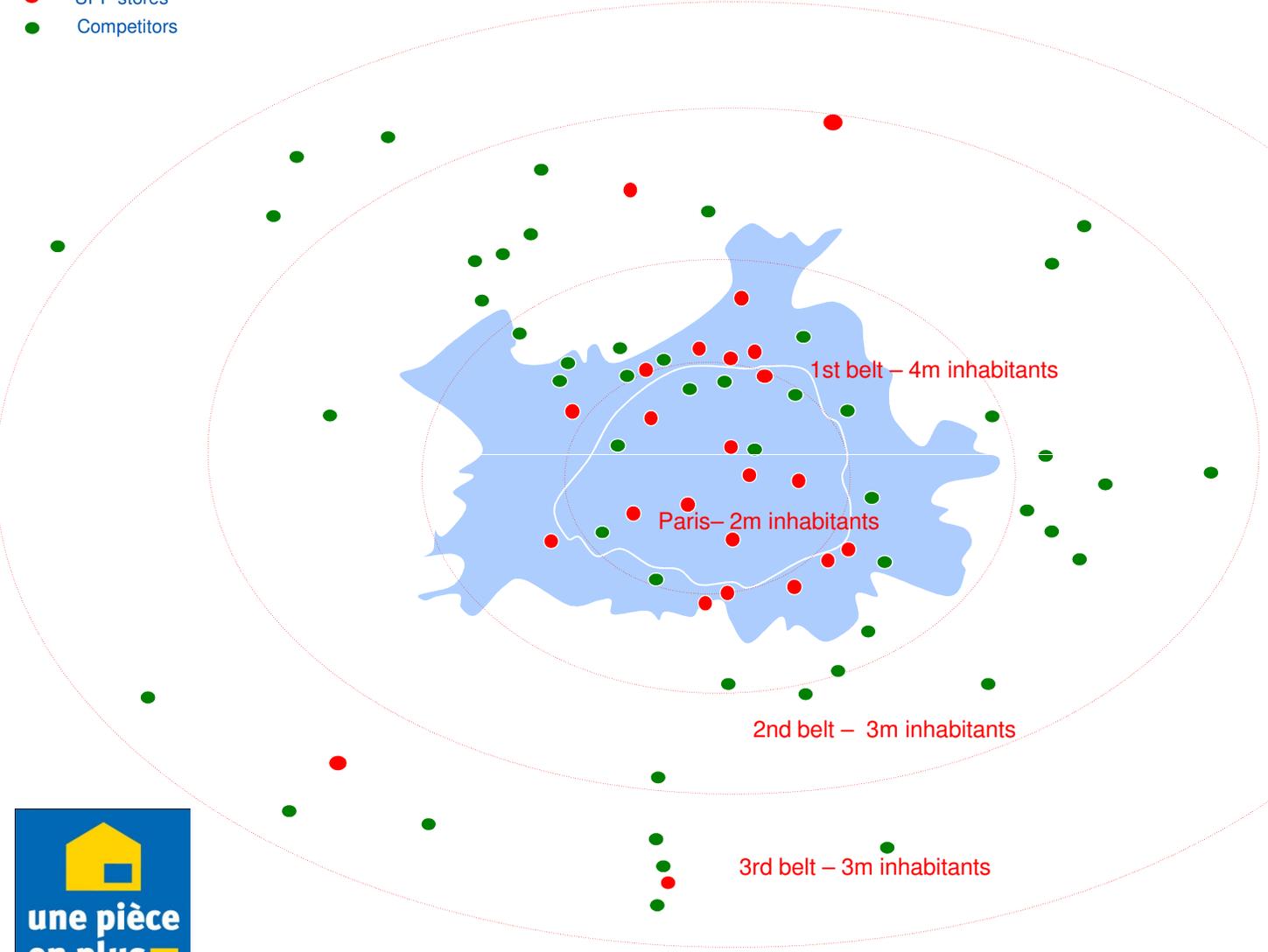
- Safestore is the biggest self storage company in central Paris trading as Une Pièce en Plus
- Founded by Frederic Vecchioli in 1998, acquired by Safestore in 2004
- 21 stores including 19 within a 5 mile radius of Central Paris
- Closing occupancy at 78% of MLA
- Highly cash generative business
- Service focused – not a commodity
- Low penetration rate – strong growth prospects



# Cluster strategy



- UPP stores
- Competitors



- ✓ Market leader in Paris – More stores in Central Paris than any other operator
- ✓ Store cluster enables UPP to offer convenience at premium rates as well as affordability in suburban stores
- ✓ Operational and marketing synergies at regional level
- ✓ Barriers to entry for competitors creates a “stronghold” – UPP could not be duplicated today
- ✓ But UPP can expand outside Central Paris



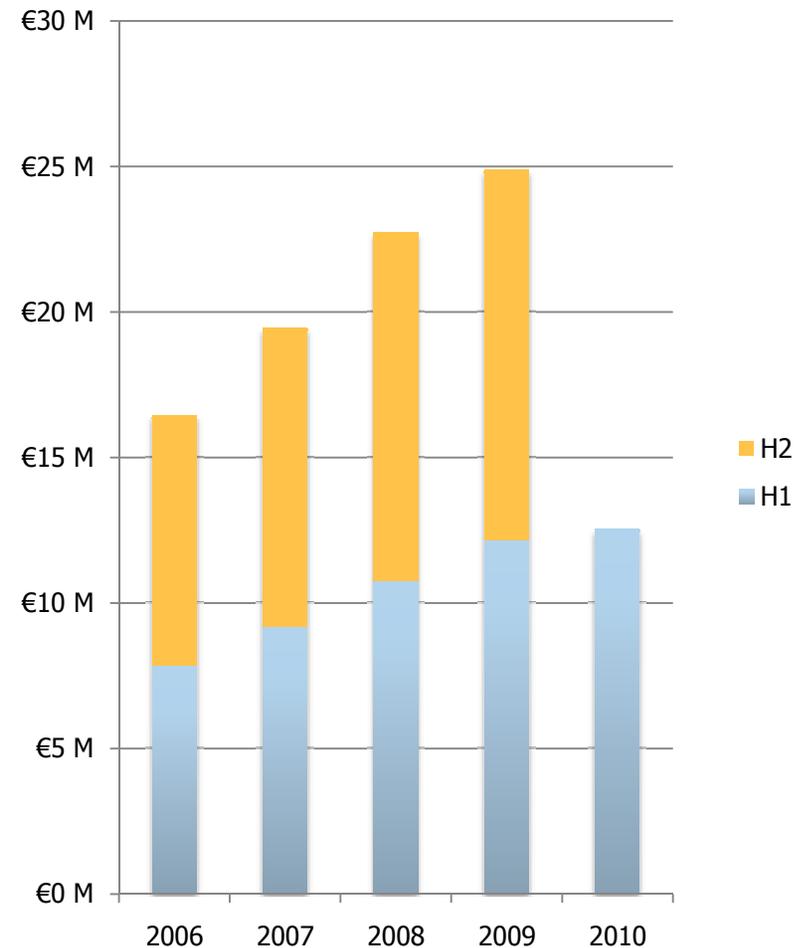
# France Highlights



- Revenue for H1 up 3.2% to €12.2m
- EBITDA up 4.6% to €7.8m
- 5 year CAGR of Revenue 9.9%
- 5 year CAGR of EBITDA 37%\*
- Portfolio value up 5.4% to €148.4m
- Cash generative business - strong operating cash flow and bank facilities in place to August 2013
- Now represents over 20% of the group business in most measures



## Turnover

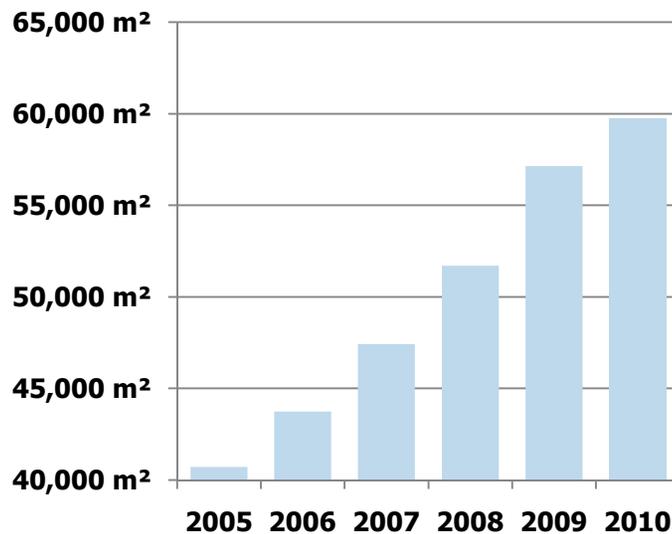


# Occupancy & rate

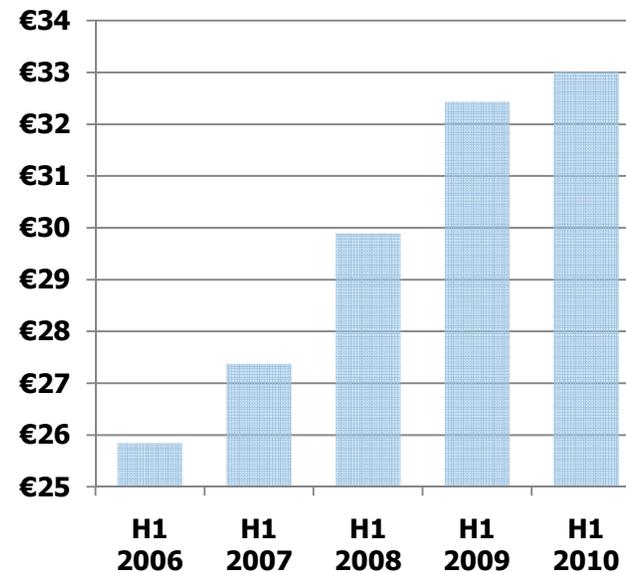


- Closing occupancy increase of 4.6%
- Total occupancy of 78% at 59,758 sq mt (643,000 sq ft)
- Occupancy increase of 5.8% on a like for like basis
- Average rate per sq mt up 1.9% to €32.90 on a like for like basis

Total Occupancy – End of April



Like-for-Like Storage Rental Rates

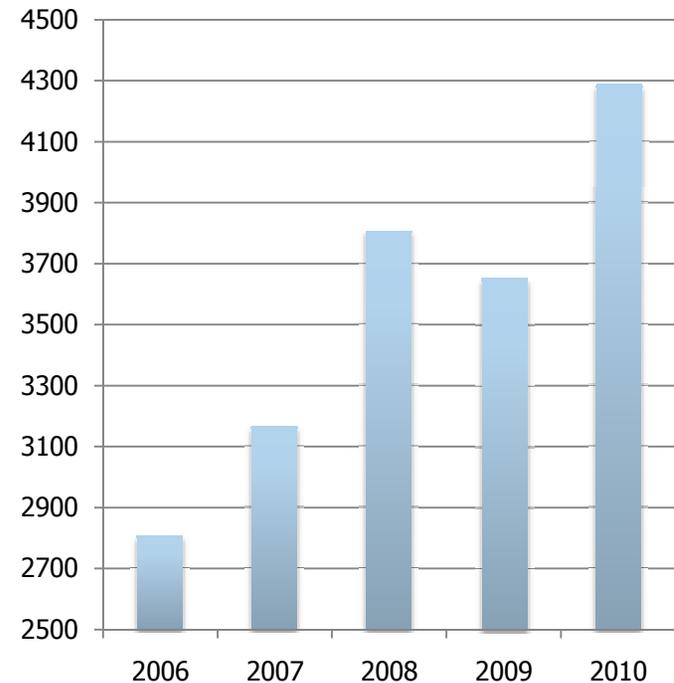


# Operational highlights



- Motivated employees critical to achieve high rates and sales
- High levels of enquiries and improving conversion rate
- Record new lets levels (+17%)
- Strong marketing presence - marketing budget is stable at €1.0m
- Marketing cost per new let down 25% on 4 years ago
- Web represents 40% of new lets
- Operational expertise is a differentiator

## Number of new lets H1



# Market potential



- Key focus remains to leverage the Parisian Cluster
- UPP could not be duplicated today
- Low storage density in Paris region compared to London/UK
- Population of 12 million people within the Paris region
- Estimate potential for 50 new UPP stores within the Paris region
- At least 2 store openings in the next 10 months
- Funding and cash generation in place to fund continued roll out of new stores



# Property Review

Richard Hodsdon, Chief Financial Officer



# Property Portfolio Valuations



Key Variables	Apr-10	Oct-09	Apr-09
Average Rate per Sq Ft	25.51	£25.24	£25.24
Exit Cap Rate	7.90%	8.14%	8.17%
Weighted average stabilised occupancy	77.40%	77.79%	78.38%
Average number of months to stabilised occupancy	43	43	46

- DCF based valuations
- Several key variables contrary to traditional property companies

## Freehold

- 10 year DCF assuming notional sale at year 10
- Purchasers costs – 5.75% assuming property sales

## Leasehold

- No asset sale in year 10 – DCF to lease expiry
- Average unexpired term at April 2010 of 13.3 years (April 2009: 14.3 years)
- There are three stores with less than 5 years on their leases

# Property Portfolio Valuation – Cushman & Wakefield



Location	Tenure	Stores	Maximum Lettable Area*	Valuation as at 30 April 2010	Movement since October 2009
			'000 sq ft	£m	£m
UK	Freehold	55	2,461	403	7
	Long Leasehold	5	280	34	-
	Short Leasehold <sup>1</sup>	35	1,483	89	(2)
France	Freehold	8	331	73	5
	Short Leasehold <sup>2</sup>	13	506	56	(2)
Total		116	5,061	655	8

- Average exit yield has moved in 23bps since October 2009
- Foreign Exchange Loss of £4.0m against October 2009 and £3.9m against April 2009 are included above
- Like for like property values (excluding new stores and Foreign Exchange) marginally up since October 2009

<sup>1</sup> UK short leaseholds typically 25 years

<sup>2</sup> French short leaseholds typically 9 years but akin to freeholds because of security of tenure

\* For valuation purposes MLA includes offices

# Expansion Stores



	Tenure	Full Planning	Pipeline MLA Sq. Ft	Opened / Estimated Opening
<b>Development Stores due to open 2010/11</b>				
Crystal Palace	LL	✓	42,350	July 2010
MacDonald (Paris)	LH	✓	37,000	July 2010
Barking	LL	✓	48,000	Sep 2010
Bolton	FH	✓	48,900	2010/2011
Southend	FH	✓	49,400	2010/2011
Trappes (Paris)	FH	✓	53,000	2010/2011
<b>Development Stores acquired/under contract</b>				
Staines	FH	✓	43,450	2011/2012
Friern Barnet	FH	✓	48,000	2011/2012
Chiswick (under contract)	FH		43,500	2011/2012
<b>Total Current Sq Ft</b>			<b>413,600</b>	

- Pipeline of 9 expansion stores which will add 413,600 sq ft of MLA. Of these:
  - 6 are freehold
  - 2 are long leasehold
  - 1 is leasehold
  - 8 have planning permission
  - Includes three relocations
- Pipeline will increase store portfolio from 116 to 123
- Associated Capex for UK of £46m, of which £17m has been spent as at 30 April 2010
- Associated Capex for France of €7.5m, €1.9m of which has been spent as at 30 April 2010

# Outlook

Steve Williams, Chief Executive Officer





- Market leadership maintained – well positioned to increase market share
- Clear but flexible strategy
- Balanced approach to rate and occupancy should maintain margins
- Strong and robust positive cash flow
- Selective new store acquisitions
- Trading conditions improved in H1 which has continued into H2

# Appendix



# Net Debt and Covenants



Net Debt Position	Six Months ended 30 April 2010	Six Months ended 30 April 2009
	£m	£m
Available facilities at the year end*	<u>384.7</u>	<u>349.9</u>
Total bank borrowings (gross of FRS 4 Adjustment)	(316.0)	(302.9)
Cash	21.3	29.2
<b>Net debt</b>	<b>(294.7)</b>	<b>(273.7)</b>

\* €40m facility translated at €1.1527:£1 (year end rate)

New Covenants (consolidated level only)	Covenant
<b>Interest Cover Ratio</b>	
Quarterly to Jan 2012	Not less than 1.60:1
Quarterly to Jan 2013	Not less than 1.80:1
Thereafter	Not less than 2.00:1
<b>Loan to Value</b>	
Quarterly to July 2012	Not more than 0.65:1
Thereafter	Not more than 0.60:1

# Portfolio Summary Under IFRS



	April 2010				
	Developing	Established	Mature	Large	Total
Number of Stores	14	14	80	8	116
	<b>Sq Ft '000</b>				
MLA (self storage only)	710	645	2,896	770	5,021
Occupancy (self storage only)	224	334	1,866	380	2,804
Occupancy (%age)	32%	52%	64%	49%	56%
<b>For six months to: April 2010</b>					
Average rate (per sq ft)	£17.83	£23.97	£27.76	£20.07	£25.51
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Self storage income	1,802	3,878	25,341	3,771	34,792
Ancillary income	386	672	3,703	465	5,226
Other income	624	4	1,685	104	2,417
<b>Total Income</b>	<b>2,812</b>	<b>4,554</b>	<b>30,729</b>	<b>4,340</b>	<b>42,435</b>
<b>Store EBITDA (IFRS)</b>	<b>1,022</b>	<b>2,441</b>	<b>20,239</b>	<b>2,986</b>	<b>26,687</b>
<i>Store EBITDA margin (%age)</i>	<i>36%</i>	<i>54%</i>	<i>66%</i>	<i>69%</i>	<i>63%</i>
Central overhead allocation	249	403	2,722	385	3,759
<b>Store Net Operating Income</b>	<b>773</b>	<b>2,037</b>	<b>17,517</b>	<b>2,601</b>	<b>22,928</b>
<i>NOI margin (%age)</i>	<i>27%</i>	<i>45%</i>	<i>57%</i>	<i>60%</i>	<i>54%</i>
Rent Charge	365	1,197	4,293	92	5,947
UK GAAP EBITDA	408	840	13,224	2,509	16,981

# Property Portfolio Valuation - Movement in the Period



		April 2010	October 2009	Movement	Non-valuation movements	Investment Gain
		£m	£m	£m	£m	£m
UK Like for Like Assets	1	526	522	5	(2)	3
French Like for Like Assets	2	129	126	3	4	7
Group Like for Like Assets		655	648	8	2	10
Development Properties	3	-	-	-	(2)	(2)
UK rental charge to investment loss	4				(3)	(3)
<b>Valuation</b>		<b>655</b>	<b>648</b>	<b>8</b>	<b>(3)</b>	<b>5</b>

1 Includes the impact of capex spent in the period

2 Removing the impact of foreign exchange gains which don't get recognised in the income statement

3 Removing the impact of valuation changes in the development pipeline

4 £3m of UK rent is charged to the Investment loss (the balance being charged to interest payable and contingent rent)

- UK like for like portfolio valuation up circa £5.0m (0.9%)
- French like for like portfolio valuation up 5.4% same currency although only 2.1% after allowing for forex movements

# Summary IFRS Balance Sheet



	Six months ended 30 April 2010	Six months ended 30 April 2009
	£m	£m
<b>Assets</b>		
<b>Non-current assets</b>		
Investment properties	717.5	715.4
Development properties	17.8	23.6
Other non-current assets	13.4	8.8
<b>Non-current assets</b>	<b>748.7</b>	<b>747.8</b>
<b>Current assets</b>	<b>38.4</b>	<b>44.3</b>
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>(46.1)</b>	<b>(65.8)</b>
<b>Non-current liabilities</b>		
Bank borrowings	(308.3)	(296.7)
Deferred tax liabilities	(123.0)	(119.6)
Obligations under finance leases	(53.4)	(64.7)
Other non-current liabilities	(4.9)	(1.0)
<b>Non-current liabilities</b>	<b>(489.6)</b>	<b>(482.0)</b>
<b>Net assets</b>	<b>251.4</b>	<b>244.3</b>
Adjusted EPRA NAV per share*	197.2p	200.6p

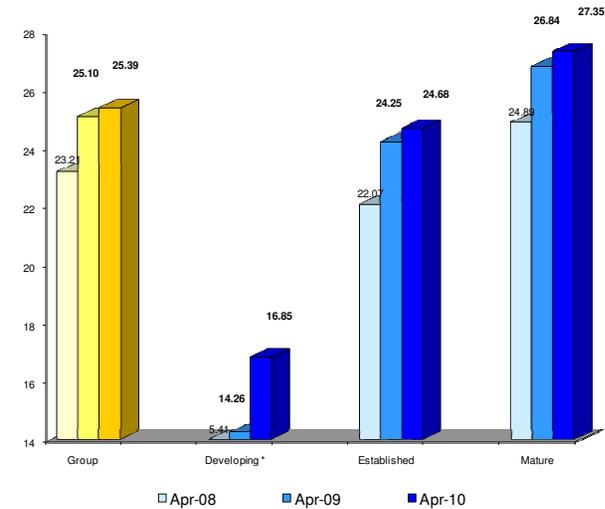
\* Adjusted NAV is after adding back the deferred tax on revaluation and excluding fair value adjustments for debt and related derivatives

# Rate and Occupancy

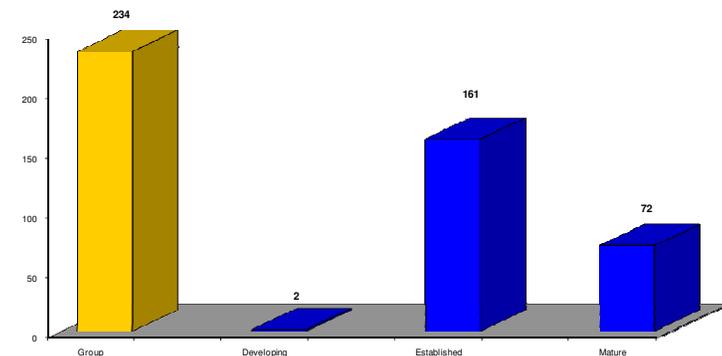


- Safestore continues to increase market share
- Good rate growth across all store classes
- Occupancy performance improved across all store classes
- Important to balance rate and occupancy

Rate (annual average £/sq ft)



Area Growth ('000 sq ft)



Note: MLA increased from October 08 to October 09 by 275,000 sq ft

Note  
 Mature: pre-1998  
 Established: >2 full financial years but post-1998  
 Developing: <2 full financial years

# Why Use Safestore? Top Five Reasons



<b>Business</b>	<b>%</b>
Store stock	38
Store equipment	24
Archive documents	14
Office	4
New premises	3

<b>Domestic</b>	<b>%</b>
New house not ready	34
Need more space	32
Declutter to sell house	14
Moving to rented	11
Abroad / travelling	9

Source: Company Information

# Customer Average Length of Stay in the UK



Age of Store		< 1year		1-2 Years		2-5 Years		> 5 Years		Portfolio		As at 30/04/2009 Portfolio	
N° of Stores		4		8		11		69		92		90	
		(wks)	(mths)	(wks)	(mths)	(wks)	(mths)	(wks)	(mths)	(wks)	(mths)	(wks)	(mths)
<b>Business</b>	Existing	22	5.1	42	9.8	71	16.4	131	30.2	<b>116</b>	<b>26.7</b>	112	25.8
	Vacated	9	2.0	17	3.9	27	6.3	44	10.2	<b>43</b>	<b>9.9</b>	41	9.5
	Total	16	3.6	28	6.4	38	8.7	53	12.2	<b>51</b>	<b>11.9</b>	50	11.6
<b>Domestic</b>	Existing	18	4.1	33	7.7	57	13	96	22.1	<b>84</b>	<b>19.3</b>	82	18.8
	Vacated	9	2.2	16	3.6	21	4.8	30	7.0	<b>29</b>	<b>6.8</b>	29	6.8
	Total	13	2.9	20	4.7	26	6.0	35	8.0	<b>34</b>	<b>7.8</b>	34	7.8
<b>All</b>	Existing	19	4.3	36	8.3	61	14.1	107	24.7	<b>93</b>	<b>21.5</b>	91	21.0
	Vacated	9	2.2	16	3.7	22	5.1	33	7.7	<b>32</b>	<b>7.5</b>	32	7.4
	Total	13	3.0	22	5.0	29	6.6	39	9.0	<b>38</b>	<b>8.7</b>	38	8.7

**Excluded:**

BC Queens Dock

BC Digbeth

BC Battersea

# Customer Average Length of Stay in France



Age of Store		< 1year		1-2 Years		2-5 Years		> 5 Years		Portfolio		As at 30/04/2009 Portfolio	
N° of Stores		1		1		3		17		22		21	
		(wks)	(mths)	(wks)	(mths)	(wks)	(mths)	(wks)	(mths)	(wks)	(mths)	(wks)	(mths)
<b>Business</b>	Existing	10	2.3	34	7.8	60	13.9	129	29.8	<b>117</b>	<b>27.1</b>	120	27.6
	Vacated	17	3.9	15	3.5	26	6.0	55	12.7	<b>53</b>	<b>12.3</b>	50	11.6
	Total	12	2.8	25	5.7	36	8.3	66	15.1	<b>63</b>	<b>14.6</b>	62	14.4
<b>Domestic</b>	Existing	19	4.3	27	6.2	56	12.8	122	28.1	<b>107</b>	<b>24.7</b>	114	26.3
	Vacated	12	2.9	16	3.7	25	5.8	51	11.7	<b>49</b>	<b>11.2</b>	48	11.0
	Total	16	3.8	21	4.9	33	7.6	60	14.0	<b>58</b>	<b>13.3</b>	59	13.6
<b>All</b>	Existing	18	4.1	29	6.6	53	12.2	124	28.5	<b>109</b>	<b>25.3</b>	115	26.6
	Vacated	13	2.9	16	3.7	24	5.6	52	11.9	<b>50</b>	<b>11.5</b>	48	11.1
	Total	16	3.7	22	5.1	32	7.4	62	14.2	<b>59</b>	<b>13.6</b>	60	13.8

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