18 June 2020

Safestore Holdings plc
("Safestore", "the Company" or "the Group")

Interim results for the 6 months ended 30 April 2020

Resilient business model delivers strong H1 performance

Key Measures	6 months ended 30 April 2020	6 months ended 30 April 2019	Change[1]	Change-CER[2]
Underlying and Operating Metrics- total				
Revenue	£79.3m	£73.1m	8.5%	9.0%
Underlying EBITDA[3]	£45.9m	£41.4m	10.9%	11.4%
Closing Occupancy (let sq ft- million)[4]	4.82	4.65	3.7%	n/a
Closing Occupancy (% of MLA)[5]	71.1%	73.0%	-1.9ppts	n/a
Average Storage Rate[6]	£26.52	£26.30	0.8%	1.3%
Adjusted Diluted EPRA Earnings per Share[7]	14.5p	13.5p	7.4%	n/a
Free Cash flow[8]	£32.4m	£27.6m	17.4%	n/a
EPRA Basic NAV per Share[13]	£4.87	£4.06	20.0%	n/a
Underlying and Operating Metrics- like-for-like[9]				
Revenue	£77.0m	£73.0m	5.5%	5.9%
Underlying EBITDA[3]	£44.9m	£41.3m	8.7%	9.0%
Closing Occupancy (let sq ft- million)[4]	4.63	4.65	-0.4%	n/a
Closing Occupancy (% of MLA)[5]	72.7%	73.0%	-0.3ppts	n/a
Average Occupancy (let sq ft- million)[4]	4.77	4.60	3.7%	n/a
Average Storage Rate[6]	£26.74	£26.30	1.7%	2.1%
Statutory Metrics				
Operating Profit[10]	£105.8m	£45.9m	130.5%	n/a
Profit before Income Tax[10]	£99.7m	£38.2m	161.0%	n/a
Diluted Earnings per Share	42.4p	16.4p	158.5%	n/a
Dividend per Share	5.90p	5.50p	7.3%	n/a
Cash Inflow from Operating Activities	£35.7m	£30.3m	17.8%	n/a

Highlights

COVID-19

- Health, safety and well-being of our employees and customers of paramount importance
- No plans to access UK government's COVID-19 related support schemes
- Plans to revert to full operations implemented with full observation of social distancing rules and protective personal equipment provided to employees

Solid Financial Performance

- Group revenue up 8.5% (9.0% at CER[2])
- Group like-for-like[9] revenue at CER[2] up 5.9% with UK up 5.8% and Paris up 5.9%
- Adjusted Diluted EPRA EPS[7] up 7.4% at 14.5p
- 7.3% increase in the interim dividend to 5.9p (2019:5.5p)
- Statutory Profit before tax up to £99.7m from £38.2m in 2019 driven by increased gain on investment properties of £64.0m (2019: gain of £7.9m)

Operational and Strategic Progress

- Despite COVID-19 and the associated reduction in enquiries, move-in and move-out activity during lockdowns, our proven business model and balanced approach to revenue management drives resilient operational performance
  - Like-for-like[9] average occupancy for the period up 3.7%
  - Like-for-like[9] average storage rate for the period up 2.1% in CER[2]
  - Like-for-like[9] closing occupancy of 72.7% (down 0.3ppts on 2019)
- Since the easing of lockdowns in our various geographies:
  - Enquiries, new lets and occupancy back above pre-lockdown levels and up year-on-year in Paris and Barcelona on a like-for-like basis
  - Enquiries in the UK are now back to pre-lockdown levels and up year-on-year with occupancy improving since the period end
- As of 15 June 2020, 96.9% of our April 2020 and May 2020 revenue has been collected in the UK (97.5% in 2019), and 83.8% in Paris (84.4% in 2019)

- 40,000 sq ft freehold store at Carshalton and 38,000 sq ft long leasehold (130 years) store in Gateshead opened in the period
- Further new store openings scheduled in Sheffield in June 2020 and Paris Magenta in early 2021
- New 15 year lease signed on Notting Hill store
- Extensions of Bedford, Barking and Chingford stores, adding 37,000 sq ft, to be completed by September 2020
- Development site in Bermondsey acquired during the period
- Acquisition of Fort Box Self Storage (two London stores) on 5 November 2019 for £14.3m
- On 30 December 2019 the Group entered the Spanish self-storage market with the acquisition of OMB Self Storage SL trading as OhMyBox (4 stores in Barcelona) for €17.25m
- Acquired businesses in the Netherlands and Barcelona successfully transferred onto Safestore's global marketing platform with immediate cost and enquiries benefits
- Joint venture[14] with Carlyle acquired Lokabox in Belgium (six prime locations in Brussels (2), Liege (2), Charleroi and Nivelles) in June 2020

Strong and Flexible Balance Sheet

- Group loan-to-value ratio ("LTV"[11]) at 30% and interest cover ratio ("ICR"[12]) at 8.6x
- Unutilised bank facilities of £158m at April 2020 and no borrowings to refinance before June 2023

Frederic Vecchioli, Safestore's Chief Executive Officer, commented:

"I am pleased to report a strong performance in a period which included the onset of the COVID-19 pandemic. Over the last three months, our priority has been the health and well-being of our customers and colleagues. We have continued to operate our stores in all geographies in line with government guidance with restricted opening hours and minimal contact between staff and customers. As lockdown measures have relaxed, we have moved towards fuller operational practices, providing personal protective equipment to employees and adhering to government guidance on social distancing measures. As expected, our business is demonstrating the inherent resilience of the model.

"We have made good strategic progress in the first half of the year including acquiring two stores in London and four in Barcelona along with a development site in Bermondsey (London). In addition, we have opened new stores in Carshalton London and Gateshead. During the coming months we expect to open new stores in Sheffield and Magenta (Paris) as well as complete store extensions in Barking, Bedford and Chingford. Our joint venture[14] with Carlyle is progressing well and added the Lokabox portfolio of six stores in Belgium to its portfolio in June 2020.

"We believe the resilient characteristics of the self-storage industry, together with our leading market positions across the UK and Paris, place the business in a strong position to withstand the economic uncertainty arising from COVID-19. Safestore's scale continues to allow us to invest in our digital marketing platforms and service proposition, and this remains a key competitive advantage in a fragmented industry. Our balance sheet remains strong and efficient, with a low cost of debt, £158m of available bank facilities, significant covenant headroom and no imminent refinancing required. This financing capacity, combined with the strong free cash generation of the business, allows us to continue to target selected development and acquisition opportunities.

"Finally, I would like to thank all of our colleagues in the UK, Paris, Barcelona and the Netherlands, for their resilience, adaptability and positive response to the challenges presented by the COVID-19 crisis."

Notes

We prepare our financial statements using IFRS. However, we also use a number of adjusted measures in assessing and managing the performance of the business. These include like-for-like figures, to aid in the comparability of the underlying business as they exclude the impact on results of purchased, sold, opened or closed stores. These metrics have been disclosed because management review and monitor performance of the business on this basis. We have also included a number of measures defined by EPRA, which are designed to enhance transparency and comparability across the European Real Estate sector, see notes 7 and 13 below and "Non-GAAP financial information" in the notes to the financial statements.

1 – Where reported amounts are presented either to the nearest £0.1m or to the nearest 10,000 sq ft, the effect of rounding may impact the reported percentage change.

2 – CER is Constant Exchange Rates (Euro denominated results for the current period have been retranslated at the exchange rate effective for the comparative period, in order to present the reported results on a more comparable basis).

3 – Underlying EBITDA is defined as Operating Profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. Underlying EBITDA therefore excludes all leasehold rent charges. Underlying profit before tax is defined as underlying EBITDA less leasehold rent, depreciation charged on property, plant and equipment and net finance charges relating to bank loans and cash.

4 – Occupancy excludes offices but includes bulk tenancy. As at 30 April 2020, closing occupancy includes 14,000 sq ft of bulk tenancy (30 April 2019: 14,000 sq ft).

5 – MLA is Maximum Lettable Area. At 30 April 2020, Group MLA was 6.78m sq ft (30 April 2019: 6.37m sq ft).

6 – Average Storage Rate is calculated as the revenue generated from self storage revenues divided by the average square footage occupied during the period in question.

7 – Adjusted Diluted EPRA EPS is based on the European Public Real Estate Association's definition of Earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items, and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore, neither the Company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements will disclose earnings both on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest.

8 – Free cash flow is defined as cash flow before investing and financing activities but after leasehold rent payments.

9 – Like-for-like adjustments remove the impact of new store results at Pontoise, Peterborough, Merry Hill, Heathrow, Chelsea, St Johns Wood, Carshalton and Gateshead as well as consolidated results for Spain.

10 – Operating profit increased by £59.9m to £105.8m (30 April 2019: £45.9m) compared to last year, principally as a result of an increase in the gain on Investment properties of £56.1m to £64.0m (30 April 2019: £7.9m) and an increase of £4.5m in Underlying EBITDA as a result of stronger trading performance. Profit before tax additionally included an increase in the net gain/loss in fair value of derivatives of £2.8m compared to H1 2019, offset by an increase in net finance expense of £1.2m.

11 – LTV ratio is Loan-to-Value ratio, which is defined as gross debt (excluding finance leases) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases).

12 – ICR is interest cover ratio, and is calculated as the ratio of underlying EBITDA after leasehold rent to underlying finance charges.

13 – EPRA basic NAV per share is an industry standard measure recommended by EPRA. The basis of calculation is set out in the "Earnings per share" note to the financial statements.

14 – The joint venture with CERF, which represents a 20% investment, has been accounted for as an associate using the equity method of accounting, as described in the "Investment in associates" note to the financial statements.

Reconciliations between underlying metrics and statutory metrics can be found in the financial review and financial statements sections of this announcement.

Summary

Safestore has delivered another strong financial performance in the first half of the financial year, driven by organic growth and two acquisitions that were completed at the start of the year. Reported Group revenue increased 9.0% at CER[2] with like-for-like[9] revenue growing by 5.9%. The Group's like-for-like average occupancy grew by 3.7% with the like-for-like average storage rate up 2.1% at CER[2]. Like-for-like EBITDA margin[3], on a CER basis, grew by 1.6ppts to 58.2% (2019: 56.6%).

Our operational performance across all regions of the UK has been strong in the period resulting in a 5.8% increase in like-for-like revenue. Enquiry generation and store team conversion have both performed well across all regions of the UK, resulting in like-for-like average occupancy growing by 3.8% in the period whilst the UK like-for-like average rate grew by 1.9%. The UK experienced an occupancy outflow after the COVID-19 lockdown was announced on 23 March and like-for-like closing occupancy at the period end was down 0.3ppts at 71.6% (2019: 71.9%) but like-for-like revenue in April 2020 was still up 2.0% on the previous year in the month. The occupancy outflow was driven by larger units which typically pay a lower rate. Since the period end, which broadly coincided with some government relaxation of the lockdown, the occupancy performance of the business has improved and rate has remained strong such that like-for-like revenue for May 2020 was also up on the previous year.

In Paris, our trading performance has been strong with like-for-like revenue growing by 5.9%. This was driven by our average like-for-like occupancy performance which increased by 3.1% compared to the prior year and like-for-like average rate which grew by 3.1% as well. Paris experienced an occupancy outflow after the COVID-19 lockdown was announced in the middle of March 2020 and like-for-like closing occupancy at the period end was down 0.3ppts at 77.4% (2019: 77.7%) but like-for-like revenue in April 2020 was still up 4.7% on the previous year in the month. Since the period end, the occupancy performance of the business has improved significantly with net occupancy inflows during the month of May 2020, as compared to outflows in the prior year, and the rate has remained strong such that like-for-like revenue for May 2020 was also up on the previous year.

Group underlying EBITDA of £45.9m increased 11.4% at CER[2] on the prior year and 10.9% on a reported basis, reflecting the impact of the 1.8% strengthening of the average Euro exchange rate, compared to the prior period, on the profit earned on our Paris business. Rent costs increased as a result of the acquisition of leasehold stores in Barcelona and London in the period and, as a result, adjusted diluted EPRA EPS[7] grew by 7.4% in the period to 14.5p (2019: 13.5p).

Our property portfolio valuation (excluding investment properties under construction) has increased by £119.4m since October 2019 to £1,451.2m. The increase comprises £28.1m of additions and reclassifications, £18.8m of acquisitions, a positive currency impact of £3.9m and a £68.6m revaluation gain (equivalent to 5.2% of the valuation at October 2019) driven by the operational performance of the business, leasehold renewals and store extensions. The Group's external valuers, Cushman & Wakefield Debenham Tie Leung Limited ("C&W"), valued 53% of the portfolio at April 2020 with a Directors' valuation being carried out, with the assistance of C&W, on the remaining 47%. In the context of COVID-19, and consistent with other Real Estate companies, C&W have inserted a 'material valuation uncertainty' clause into its valuation report which is detailed in Note 14 of the Financial Statements.

Reflecting the Group's good trading performance, the Board is pleased to recommend a 7.3% increase in the interim dividend to 5.9p per share (2019: 5.5p).

Outlook

As we have entered into our third quarter, we have been monitoring closely the trading performance of all our geographies as COVID-19 lockdown restrictions have been relaxed to varying degrees. We are encouraged by what we have seen so far, with our Paris and Spanish businesses returning to normal levels of trading with enquiries, new lets and occupancy back above pre-lockdown levels and up year-on-year on a like-for-like basis. The UK trading performance has improved significantly since the period end with like-for-like enquires now back above last year and occupancy growing since the period end.

As of 15 June 2020, closing Group like-for-like occupancy is up 1.3% compared to April 2020 and Group like-for-like CER revenue for the period from 1 May 2020 to 15 June 2020 is up 0.4% year-on-year.

Work to complete our Sheffield site, which is due to open for business in the coming days, has recommenced as has work in Paris at our Magenta store. The delay to each of these stores will be under two months. In addition, our extensions at Bedford, Barking and Chingford are planned to open by early Autumn 2020.

Our strong and flexible balance sheet and healthy cash generation mean the business has significant liquidity and we will continue to look for opportunities to take advantage of further selective development and acquisition opportunities in our key markets, subject to our rigorous investment criteria.

We will continue to monitor carefully and closely any economic impact of COVID-19 on our internal forecasts over the coming months. However, our business model remains highly resilient with multiple drivers of demand and we believe the group, whilst not entirely immune, is strongly positioned to withstand any economic downturn. As it currently stands, the Board anticipates earnings for the full year being in line with its expectations.

For further information, please contact:

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A conference call for analysts will be held at 09:30am today.

For dial-in details of the presentation please contact:

Guy Scarborough (guy.scarborough@instinctif.com or telephone on 07917 178920).

Notes to Editors

- Safestore is the UK's largest self-storage group with 158 stores at 30 April 2020, comprising 126 wholly owned stores in the UK (including 71 in London and the South East with the remainder in key metropolitan areas such as Manchester, Birmingham, Glasgow, Edinburgh, Liverpool and Bristol). In Paris, the Group has 28 wholly owned stores and recently acquired 4 stores in Barcelona. In addition, the Group operates 6 stores in the Netherlands and 6 stores in Belgium under a joint venture[14] agreement with Carlyle.

- Safestore operates more self-storage sites inside the M25 and in central Paris than any competitor providing more proximity to customers in the wealthiest and densest UK and French markets.

- Safestore was founded in the UK in 1998. It acquired the French business "Une Pièce en Plus" ("UPP") in 2004 which was founded in 1998 by the current Safestore Group CEO Frederic Vecchioli.

- Safestore has been listed on the London Stock Exchange since 2007. It entered the FTSE 250 index in October 2015.

- The Group provides storage to around c. 75,000 personal and business customers.

- As at 30 April 2020, Safestore had a maximum lettable area ("MLA") of 6.78 million sq ft (excluding the expansion pipeline stores) of which 4.82 million sq ft was occupied.

- Safestore employs around 680 people in the UK, Paris and Barcelona.

COVID-19

At Safestore, the health and well-being of our customers and colleagues is our absolute priority. Following governments' announcements regarding restrictions of movement, we implemented strict safeguarding measures across our portfolio, in line with government guidance in each geography, to maintain social distancing and ensure we can operate safely, protect our staff, and allow necessary access for our customers.

All our stores in the UK, Paris, Barcelona and the Netherlands remained open or accessible during the lockdowns but the reception areas were closed, the staffing and opening hours were reduced and we removed the provision of services that involve person-to-person contact. Access to our stores is largely automated and, in general, the premises have relatively low footfall. We are supporting our employees with alternative means of transport to work where public transport continues to be a challenge.

The process for new enquiries remained unchanged with customers able to enquire via our website or phone, and we adjusted the new let process so that contracts were concluded electronically. In addition, we intensified the daily cleaning levels of our stores, especially commonly touched areas.

It remains our intention to continue to pay all our employees' salaries throughout the crisis.

In line with UK government guidance relating to storage and points of delivery facilities, our UK stores remained open as they provide important support to small business customers and companies engaged in key supply chains including healthcare, food industry suppliers and infrastructure support such as electrical and mechanical repair providers.

Since lockdowns have been gradually relaxed across our geographies, operational processes have begun to revert to more normal practices. Employees have been provided with personal protective equipment and are adhering to the social distancing rules required in each geography.

While COVID-19 continues to create uncertainty, we are monitoring developments daily to ensure we adhere to government advice in each of our geographies and continue to ensure the safety of our staff and customers.

Our Strategy

The Group's proven strategy has evolved over the last year with the creation of our joint venture[14] with Carlyle and our acquisition of OhMyBox in Barcelona, but otherwise remains largely unchanged. We believe that the Group has a well-located asset base, management expertise, infrastructure, scale and balance sheet strength and, as we look forward, we consider that the Group has the potential to further increase its earnings per share by:

- Optimising the trading performance of the existing portfolio;
- Maintaining a strong and flexible capital structure; and
- Taking advantage of selective portfolio management and expansion opportunities in our existing markets and, if appropriate, in attractive new geographies either through a joint venture[14] or in our own right.

Optimisation of Existing Portfolio

With the opening of fourteen new stores since August 2016, and the acquisitions of 31 stores through the purchases of Space Maker in July 2016, Alligator in November 2017, our Heathrow store, Fort Box in London and OMB in Barcelona in 2019, we have established and strengthened our market-leading portfolio in the UK and Paris and have entered the Spanish market. We have a high quality, fully invested estate in all geographies and, of our 158 stores as at 30 April 2020, 99 are in London and the South East of England or in Paris with 55 in the other major UK cities and four in Barcelona. We now operate 48 stores within the M25 which represents a higher number of stores than any other competitor.

Our MLA[4] has increased to 6.78m sq ft at 30 April 2020 (2019: 6.37m sq ft). At the current occupancy level of 71.1% we have 1.96m sq ft of unoccupied space, of which 1.62m sq ft is in our UK stores and 0.32m sq ft in Paris. In total this unlet space is the equivalent of circa 45 empty stores located across the estate and provides the Company with significant opportunity to grow further. This available space is fully invested and the related operating costs are essentially fixed and already included in the Group cost base. Our continued focus will be on ensuring that we drive occupancy to utilise this capacity at carefully managed rates. Between the full financial years 2013 and 2019, like-for-like[9] occupancy has increased from 63.1% to 78.5% i.e. an average of 2.6% per year.

There are three elements that are critical to the optimisation of our existing portfolio:

- Enquiry generation through an effective and efficient marketing operation;
- Strong conversion of enquiries into new lets; and
- Disciplined central revenue management and cost control.

Operational action taken across the Group in relation to Coronavirus (Covid-19) outbreak

Throughout the COVID-19 pandemic the safety of our colleagues and our customers has been paramount.

We have carefully considered the mental and financial wellbeing of our colleagues across all geographies at this time:

- All colleagues have received full salaries, even where their hours have been reduced.
- All colleagues who have been identified as vulnerable and are unable to work due to a requirement to "shield" have been fully supported by Safestore continuing to offer full pay throughout the 12-week shielding period.

In February 2020 we established a COVID-19 action group consisting of 8 key leaders across all geographies, meeting regularly to discuss updated government advice and agree internal actions, prioritising the safety of our colleagues, including:

- regular communication to colleagues of support and hygiene measures;
- supply of hand sanitizer gels and antibacterial spray to all sites from February 2020;
- temporary closure of head office site with all head office colleagues working from home;
- temporary closure of store reception areas to minimize customer contact and reduction of colleagues in store to one per site;

Plans to exit lockdown are being implemented, whilst continuing to maintain the safety of our colleagues across all geographies and customers, including:

- COVID-19 risk assessments in all stores
- Closed receptions and lone working until the end of May
- Further enhanced cleaning schedules of high touch areas
- Additional stocks of PPE for every store, including masks, visors, gloves and hand sanitizer
- Installation of protective screens and 2m social distancing floor markers and signage for all stores across the estate
- Provision of disposable gloves for customer use
- Introduction of electronic customer contracts and contact free payment methods
- Continuing to encourage home-working where possible for Head Office employees
- COVID-19 risk assessment of the head office site to identify appropriate measures required to facilitate a safe re-opening

Digital Marketing Expertise

Awareness of self-storage remains relatively low with 52% (2019: 52%) of the UK population either knowing very little or nothing about self-storage (source: 2020 SSA Annual Report). In the UK around 75% of our new customers are using self-storage for the first time. It is largely a brand blind purchase. Typically, customers requiring storage start their journey by conducting online research using generic keywords in their locality (e.g. "storage in Borehamwood", "self-storage near me") which means that geographic coverage and search engine prominence remain key competitive advantages.

We believe there is a clear benefit of scale in the generation of customer enquiries. The Group has continued to invest in its consumer website as well as in-house expertise which has resulted in the development of a leading digital marketing platform that has generated over 41% enquiry growth for the Group over the last five years. Our increasing in-house expertise and significant annual budget has enabled us to deliver strong results.

Online enquiries now represent 87% of our enquiries in the UK (H1 2019: 82%) and 77% in France (HY2019: 74%). The significant jump in online share this year is in part due to a shift of customers who would otherwise have enquired in-person during Covid-19 lockdowns. 63% of our online enquiries in the UK now originate from a mobile device (excluding tablets), compared to 54% last year, highlighting the need for continual investment in our responsive web platform for a “mobile-first” world. We continue to invest in activities that promote a strong search engine presence to grow enquiry volume whilst managing efficiency in terms of overall cost per enquiry.

During H1 2020, the Group invested significantly in its digital marketing platform to enable scalable, efficient growth. The underlying components of the Safestore UK website and customer data platform have been “globalised” to allow cost-effective and relatively straightforward adoption by other Group brands. MijnSafestore (formerly known as M3 Self Storage in the Netherlands which was acquired through our joint venture[14] with Carlyle) became the first entity to be transitioned to this global platform and has immediately experienced a benefit in terms of search engine and enquiry performance. In addition, the performance (paid) marketing framework used in the UK and France was extended to the Spain and Netherlands with favourable outcomes in terms of enquiry growth and efficiency.

In 2020, Safestore in the UK once again achieved a Feefo customer service rating of 95% based on real customers who rated their experience as “Excellent” or “Good”. Consequently, Safestore was recognised with a “Platinum Trusted Service” award earned only by companies that achieve a Gold rating in three consecutive years; Safestore has delivered this standard of service to its customers for six consecutive years.

During the COVID-19 lockdown period, enquiry volumes reduced in all territories and marketing expenditure was reduced accordingly. Since the lockdown has been relaxed we are seeing enquiries returning to normal levels.

Motivated and effective store teams benefiting from investment in training and development

In what is still a relatively immature and poorly understood product, customer service and selling skills at the point of sale remain essential in earning the trust of the customer and in driving the appropriate balance of volumes and unit price in order to optimise revenue growth in each store.

Our enthusiastic, well-trained and customer-centric sales team remains a key differentiator and a strength of our business. Understanding the needs of our customer and using this knowledge to develop in-store trusted advisers is a fundamental part of driving revenue growth and market share.

Safestore has been an Investors in People (“IIP”) organisation since 2003 and our aim is to be an employer of choice in our sector as we passionately believe that our continued success is dependent on our highly motivated and well-trained colleagues. In April 2018, Safestore was awarded the Gold accreditation under the IIP programme, a significant improvement from the Bronze accreditation awarded in 2015. This puts Safestore as one of the top employers of 14,000 IIP accredited companies. In addition, Safestore was subsequently shortlisted as a finalist for the IIP Gold Employer of the Year in the 250+ employees category, putting us in the top ten of all companies that have achieved Gold accreditation. IIP is the international standard for people management, defining what it takes to lead, support and manage people effectively to achieve sustainable results. Underpinning the Standard is the Investors in People framework, reflecting the latest workplace trends, essential skills and effective structures required to outperform in any industry. Investors in People enables organisations to benchmark against the best in the business on an international scale. We are proud to have our colleagues recognised to such a high standard not only in our industry but across 14,000 organisations in 75 countries.

Wellbeing is becoming a well-established part of our organisational culture. Our ‘My Wellbeing’ website provides our colleagues with access to a broad range of wellbeing messages, self-help tools, offers and promotions to enable them to make informed choices around healthy eating, exercise, mental health and financial wellbeing.

In line with Safestore’s wellbeing strategy, we continue to focus on personal growth and education of our colleagues. We are committed to growing and rewarding our people and tailor our development, reward and recognition programmes to this end. In light of the current COVID-19 challenges, we have adjusted our training and development platforms to ensure as much learning as possible is conducted remotely. Our IIP recognised coaching programme, launched in 2018, had a 2019 upgrade to reflect the increase in the calibre and performance of our teams and was well received by our colleagues. The QUEST sales framework “masterclass” was also adjusted to reflect our high expectations and formatted for multi-language use.

The training and development of our store and customer-facing colleagues is an essential part of our daily routines. In 2019, we delivered a further 30,000 hours of training through face-to-face sessions and via our internally developed online learning tool; this equates to over 46 hours per colleague. In 2020, we are committed to supporting our colleagues to keep their development goals on track while ensuring their safety and well-being during this challenging time. Whilst many of our programmes are already digital and utilise our e-learning platform, we are in the process of expanding this to enable our colleagues to learn and grow in a remote environment.

The roll out of our computer automated facilities management system was completed across all of our estate. SIMS (Safestore Intuitive Maintenance System) allows us to easily manage planned and reactive maintenance along with compliance and job allocation in real time using a multi-platform system accessible remotely by all of our colleagues and contractors in their home language.

All new recruits to the business benefit from enhanced induction and training tools which have been developed in-house and enable us to quickly identify high potential individuals and increase their speed to competency. They receive individual performance targets within four weeks of joining the business and are placed on the "pay-for-skills" programme which allows accelerated basic pay increases dependent on success in demonstrating specific and defined skills. The key target of our programme, to ensure that close to 100% of our Store Manager appointments are from within the business via our Store Manager Development programme, remains and we are pleased with our progress to date.

Our Store Manager Development programme demonstrates the effectiveness of our learning tools. In a spirit of constant improvement our content and delivery process is dynamically enhanced through our 360 degree feedback process utilising the learnings from not only the candidates but also from our training store managers and senior business leaders. This allows our people to be trained with the knowledge and skills to sell effectively in today's market place. It also offers the opportunity to gain a nationally recognised qualification from either the Institute of Leadership and Management ("ILM") or the Chartered Management Institute ("CMI") utilising the Apprenticeship Levy. We are also utilising the Levy to support the development of Head Office colleagues. Currently we have individuals working towards their professional qualification.

Our performance dashboard allows our store and field teams to focus on the key operating metrics of the business providing an appropriate level of management information to enable swift decision making. Reporting performance down to individual employee level enhances our competitive approach to team and individual performance. We continue to reward our people for their performances with bonuses of up to 50% of basic salary based on their achievements against individual new lets, occupancy, ancillary sales and pricing targets. In addition, a Values and Behaviours framework is overlaid on individuals' performance in order to assess team members' performance and development needs on a quarterly basis.

We continue to grow the success of our workforce advisory panel, the "Make The Difference Forum". Our 15 "people champions" have supported us with:

- Consulting and collecting the views and suggestions of all colleagues that they represent.
- Tracking engagement across the business to pinpoint potential issues and celebrate best practice.
- Promoting wellbeing

Our Values and Behaviours framework concentrates our culture on our customers. Customers continue to be at the heart of everything we do whether it be in store, online or in their communities. Our Gold standard Feefo customer service score along with our "Excellent" Trustpilot rating, reflects our ongoing commitment to their satisfaction.

Central Revenue Management and Cost Control

We continue to pursue a balanced approach to revenue management. We aim to optimise revenue by improving the utilisation of the available space in our portfolio at carefully managed rates. Our central pricing team is responsible for the management of our dynamic pricing policy, the implementation of promotional offers and the identification of additional ancillary revenue opportunities. Whilst price lists are managed centrally and are adjusted on a real time basis, the store sales teams have the ability to offer a Lowest Price Guarantee in the event that a local competitor is offering a lower price. The reduction in the level of discount offered over the last five years is linked to store team variable incentives and is monitored closely by the central pricing team.

Average rates are predominantly influenced by:

- The store location and catchment area;
- The volume of enquiries generated online;
- The store team skills at converting these enquiries into new lets at the expected price; and
- The very granular pricing policy and the confidence provided by analytical capabilities and systems that smaller players might lack.

We believe that Safestore has a very strong proposition in each of these areas.

Costs are managed centrally with a lean structure maintained at the Head Office. Enhancements to cost control are continually considered and the cost base is challenged on an ongoing basis.

Strong and Flexible Capital Structure

Since 2014 we have refinanced the business on four occasions, each time optimising our debt structure and improving terms, and believe we have maintained a capital structure that is appropriate for our business and which provides us with the flexibility to take advantage of carefully evaluated development and acquisition opportunities.

At 30 April 2020, based on the current level of borrowings and interest swap rates, the Group's weighted average cost of debt was 2.2% and 84% of our debt facilities are at fixed rate or hedged. The weighted average maturity of the Group's drawn debt is 5.7 years at the current period end and the Group's LTV ratio is 30% as at 30 April 2020.

This LTV and interest cover ratio of 8.6x for the rolling twelve month period ended 30 April 2020 provide us with significant headroom compared to our banking covenants. We had £158m of undrawn bank facilities at 30 April 2020.

Given the recent volatility in the Sterling:Euro exchange rate, the Group has taken out average rate FX forward contracts to hedge the majority of the Group's exposure to the translation of Euro denominated earnings for the next three years. The value of the contracts are €6.5m for the second half of the 2020 financial year, €14.5m and €16m for the 2021 and 2022 financial years respectively and €8.5m for the first half of the 2023 financial year. These contracts have the effect of fixing the rate at which the majority of the Euro earnings are translated at a rate of €1.0751 to £1.

Taking into account the improvements we have made in the performance of the business and the reduction in underlying finance charges of c.£10m over the last six years, the Group is capable of generating free cash after dividends sufficient to fund the building of two to three new stores per annum depending on location and availability of land.

The Group evaluates development and acquisition opportunities in a careful and disciplined manner against rigorous investment criteria. Our investment policy requires certain Board-approved hurdle rates to be considered achievable prior to progressing an investment opportunity. In addition, the Group aims to maintain a Group LTV[11] ratio of between 30% and 40% which the Board considers to be appropriate for the Group.

Portfolio Management

Our approach to store development and acquisitions in the UK and Paris continues to be pragmatic, flexible and focused on the return on capital.

Our property teams in both the UK and Paris continue to seek investment opportunities in new sites to add to the store pipeline. However, investments will only be made if they comply with our disciplined and strict investment criteria. Our preference is to acquire sites that are capable of being fully operational within 18- 24 months from completion.

Since 2016, the Group has opened fourteen new stores; Chiswick, Wandsworth, Mitcham, Paddington Marble Arch, Carshalton (all in London), Birmingham Central, Birmingham Merry Hill, Altrincham, Peterborough and Gateshead in the UK, and Emerainville, Combs-la-Ville, Poissy and Pontoise in Paris, adding 715,000 sq ft.of MLA. We have also completed the extensions and refurbishments of our Acton and Longpont (Paris) stores adding a net 29,000 sq ft of fully invested space to the estate. All of these stores are performing in line with or ahead of their business plans.

New Stores

In the second half of 2018, we obtained planning for and completed the acquisition of a site in Carshalton in South London. This 40,000 sq ft freehold store opened in the first quarter of 2020.

In August 2019, we acquired a long leasehold 1.6 acre site with an existing building in Gateshead, North East England. The lease has 130 years remaining. Planning permission was obtained to convert the building into a 38,000 sq ft store and the store opened ahead of schedule in March 2020.

In September 2019, we acquired a freehold 1.5 acre site with an existing warehouse in Sheffield. The site is located in an accessible and prominent position on the northern side of the inner ring road (A61) which is close to the city centre in a densely populated catchment area. We have obtained planning permission for using the building for self-storage and creating external units. The Group was close to finalising the conversion of the existing building into a 47,000 sq ft store when the UK COVID-19 lockdown commenced. As a result, construction was paused but has now recommenced and it is anticipated that the store will open in June 2020, a delay of two months.

The Group has also acquired two additional sites in the UK in London at Morden and Bermondsey. Morden is a freehold 0.9 acre site in an established industrial location. Planning permission for a 43,000 sq ft self-storage facility has now been granted and we are considering the appropriate time to commence construction on this site. Bermondsey is a 0.5 acre freehold site with income from existing tenants and is adjacent to our existing leasehold store. Our medium term aim, subject to planning permission, is to extend our existing Bermondsey operations with the addition of a new self-storage facility to complement our existing store.

In Paris, where regulatory barriers are likely to continue to restrict meaningful new development inside the city, we will continue our policy of segmenting our demand and encouraging the customers who wish to reduce their storage costs to utilise our second belt stores. We will also manage occupancy and rates upwards in the more central stores and ensure that pricing recognises the value customers place on the convenience of physical proximity. The strong selling organisation and store network established by Une Pièce en Plus in Paris uniquely enables it to implement this commercial policy to complement the strong second belt markets in which we operate.

In April 2018, we agreed a lease on a site at Magenta in central Paris. Planning permission has been received for a 50,000 sq ft store and construction had commenced prior to the COVID-19 lockdown. During the lockdown construction was temporarily paused but has now recommenced and we anticipate the store opening in early 2021, a delay of around two months.

We believe there will be further opportunities to develop new stores in the outer suburbs of Paris and are actively reviewing the market for new opportunities.

Lease Extensions and Assignments

As part of our ongoing asset management programme, we have now extended the leases on 22 stores or 63% of our leased store portfolio in the UK since 2012 and our average lease length remaining now stands at 12.3 years as compared to 12.6 years at HY2019.

In the period we signed a new 15 year lease on our Notting Hill store in London expiring in March 2035. A three month rent free period was granted as part of the new lease.

Existing Store Extensions and Refurbishments

We are in the process of extending both our Bedford and Barking stores. Work has been recommenced after pausing during the early part of the COVID-19 lockdown.

Bedford has an existing MLA of 35,300 sq ft and occupancy peaked at 94% in 2018. We have now started construction of the additional storage building on land already in our ownership adjacent to the existing store. This will provide additional MLA of 26,000 sq ft which we expect to now open in June 2020.

Barking currently has an MLA of 47,900 sq ft and its occupancy also peaked at 94% in 2018. The extension, which should now be completed August 2020, will add another 5,000 sq ft of MLA. Both stores will remain open during the construction.

We have planning permission to extend our Chingford store. Occupancy in this 42,500 sq ft freehold store was at 85% in October 2019. We plan to add an additional 5,800 sq ft of MLA to this store with work commencing in June 2020 and concluding in September 2020. The exiting store will remain open throughout construction.

We continue to look at opportunities to add additional MLA to existing stores as we seek opportunities to enhance our return on invested capital.

Acquisitions

Fort Box

On 5 November 2019, Safestore acquired 100% of the shares of companies owning Fort Box Self Storage, which comprises two stores in London, for £14.3m including costs.

The stores, in the affluent areas of St John's Wood and Chelsea, have a total of 35,000 sq ft of MLA and were 79% and 69% occupied respectively at acquisition.

St John's Wood is a long leasehold store (999 years remaining) and Chelsea is a leasehold store with 20 years remaining on the lease.

The acquisition was immediately earnings accretive with the first-year initial yield anticipated at 4.4% rising to c.9% at stabilised occupancy levels.

The Group has rebranded the stores and, since acquiring the business and prior to the COVID-19 lockdown, the stores have been trading in line with expectations.

OhMyBox

On 30 December 2019 the Group completed the acquisition of OMB Self Storage SL ("OMB"), trading as OhMyBox, for total consideration of €17.25m on a debt-free and cash free basis, funded from the Group's existing debt facilities.

OMB operates four very well located leasehold properties in the centre of Barcelona with an average unexpired lease term of 16 years and one option to purchase the freehold for €4.2m. The company was 30% owned by the current management, who remain with the business, and 70% by a Spanish family office. The portfolio consists of four locations (Valencia, Calabria, Glorias and Marina) with an MLA totalling 104,000 sq ft. The occupancy of the business, at the end of the April 2020, was 89%.

Barcelona and Spain are attractive markets for self-storage. Spain has lower penetration of self-storage operators than the majority of European countries and less than half of the penetration of the UK and Barcelona is one of the most densely populated cities in Europe. Only 14% of facilities in the Spanish market are operated by large operators, which presents opportunities for consolidation and growth.

Pro forma first year EBITDA after rent is currently anticipated to be €0.9m on turnover of €2.5m. At the consideration price, the OMB portfolio has an implied first year net operating income yield of circa 5.2% and was immediately accretive to earnings.

Early trading in the business has been in line with our expectations prior to the COVID-19 lockdown.

Whilst our investments in the Netherlands, Belgium and Spain represent interesting long term growth opportunities, the investment in the three businesses currently represents less than 2% of Group assets.

Joint venture[14] with Carlyle and Investment in Lokabox

Safestore is pleased to announce that its joint venture with Carlyle, established in August 2019, has acquired the six-store portfolio of Lokabox on 3 June 2020. Safetore's equity investment in the JV, relating to Lokabox, will amount to c. €2.8m funded from the Group's existing resources. Safestore will also earn a fee for providing management services to the JV. Safestore expects to earn an initial return on investment of 12% before transaction related costs for the first full year reflecting its share of expected JV profits and fees for management services.

Lokabox has six prime locations in Brussels (2), Liege (2), Charleroi and Nivelles. All six stores are freehold, with the two Brussels stores having opened in the last nine months. The business had 20,600 sq metres (222,000 sq ft) of MLA and an occupancy of 63%. This acquisition complements the six stores in Amsterdam and Haarlem in the Netherlands acquired in August 2019. In total the JV will own stores with 46,300 sq metres (499,000 sq ft) of MLA.

The Belgian self-storage market is the seventh largest in Europe with 90 stores and 2.2m sq ft of MLA. This represents 0.19 sq ft per head of population, which compares to 0.73 sq ft per head in the UK, 0.20 sq ft per head in France and 9.44 sq ft per head in the USA.

The Group's further investment in the JV is expected to be immediately accretive to Group earnings per share from completion and will support the Group's future dividend capacity.

Portfolio Summary

The self-storage market has been growing consistently for over 20 years across many European countries but few regions offer the unique characteristic of London and Paris, both of which consist of large, wealthy and densely populated markets. In the London region, the population is 13 million inhabitants with a density of 5,200 inhabitants per square mile in the region, 11,000 per square mile in central London and up to 32,000 per square mile in the densest boroughs.

The population of the Paris urban area is 10.7 million inhabitants with a density of 9,300 inhabitants per square mile in the urban area but 54,000 per square mile in the City of Paris and first belt, where 69% of our French stores are located and which has one of the highest population densities in the western world. 85% of the Paris region population live in central parts of the city versus the rest of the urban area, which compares with 60% in the London region. There are currently c.245 storage centres within the M25 as compared to only c.95 in the Paris urban area.

In addition, barriers to entry in these two important city markets are high, due to land values and limited availability of sites as well as planning regulation. This is the case for Paris and its first belt in particular, which inhibits new development possibilities.

Our combined operations in London and Paris, with 76 stores, contributed £46.1m of revenue and £31.8m of store EBITDA in the first half of the financial year and offer a unique exposure to the two most attractive European self-storage markets.

Owned Store Portfolio by Region	**London & South East**	**Rest of UK**	**UK Total**	**Paris**	**Spain**	**Group Total**
Number of Stores	71	55	126	28	4	158
Let Square Feet (m sq ft)	1.99	1.75	3.74	0.99	0.09	4.82
Maximum Lettable Area (m sq ft)	2.74	2.62	5.36	1.31	0.11	6.78
Average Let Square Feet per store (k sq ft)	28	32	30	35	24	31
Average Store Capacity (k sq ft)	39	48	43	47	27	43
Closing Occupancy %	72.7%	66.8%	69.8%	75.1%	89.1%	71.1%
Average Rate (£ per sq ft)	29.69	18.98	24.72	34.32	25.85	26.52
Revenue (£'m)	38.1	21.7	59.8	18.7	0.8	79.3
Average Revenue per Store (£'m)	0.54	0.39	0.47	0.67	0.20	0.50

The reported totals have not been adjusted for the impact of rounding

We have a strong position in both the UK and Paris markets operating 126 stores in the UK, 71 of which are in London and the South East, and 28 stores in Paris.

In the UK, 64% of our revenue is generated by our stores in London and the South East. On average, our stores in London and the South East are smaller than in the rest of the UK but the rental rates achieved are materially higher enabling these stores to typically achieve similar or better margins than the larger stores. In London we operate 48 stores within the M25, more than any other competitor.

In France, we have a leading position in the heart of the affluent City of Paris market with eight stores branded as Une Pièce en Plus ("UPP") ("A spare room") with more stores than our two major competitors combined. 58% of the UPP stores are located in a cluster within a five-mile radius of the city centre, which facilitates strong operational and marketing synergies as well as options to differentiate and channel customers to the right store subject to their preference for convenience or price affordability. The Parisian market has attractive socio-demographic characteristics for self-storage and we believe that UPP enjoys unique strategic strength in such an attractive market.

Together, as at 30 April 2020 London, the South East and Paris represent 63% of our stores, 72% of our revenues, as well as 55% of our available capacity.

In addition, Safestore has the benefit of a leading national presence in the UK regions where the stores are predominantly located in the centre of key metropolitan areas such as Birmingham, Manchester, Liverpool, Bristol, Newcastle, Glasgow and Edinburgh. Our recent acquisition of OMB in Barcelona represents a platform into the Spanish market where we hope to take advantage of development and acquisition opportunities.

Market

The SSA stated in its 2020 report, issued in May 2020, that the self-storage industry "had a generally positive outlook" prior to the COVID-19 pandemic arriving in Europe. However, it also reported that most operators were seeing reductions in enquiry levels of between 30% and 50% in the early weeks of the lockdown. Looking forward, the report points out that previous downturns have presented opportunities for self-storage and speculates that increased working from home and online retailing as well as a potentially greater tendency for home improvements may complement the already broad range of demand drivers.

The self-storage market in the UK and France remains relatively immature compared to geographies such as the USA and Australia. The Self-Storage Association ("SSA") Annual Survey (May 2020) confirmed that self-storage capacity stands at 0.73 square feet per head of population in the UK and 0.20 square feet per capita in France. Whilst the Paris market density is greater than France, we estimate it to be significantly lower than the UK at around 0.36 square feet per inhabitant. This compares with 9.44 square feet per inhabitant in the USA and 1.89 square feet in Australia. In the UK, in order to reach the US density of supply would require the addition of around another 17,000 stores as compared to c.1,400 currently. In the Paris region, it would require around 2,400 new facilities versus c.95 currently opened.

While capacity increased significantly between 2007 and 2010 with respondents to the survey opening an average of 32 stores per annum, new additions were limited to an average of 19 stores per annum between 2011 and 2016 (including container storage openings).

The volume of new store openings increased in 2017 and 2018. In 2018, the SSA reported 70 stores as having been opened across the industry in 2017. However, our own analysis of these openings shows that many were container-based operators and only c.30 of the sites represent self-storage sites that are comparable with Safestore's own portfolio. In the 2019 SSA Survey, it was estimated that c. 40 traditional self-storage stores were opened in 2018 (excluding container storage) with less than half competing directly with Safestore. The 2020 report does not give indications of the level of openings in 2019 but own estimates are that also around 40 were opened in the period.

The 40 comparable sites represent around 2.9% of the traditional self-storage industry in the UK. These figures represent gross openings and do not take into account storage facilities closing or being converted for alternative uses. We estimate that around 25% of these sites compete with existing Safestore stores.

The SSA 2020 Survey also reported that operators' expectations in terms of new store openings and site acquisitions remained relatively consistent with previous years. For 2020, operators are estimating the completion of around 44 developments and around 48 in 2021. Traditionally, operators have opened or acquired far fewer stores than originally estimated. Based on these estimates, and adjusting for historical inaccuracy, we estimate that around 20-25 stores per annum will be developed over the coming years. If that supply is not within a relatively narrow radius of a Safestore store, it does not represent a competitive threat.

New supply in London and Paris is likely to continue to be limited in the short and medium term as a result of planning restrictions and the availability of suitable land.

The supply in the UK market, according to the SSA survey, remains relatively fragmented despite a number of acquisitions in the sector in the last four years. The SSA's estimates of the scale of the UK industry are finessed each year and changes from one year to the next represent improved data rather than new supply. In the 2020 report the SSA estimate that 1,900 self-storage facilities exist in the UK market including around 563 container based operations. Safestore is the industry leader by number of stores with 126 wholly owned sites followed by Big Yellow with 75 wholly owned stores (100 including Armadillo), Access with 58 stores, Lok'n Store with 34 stores, Shurgard with 31 stores and Storage King with 28 stores. In aggregate, the top ten leading operators account for 23% of the UK store portfolio. The remaining c.1,459 self-storage outlets (including 563 container-based operations) are independently owned in small chains or single units. In total there are 972 storage brands operating in the UK.

Safestore’s French Business, UPP, is mainly present in the core wealthier and more densely populated inner Paris and first belt areas, whereas our two main competitors, Shurgard and Homebox, have a greater presence in the outskirts and second belt of Paris.

Consumer awareness of self-storage is increasing but remains relatively low, providing an opportunity for future industry growth. The SSA survey indicated that 52% (52% in 2019) of consumers either knew nothing about the service offered by self-storage operators or had not heard of self-storage at all. Over the last 7 years this statistic has only fallen 12 percentage points from 64%. Therefore, the opportunity to grow awareness, combined with limited new industry supply makes for an attractive industry backdrop.

Self-storage is a brand-blind product. 64% of respondents were unable to name a self-storage business in their local area (2019: 57%). The lack of relevance of brand in the process of purchasing a self-storage product emphasises the need for operators to have a strong online presence. This requirement for a strong online presence was also reiterated by the SSA survey where 73% of those surveyed (67% in 2014) confirmed that an internet search would be their chosen means of finding a self-storage unit to contact, whilst knowledge of a physical location of a store as reason for enquiry was only c.26% of respondents (c.25% in 2014).

There are numerous drivers of self-storage growth. Most private and business customers need storage either temporarily or permanently for different reasons at any point in the economic cycle, resulting in a market depth that is, in our view, the reason for its exceptional resilience. The growth of the market is driven both by the fluctuation of economic conditions, which has an impact on the mix of demand, and by growing awareness of the product.

Safestore’s domestic customers’ need for storage is often driven by life events such as births, marriages, bereavements, divorces or by the housing market including house moves and developments and moves between rental properties. Safestore has estimated that UK owner-occupied housing transactions drive around 10-15% of the Group’s new lets.

The Group’s business customer base includes a range of businesses from start-up online retailers through to multi-national corporates utilising our national coverage to store in multiple locations while maintaining flexibility in their cost base.

Business and Personal Customers	UK	Paris
Personal Customers		
Numbers (% of total)	75%	84%
Square feet occupied (% of total)	56%	67%
Average Length of Stay (months)	21.6	28.3
Business Customers		
Numbers (% of total)	25%	16%
Square feet occupied (% of total)	44%	33%
Average Length of Stay (months)	31.9	35.8

Safestore’s customer base is resilient and diverse and consists of around 76,000 domestic, business and National Accounts customers across London, Paris and the UK regions.

Business Model

The Group operates in a market with relatively low consumer awareness. It is anticipated that this will increase over time as the industry matures. To date, despite the financial crisis in 2007/08 and the implementation of VAT on self-storage in 2012, the industry has been exceptionally resilient. In the context of uncertain economic conditions, driven by the COVID-19 pandemic and the approaching Brexit, the industry remains well positioned with limited new supply coming into the self-storage market.

With more stores inside London's M25 than any other operator and a strong position in central Paris, Safestore has leading positions in the two most important and demographically favourable markets in Europe. In addition, our regional presence in the UK is unsurpassed and contributes to the success of our industry leading National Accounts business. In the UK, Safestore is the leading operator by number of wholly owned stores. With 86% of customers travelling for less than 30 minutes to their storage facility (2020 SSA Survey) Safestore's national store footprint represents a competitive advantage.

The Group's capital-efficient portfolio of 158 wholly owned stores in the UK, Paris and Barcelona consists of a mix of freehold and leasehold stores. In order to grow the business and secure the best locations for our facilities we have maintained a flexible approach to leasehold and freehold developments.

Currently, around a third of our stores in the UK are leaseholds with an average remaining lease length at 30 April 2020 of 12.3 years (FY2019: 13.1 years). Although our property valuation for leaseholds is conservatively based on future cash flows until the next contractual lease renewal date, Safestore has a demonstrable track record of successfully re-gearing leases several years before renewal whilst at the same time achieving concessions from landlords.

In England, we benefit from the Landlord and Tenant Act that protects our rights for renewal except in case of redevelopment. The vast majority of our leasehold stores have building characteristics or locations in retail parks that make current usage either the optimal and best use of the property or the only one authorised by planning. We observe that our Landlords, who are property investors, value the quality of Safestore as a tenant and typically prefer to extend the length of the leases that they have in their portfolio, enabling Safestore to maintain favourable terms.

In Paris, where 39% of stores are leaseholds, our leases typically benefit from the well-enshrined Commercial Lease statute that provides that tenants own the commercial property of the premises and that they are entitled to renew their lease at a rent that is indexed to the National Construction Index published by the state. Taking into account this context, the valuer values the French leaseholds based on an indefinite property tenure, similar to freeholds but at a significantly higher exit cap rate.

The Group believes there is an opportunity to leverage its highly scalable marketing and operational expertise in a limited number of new geographies outside the UK and Paris. During 2019, a joint venture[14] was established with Carlyle, which acquired the M3 Self Storage business in the Netherlands which has six stores in Amsterdam and Haarlem. In June 2020, the joint venture[14] added the Lokabox business, a portfolio of six stores in Brussels (2), Liege (2), Charleroi and Nivelles. The Group earns a management fee and a share of the profits of the joint venture[14]. It is anticipated that the joint venture[14] will investigate further opportunities in due course.

Our experience is that being flexible in its approach has enabled Safestore to operate from properties and in markets that would have been otherwise unavailable and to generate strong returns on capital invested.

Safestore excels in the generation of customer enquiries which are received through a variety of channels including the internet, telephone and 'walk-ins'. In the early days of the industry, local directories and store visibility were key drivers of enquiries. However, the internet is now by far the dominant channel, accounting for 87% (2019: 82%) of our enquiries in the UK and 77% (2019: 74%) in France. Telephone enquiries comprise 9% of the total (15% in France) and 'walk-ins' amount to only 4% (8% in France). This dynamic is a clear benefit to the leading national operators that possess the budget and the management skills necessary to generate a commanding presence in the major search engines. Safestore has developed a leading digital marketing platform that has generated 41% enquiry growth over the last five years. Towards the end of 2015, the Group launched a new dynamic and mobile-friendly UK website, which has achieved its aim of providing the customer with an even clearer, more efficient experience. A similar website was launched in our Paris business at the end of 2016.

Although mostly generated online, our enquiries are predominantly handled directly by the stores and, in the UK, we have a Customer Support Centre ("CSC") which now handles 13% of all enquiries, in particular when the store colleagues are busy handling calls or outside of normal store opening hours.

Our pricing platform provides the store and CSC colleagues with system-generated real-time prices managed by our centrally based yield-management team. Local colleagues have certain levels of discretion to flex the system-generated prices but this is continually monitored.

Customer service standards are high and customer satisfaction feedback is consistently very positive. Over the last twelve months, we have achieved over 95% customer satisfaction, based on 'excellent' or 'good' ratings as collected by Feefo via our customer website.

The key drivers of sales success are the capacity to generate enquiries in a digital world, the capacity to provide storage locations that are conveniently located close to the customers' requirements and the ability to maintain a consistently high quality, motivated retail team that is able to secure customer sales at an appropriate storage rate, all of which can be better provided by larger, more efficient organisations.

We remain focused on business as well as domestic customers. Our national network means that we are uniquely placed to further grow the business customer market and in particular National Accounts. Business customers in the UK now constitute 44% of our total space let and have an average length of stay of 32 months. Within our business customer category, our National Accounts business represents around 447k sq ft of occupied space (around 12% of the UK's occupancy). Approximately two-thirds of the space occupied by National Accounts customers is outside London, demonstrating the importance and quality of our well invested national estate.

The business now has in excess of c. 75,000 business and domestic customers with an average length of stay of 32 months and 23 months respectively.

The cost base of the business is relatively fixed. Each store typically employs three staff. Our Group Head Office comprises business support functions such as Yield Management, Property, Marketing, HR, IT and Finance.

Since the completion of the rebalancing of our capital structure in early 2014, the subsequent amendment and extension of our banking facilities in summer 2015, the refinancing of all facilities in May 2017 and the issuance of a further £125m of US Private Placement Notes in 2019, Safestore has secure financing, a strong balance sheet and significant covenant headroom. This provides the Group with financial flexibility and the ability to grow organically and via carefully selected new development or acquisition opportunities.

At 30 April 2020 we had 1.6m sq ft of unoccupied space in the UK and 0.3m sq ft in France, equivalent to c.45 full new stores. Our main focus is on filling the spare capacity in our stores at optimally yield-managed rates. The operational leverage of our business model will ensure that the bulk of the incremental revenue converts to profit given the relatively fixed nature of our cost base.

Trading Performance

UK – a strong performance despite COVID-19 lockdown impacting occupancy

UK Operating Performance- total	2020	2019	Change[1]
Revenue (£'m)	59.8	55.2	8.3%
EBITDA (£'m)[3]	33.0	30.0	10.0%
EBITDA (after leasehold costs) (£'m)	29.1	27.0	7.8%
Closing Occupancy (let sq ft- million)[4]	3.74	3.68	1.6%
Maximum Lettable Area (MLA)[5]	5.36	5.12	4.7%
Closing Occupancy (% of MLA)[5]	69.8%	71.9%	-2.1ppts
Average Storage Rate (£)[6]	24.72	24.23	2.0%

UK Operating Performance- like-for-like[9]	2020	2019	Change[1]
Revenue (£'m)	58.4	55.2	5.8%
EBITDA (£'m)[3]	32.6	30.0	8.7%
Closing Occupancy (let sq ft- million)[4]	3.67	3.68	-0.3%
Closing Occupancy (% of MLA)[5]	71.6%	71.9%	-0.3ppts
Average Occupancy (let sq ft- million)[4]	3.78	3.64	3.8%
Average Storage Rate (£)[6]	24.68	24.23	1.9%

Revenue in the UK has grown by 8.3% in the period, whilst, on a like-for-like basis, revenue grew by 5.8%. Performance was consistent across the UK. Like-for-like average occupancy grew by 3.8% in the period but like-for-like closing occupancy declined by 0.3ppts to 71.6% (2019: 71.9%) as a result of the COVID-19 lockdown impacting trading between the middle of March and the end of the period.

The like-for-like average rate grew by 1.9% in the six month period, partially offsetting the occupancy outflow. Our total closing occupancy was down 2.1ppts at 69.8% (2019: 71.9%). Total occupancy is lower than like-for-like occupancy due to the impact of recently opened and acquired stores. Total rate grew by 2.0% to £24.72 (2019: £24.23).

We remain particularly focused on our cost base. During the period, our cost base increased by 2.0% or £0.6m on a like-for-like basis. However, since the COVID-19 lockdown period commenced, savings have been realised in the variable cost of sales of our ancillary products, employee costs, reduced maintenance activity and significant reductions in sales and marketing. In the month of April, c. £0.4m of like-for-like cost reductions were achieved in these areas compared to 2019.

As a result, underlying EBITDA after leasehold costs for the UK business was £29.1m (2019: £27.0m), an increase of £2.1m or 7.8%.

UK Lockdown Trading

During the lockdown period, enquiries, new lets and vacates were significantly below normal trading levels. Since the period end, and the beginning of the relaxation of the lockdown measures in the UK, enquiries have returned to normal levels and were above the prior year. As a result, occupancy has started to recover. From the beginning of May 2020 through to 15 June 2020 the business gained 42,000 sq ft of occupancy.

Consistent with our policy of balancing occupancy and rate, we held our rate well throughout the lockdown period. From the beginning of May 2020 to 15 June 2020, our storage rate was up 4.1% compared to the prior year on a like-for-like basis. Ancillary revenues have been negatively impacted by the closure of our reception areas during the lockdown but have recently started to recover. As a result, like-for-like storage revenues were up 2.3% in between 1 May 2020 and 15 June 2020 but overall like-for-like revenues were down 0.2% for the same period.

An analysis of revenue during the lockdown period and since the lockdown is as follows.

Like-for-like revenue analysis	**1 May-15 June**	**YOY %**
Average occupancy (‘m sq ft)	3.66	-1.5%
Closing Occupancy (‘m sq ft)	3.71	-1.7%
Average rate (£)	24.87	4.1%
Storage Revenue (£’m)	11.4	2.3%
Ancillary Revenue (£’m)	2.7	-9.7%
Total like-for-like revenue (£’m)	24.1	-0.2%

As of 15 June 2020, 96.9% of our April 2020 and May 2020 revenue has been collected in the UK (97.5% in 2019).

Paris – a strong and resilient performance

Paris Operating Performance- total	2020	2019	Change[1]
Revenue (€'m)	21.8	20.5	6.3%
EBITDA (€'m)[3]	14.1	13.1	7.6%
EBITDA (after leasehold costs) (€'m)	11.4	10.5	8.6%
Closing Occupancy (let sq ft- million)[4]	0.99	0.97	2.1%
Maximum Lettable Area (MLA)[5]	1.31	1.25	4.8%
Closing Occupancy (% of MLA)[5]	75.1%	77.7%	-2.6ppts
Average Storage Rate (€)[6]	39.88	39.01	2.2%
Revenue (£'m)	18.7	17.9	4.5%

Paris Operating Performance- like-for-like[9]	2020	2019	Change[1]
Revenue (€'m)	21.6	20.4	5.9%
EBITDA (€'m)[3]	14.2	13.0	9.2%
Closing Occupancy (let sq ft- million)[4]	0.96	0.97	-1.0%
Closing Occupancy (% of MLA)[5]	77.4%	77.7%	-0.3ppts
Average Occupancy (let sq ft- million)[4]	0.99	0.96	3.1%
Average Storage Rate (€)[6]	40.23	39.01	3.1%

Our Paris business had a strong first half of the year growing like-for-like revenue by 5.9%. Our like-for-like average occupancy for the period was 3.1% ahead of 2019 but the like-for-like closing occupancy ended the half-year down 0.3ppts at 77.4% (2019: 77.7%). The occupancy performance was partially offset by a 3.1% improvement in the like-for-like average rate in the period.

Total revenue was up 6.3% in the period. We opened a new store at Pontoise in the summer of 2019 and its lower occupancy levels mean that our total occupancy was 75.1%, down 2.6 ppts on the first half of 2019. All our recently opened stores at Emerainville (2016), Combs-la-Ville (2017), Poissy (2018) and Pontoise are trading in line with or ahead of our initial expectations.

The impact of Sterling being 1.8% stronger than in the comparative period resulted in Sterling equivalent revenue growing by 4.5% for the period.

The like-for-like cost base in Paris remained well controlled during the period and was flat compared to the prior year. Since the COVID-19 lockdown period commenced, savings have been realised in the variable cost of sales of our ancillary products, employee costs, reduced maintenance activity and significant reductions in sales and marketing.

As a result, like-for-like EBITDA grew to €14.2m (2019: €13.0m), an improvement of €1.2m or 9.2% on 2019.

Paris Lockdown Trading

During the lockdown period, enquiries, new lets and vacates were significantly below normal trading levels. Since the period end, and the beginning of the relaxation of the lockdown measures in Paris, which took place before the UK, enquiries have returned to normal levels and were above the prior year. As a result, occupancy has recovered strongly. From the beginning of May through to 15 June the business gained 19,000 sq ft of occupancy.

Consistent with our policy of balancing occupancy and rate, we held our rate well throughout the lockdown period. Between 1 May 2020 and 15 June 2020, our storage rate was up 2.3% compared to the prior year on a like-for-like basis. Ancillary revenues were negatively impacted by the closure of our reception areas during May 2020 but recovered in June 2020. As a result, like-for-like storage revenues were up 2.6% between 1 May 2020 and 15 June 2020 and overall like-for-like revenues were up 2.4% for the same period.

An analysis of revenue during the lockdown period and since the lockdown has been relaxed shows an improvement in trading.

Like-for-like revenue analysis	**1 May- 15 June**	**YOY %**
Average occupancy (‘m sq ft)	0.978	0.6%
Closing Occupancy (‘m sq ft)	0.984	1.4%
Average rate (€)	39.93	2.3%
Storage Revenue (€’m)	4.8	2.6%
Ancillary Revenue (€’m)	0.5	0.6%
Total like-for-like revenue (€’m)	5.3	2.4%

As of 15 June 2020, 83.8% of our April 2020 and May 2020 revenue has been collected in Paris (84.4% in 2019).

Spain- encouraging performance since acquisition

OMB was acquired on 30 December 2019 so has contributed four months of trading to the Group’s results. In that period the business delivered €1.0m of revenue and €0.8m of Store EBITDA. After overheads and leasehold rent EBITDA was €0.4m.

At the end of April 2020, the closing occupancy of the four stores was 89.1%. The impact of the COVID-19 lockdown on the trading of the business between mid-March 2020 and the end of April 2020 was immaterial. Since the period end, the business has recovered the small amount of occupancy lost during the lockdown and at the end of May 2020 had occupancy of 91.3%.

Joint Venture[14]

M3 was acquired by the joint venture with Carlyle in August 2019. In the first half of the current financial year it has been performing well. Revenue has been growing strongly driven by the like-for-like stores in addition to the positive development of the two recently opened stores. In addition, the consolidation of the business onto the Safestore marketing platform has resulted in improved enquiry performance and reduced marketing cost which have contributed to a significant improvement in EBITDA.

Since the COVID-19 lockdown has been eased in the Netherlands, enquiries have returned to normal levels.

Frederic Vecchioli
17 June 2020

Financial Review

Underlying Income Statement

The table below sets out the Group's underlying results of operations for the six months ended 30 April 2020 and the six months ended 30 April 2019.

	H1 2020 £'m	H1 2019 £'m	Mvmt %
Revenue	79.3	73.1	*8.5%*
Underlying costs	(33.7)	(31.7)	*6.3%*
Share of associate's underlying EBITDA	0.3	-	*-%*
Underlying EBITDA	**45.9**	**41.4**	***10.9%***
Leasehold rent	(6.3)	(5.3)	*18.9%*
Share of associate's leasehold rent	-	-	*-%*
Underlying EBITDA after leasehold rent	**39.6**	**36.1**	***9.7%***
Depreciation	(0.4)	(0.4)	*-%*
Finance charges	(4.9)	(4.2)	*16.7%*
Share of associate's finance charges	(0.2)	-	*-%*
Underlying profit before tax	**34.1**	**31.5**	***8.3%***
Current tax	(2.5)	(2.3)	*8.7%*
Share of associate's tax	(0.1)	-	*-%*
Adjusted EPRA earnings	**31.5**	**29.2**	***7.9%***
Share-based payments charge	(2.8)	(2.7)	*3.7%*
EPRA basic earnings	**28.7**	**26.5**	***8.3%***
Average shares in issue (m)	210.4	210.1	
Diluted shares (for ADE EPS) (m)	217.2	216.6	
Adjusted diluted EPRA EPS (pro forma) (p)	**14.5**	**13.5**	***7.4%***

Notes:

1. Adjusted Diluted EPRA EPS is defined in note 2 to the financial statements.
2. Adjusted EPRA earnings excludes share-based payment charges and, accordingly, the underlying EBITDA, underlying EBITDA after leasehold rent and underlying profit before tax measures have been restated to exclude share-based payment charges for consistency.

The table below reconciles profit before tax in the income statement to underlying profit before tax in the table above.

	H1 2020 £'m	H1 2019 £'m
Profit before tax	99.7	38.2
Adjusted for		
- gain on investment properties and investment property under construction	(67.3)	(10.6)
- change in fair value of derivatives	(1.6)	1.2
- share of associate's tax	0.1	-
- share-based payments	2.8	2.7
- exceptional items	0.4	-
Underlying profit before tax	34.1	31.5

Management considers the above presentation of earnings to be representative of the underlying performance of the business.

Underlying EBITDA increased by 10.9% to £45.9m (H1 2019: £41.4m) reflecting an 8.5% increase in revenue offset by a 6.3% increase in the underlying cost base (see below). The leasehold rent charge has increased by 18.9% from £5.3m in H1 2019 to £6.3m, reflecting leasehold stores acquired in Spain and London in the year to date as well as non-repeating benefits of favourable rent review settlements in the prior year.

Finance charges increased by 16.7% from £4.2m in H1 2019 to £4.9m in H1 2020. This principally reflects an increase in borrowings to finance acquisitions and construction works for our development sites.

Given the Group's REIT status in the UK, tax is normally only payable in France and Spain. The current tax charge for the period increased by 8.7% to £2.5m (H1 2019: £2.3m).

As explained in note 2 to the financial statements, management considers that the most representative earnings per share ("EPS") measure is Adjusted Diluted EPRA EPS which has increased by 7.4% to 14.5 pence (H1 2019: 13.5 pence).

Reconciliation of Underlying EBITDA

The table below reconciles the operating profit included in the consolidated income statement to underlying EBITDA.

	H1 2020 £'m	H1 2019 £'m
Operating profit	105.8	45.9
Adjusted for		
- gain on investment properties	(64.0)	(7.9)
- share of associate's depreciation, interest and tax	0.3	-
- depreciation	0.4	0.4
- contingent rent	0.2	0.3
- share-based payments	2.8	2.7
Exceptional items		
- costs incurred relating to corporate transactions	0.4	-
Underlying EBITDA	45.9	41.4

The main reconciling item between operating profit and underlying EBITDA is the gain on investment properties, which was £64.0m in H1 2020 (H1 2019: £7.9m). The Group's approach to the valuation of its investment property portfolio at 30 April 2020 is discussed below.

Underlying Profit by geographical region

The Group is organised and managed in three operating segments based on geographical region. The table below details the underlying profitability of each region.

	H1 2020				H1 2019		
	UK	Paris	Spain	Total (CER)	UK	Paris	Total (CER)
	£'m	€'m	€'m	£'m	£'m	€'m	£'m
Revenue	59.8	21.8	1.0	79.7	55.2	20.5	73.1
Underlying cost of sales	(21.6)	(6.0)	(0.2)	(27.0)	(20.6)	(5.8)	(25.7)
Store EBITDA	38.2	15.8	0.8	52.7	34.6	14.7	47.4
Store EBITDA margin	*63.9%*	*72.5%*	*80%*	*66.1%*	*62.7%*	*71.7%*	*64.8%*
Underlying administrative expenses	(5.2)	(1.7)	(0.2)	(6.9)	(4.6)	(1.6)	(6.0)
Underlying EBITDA	33.0	14.1	0.6	45.8	30.0	13.1	41.4
EBITDA margin	*55.2%*	*64.7%*	*60.0%*	*57.5%*	*54.3%*	*63.9%*	*56.6%*
Leasehold rent	(3.9)	(2.7)	(0.2)	(6.4)	(3.0)	(2.6)	(5.3)
Underlying EBITDA after leasehold rent	29.1	11.4	0.4	39.4	27.0	10.5	36.1
EBITDA after leasehold rent margin	*48.7%*	*52.3%*	*40.0%*	*49.4%*	*48.9%*	*51.2%*	*49.4%*
	UK	Paris	Spain	Total	UK	Paris	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Underlying EBITDA after leasehold rent (CER)	29.1	10.0	0.3	39.4	27.0	9.1	36.1
Adjustment to actual exchange rate	-	(0.1)	-	(0.1)	-	-	-
Share of associates underlying EBITDA				0.3			
Reported underlying EBITDA after leasehold rent	29.1	9.9	0.3	39.6	27.0	9.1	36.1

Note: CER is Constant Exchange Rates (Euro denominated results for the current period have been retranslated at the exchange rate effective for the comparative period in order to present the reported results on a more comparable basis).

Underlying EBITDA in the UK increased by £3.0m, or 10.0%, to £33.0m (H1 2019: £30.0m), reflecting an 8.3% increase in revenue offset partially by 6.3% increase in the underlying cost base, driven by strong like-for-like revenue growth of 5.8% in addition to acquisitions and new store openings. The underlying UK EBITDA margin increased to 55.2% compared to 54.3% in H1 2019.

In Paris, underlying EBITDA increased by €1.0m, or 7.6%, to €14.1m (H1 2019: €13.1m), reflecting a €1.3m increase in revenue, arising from a 4.7% increase in average occupancy coupled with a 2.2% increase in the average storage rate. The EBITDA after leasehold costs margin in Paris grew from 51.2% in H1 2019 to 52.3% in H1 2020, reflecting the improving profitability of the newly opened Paris stores. Underlying EBITDA after leasehold rent in Paris increased by 8.6% to €11.4m (H1 2019: €10.5m).

On the 30 December 2019, Safestore purchased OhMyBox in Spain. For the 4 months since acquisition, OhMyBox contributed £0.3m of EBITDA.

The combined performance of the UK, Paris and Spain resulted in a 9.1% increase in underlying EBITDA after leasehold rent at constant exchange rates. Adjusting for an unfavourable exchange impact of £0.1m in the current year and share of associate's underlying EBITDA of £0.3m (H1 2019: £nil), Group reported underlying EBITDA after leasehold rent has increased by 9.7% or £3.5m to £39.6m (H1 2019: £36.1m).

Revenue

Revenue for the Group is primarily derived from the rental of self-storage space and the sale of ancillary products such as insurance and merchandise (e.g. packing materials and padlocks) in both the UK and Paris.

The split of the Group's revenues by geographical segment is set out below for H1 2020 and H1 2019.

		H1 2020	% of total	H1 2019	% of total	% change
UK	£'m	59.8	75%	55.2	76%	8.3%
Paris						
Local currency	€'m	21.8		20.5		6.3%
Average exchange rate	€:£	1.162		1.142		(1.8%)
Paris in Sterling	£'m	18.7	24%	17.9	24%	4.5%
Spain						
Local currency	€'m	1.0		-		
Average exchange rate	€:£	1.162		-		
Spain in Sterling	£'m	0.8	1%	-		
Total revenue		79.3	100%	73.1	100%	8.5%

The Group's reported revenue increased by 8.5% or £6.2m during the period. The Group's occupied space was 173,000 sq ft higher at 30 April 2020 (4.82 million sq ft) than at 30 April 2019 (4.65 million sq ft). Average occupancy during the period was 7.8% higher at 4.97 million sq ft (H1 2019: 4.61 million sq ft), and the reported average rental rate for the Group for the period was 0.8% higher at £26.52 than in H1 2019 (£26.30).

On a like-for-like basis, adjusting for the impact of new and closed stores, the Group's revenue has increased by 5.5% since H1 2019. Adjusting for an unfavourable exchange impact in the current year, revenue increased by 5.9% on a constant currency basis.

In the UK, reported revenue increased by £4.6m or 8.3%. Closing occupancy increased by 1.6% to 3.74 million sq ft at 30 April 2020 (H1 2019: 3.68 million sq ft) and the average rental rate increased by 2.0% to £24.72 (H1 2019: £24.23). The average space occupied during the period was up 6.0% compared with H1 2019 at 3.87 million sq ft (H1 2019: 3.65 million sq ft).

On a like-for-like basis, adjusting for new and closed stores, UK revenue increased by £3.2m or 5.8% arising from a 3.8% increase in average occupancy and a 1.9% increase in the average store rate.

In Paris, revenue increased by €1.3m or 6.3%. The average Euro exchange rate for H1 2020 was €1.162:£1 compared with €1.142:£1 in H1 2019 resulting in a negative impact on revenue of £0.3m. Further adjusting for the impact of new stores in Paris, like-for-like revenue in constant currency increased by £1.1m or 6.2% to £18.9m (H1 2019: £17.8m).

Paris closing occupancy at 30 April 2020 has increased by 2.1% compared to 30 April 2019 to 0.99 million sq ft and average occupancy for the period of 1.00 million sq ft is a 4.2% increase compared to H1 2019, primarily as a result of strong like-for-like trading and the opening of the Pontoise store. The average rental rate in Paris was €39.88 for the period, an increase of 2.2% on H1 2019 (€39.01).

Analysis of Cost Base

Cost of sales

The table below details the key movements in cost of sales between H1 2019 and H1 2020.

Cost of sales	H1 2020 £'m	H1 2019 £'m
Reported cost of sales	(27.5)	(26.4)
Adjusted for:		
Depreciation	0.4	0.4
Contingent rent	0.2	0.3
Underlying cost of sales	(26.9)	(25.7)

Underlying cost of sales for H1 2019	(25.7)
New store cost of sales	-
Underlying cost of sales for H1 2019 (Like-for-like)	(25.7)
Enquiry generation	0.2
Underlying cost of sales for H1 2020 (Like-for-like; CER)	(25.5)
New store cost of sales	(1.5)
Underlying cost of sales for H1 2020 (CER)	(27.0)
Foreign exchange	0.1
Underlying cost of sales for H1 2020	(26.9)

In order to arrive at underlying cost of sales, adjustments are made to remove the impact of depreciation and contingent rent.

Adjusting for the impact of new and closed stores, underlying cost of sales on a like-for-like basis decreased by 0.8% or £0.2m, to £25.5m (H1 2019: £25.7m) in constant currency, principally due to savings in enquiry generation.

The cost of sales attributable to new and acquired sites at Peterborough, Merry Hill, Heathrow, Chelsea, St Johns Wood, Carshalton and Gateshead in the UK, Pontoise in France and in consolidated results in Spain is £1.5m. Underlying cost of sales increased by £1.2m or 4.7% to £26.9m in H1 2020.

Administrative Expenses

The table below reconciles reported administrative expenses to underlying administrative expenses and details the key movements in underlying administrative expenses between H1 2019 and H1 2020.

Administrative expenses	**H1 2020 £'m**	**H1 2019 £'m**
Reported administrative expenses	(10.0)	(8.7)
Adjusted for:		
Share-based payments	2.8	2.7
Exceptional items	0.4	-
Underlying administrative expenses	(6.8)	(6.0)

Underlying administrative expenses for H1 2019	(6.0)
New store administrative expenses	-
Underlying administrative expenses for H1 2019 (Like-for-like)	(6.0)
Employee remuneration	(0.6)
Professional fees and administration costs	(0.2)
Underlying administrative expenses for H1 2020 (Like-for-like; CER)	(6.8)
New store administrative expenses	(0.1)
Underlying administrative expenses for H1 2020 (CER)	(6.9)
Foreign exchange	0.1
Underlying administrative expenses for H1 2020	(6.8)

In order to arrive at underlying administrative expenses, adjustments are made to remove the impact of exceptional items, corporate transaction costs and changes in the fair value of derivatives.

Underlying administrative expenses increased by 13.3% or £0.8m to £6.8m (H1 2019: £6.0m). The increase arose from an increase in employee remuneration (£0.6m) and professional fees and administration costs relating to our closed and new stores (£0.2m).

Investment Properties

A full external valuation of the store portfolio is undertaken by the Group on an annual, rather than a six monthly basis. At 30 April 2020, a sample of the Group's largest properties, representing approximately 53% of the value of the Group's investment property portfolio at 31 October 2019, has been valued by the Group's external valuers, Cushman & Wakefield LLP ("C&W"). In addition, at the same date, the Directors have prepared estimates of fair values for the remaining 47% of the Group's investment property portfolio, updating 31 October 2019 valuations to incorporate latest assumptions to reflect current market conditions and trading.

It should be noted, to serve as a precaution, not invalidating the valuation, C&W's valuation report, consistent with other Real Estate Companies, comments on valuation uncertainty resulting from low liquidity in the market for self-storage property. C&W states that due to the lack of comparable market information in the self-storage sector, there is greater uncertainty attached to its opinion of value than would be anticipated during more active market conditions The unknown future impact that COVID-19 might have on the real estate market led to the valuations to be reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty should be attached to the valuation than would normally be the case.

As a result of this exercise, the net gain or loss on investment properties during the period was as follows.

	H1 2020	**H1 2019**
	£'m	**£'m**
Revaluation of investment properties	68.6	14.5
Revaluation of investment properties under construction	(1.3)	(3.9)
Fair value re-measurement of interest in leasehold properties	(3.3)	(2.7)
Gain on investment properties	64.0	7.9

The movement on investment properties reflects the increased value of the Group's store portfolio as a result of the continuing strong trading performance and the impact of leasehold renewals and store extensions. The UK business contributed £41.3m of the £67.3m net revaluation gain (including investment properties under construction), with a £28.6m revaluation gain arising in Paris. The valuation gain has primarily arisen due to improving trading cash flow forecasts driven by a combination of storage rate and occupancy growth.

Operating profit

Reported operating profit increased by £59.9m from £45.9m in H1 2019 to £105.8m in H1 2020, primarily reflecting a £56.1m higher investment property gain as well as a £4.5m improvement in underlying EBITDA.

Net finance costs

Net finance costs includes interest payable, interest on obligations under finance leases, fair value movements on derivatives, exchange gains or losses, unwinding of discounts and exceptional refinancing costs. Net finance costs decreased by £1.6m to £6.1m in H1 2020 (H1 2019: £7.7m). The main driver of the decrease was the gain on fair value movement on derivatives of £1.6m (2019: loss of (£1.2m)).

	H1 2020 £'m	H1 2019 £'m
Fair value movement on derivatives	1.6	-
Finance income	1.6	-
Net bank interest payable	(4.7)	(4.1)
Amortisation of debt issuance costs on bank loans	(0.2)	(0.1)
Interest on obligations under finance leases	(2.8)	(2.3)
Fair value movement on derivatives	-	(1.2)
Unwinding of discount on Capital Goods Scheme receivable	-	-
Finance costs	(7.7)	(7.7)
Net finance costs	(6.1)	(7.7)

Underlying finance charge

The underlying finance charge (net bank interest payable) increased to £4.9m, from £4.2m in H1 2019. The increase reflects interest arising from net borrowings in the year to fund acquisition and construction works on development sites. Net bank interest payable also includes the amortisation of debt issue costs of £0.2m as at 30 April 2020 (H1 2019: £0.1m).

Based on the drawn debt position as at 30 April 2020, the effective interest rate is analysed as follows:

	Facility £/€'m	Drawn £'m	Hedged £'m	Hedged %	Bank Margin	Hedged Rate	Floating Rate	Total Rate
UK Revolver	£250.0	£123.5	£55.0	45%	1.25%	0.82%	0.20%	1.72%
UK Revolver- non-utilisation	£126.5	-	-	-	0.50%	-	-	0.50%
Euro Revolver	€70.0	£29.6	£26.1	88%	1.25%	0.17%	(0.42%)	1.35%
Euro Revolver- non-utilisation	€36.0	-	-	-	0.50%	-	-	0.50%
US Private Placement 2024	€50.9	£44.3	£44.3	100%	1.59%	-	-	1.59%
US Private Placement 2027	€74.1	£64.5	£64.5	100%	2.00%	-	-	2.00%
US Private Placement 2029	£50.5	£50.5	£50.5	100%	2.92%	-	-	2.92%
US Private Placement 2026	€70.0	£60.9	£60.9	100%	1.26%	-	-	1.26%
US Private Placement 2026	£35.0	£35.0	£35.0	100%	2.59%	-	-	2.59%
US Private Placement 2029	£30.0	£30.0	£30.0	100%	2.69%	-	-	2.69%
Unamortised finance costs	-	(£1.5)	-	-	-	-	-	-
Total	£596.2	£436.8	£366.3	84%				2.19%

As at 30 April 2020, £123.5m of the £250m UK revolver and €34m (£29.6m) of the €70m Euro revolver were drawn. The drawn amounts attract a bank margin of 1.25%, and the Group pays a non-utilisation fee of 0.50% on the undrawn balances of £126.5m and €36m respectively.

The Group has interest rate hedge agreements in place to June 2023, swapping LIBOR on £55m at a weighted average effective rate of 0.82% and EURIBOR on €30m at an effective rate of 0.17%.

The 2024, 2026 and 2027 US Private Placement Notes are denominated in Euros and attract fixed interest rates of 1.59% (on €50.9m), 2.00% (on €74.1m) and 1.26% (on €70.0m) respectively. The Euro denominated borrowings provide a natural hedge against the Group's investment in the Paris business.

The £35.0m 2026, £50.5m 2029 and £30.0m 2029 US Private Placement Notes are denominated in Sterling and attract a fixed interest rate of 2.59%, 2.92% and 2.69% respectively.

84% of the Group's drawn debt is effectively at fixed rates of interest, as a result of the hedging arrangements and fixed interest loan notes. Overall, the Group has an effective interest rate on its borrowings of 2.19% at 30 April 2020, compared to 2.30% at the previous year end, as a result of increased weighting of bank borrowing in the overall mix of debt.

Non-underlying finance charge

Interest on finance leases was £2.8m (H1 2019: £2.3m) and reflects part of the leasehold rental payment. The balance of the leasehold payment is charged through the gain or loss on investment properties line and contingent rent in the income statement. Overall, the leasehold rent charge increased from £5.3m in H1 2019 to £6.3m in H1 2020, predominantly as a result of the new leaseholds in London and Spain. A net gain of £1.6m was recognised on fair valuation of derivatives (H1 2019: net loss of £1.2m).

The Group undertakes net investment hedge accounting for its new Euro denominated loan notes, so the income statement is less exposed to fluctuations in the Euro exchange rate.

Tax

The tax credit for the period is analysed below:

Tax charge	**H1 2020** **£'m**	**H1 2019** **£'m**
Underlying current tax	(2.5)	(2.3)
Current tax charge	(2.5)	(2.3)
Tax on investment properties movement	(7.9)	(1.6)
Tax on revaluation of interest rate swaps	-	0.1
Other	0.2	-
Deferred tax (charge)/credit	(7.7)	(1.5)
Net tax (charge)/credit	(10.2)	(3.8)

Income tax in the period was a net charge of £10.2m (H1 2019: £3.8m).

In the UK, the Group is a REIT, so the current tax charge relates to the Paris and Spain businesses. The current tax charge for the period amounted to £2.5m (H1 2019: £2.3m).

Profit after tax

The profit after tax for the period was £89.5m, compared with £34.4m in H1 2019, an increase of £55.1m which arose principally due to the increased gain on investment properties (contributing £56.1m of the increase) offset by the higher tax charge (£6.4m), both of which are explained above.

Basic EPS was 42.5 pence (H1 2019: 16.4 pence) and diluted EPS was 42.4 pence (H1 2019: 16.4 pence). As explained in note 2 to the financial statements, management considers adjusted diluted EPRA EPS to be more representative of the underlying EPS performance of the business.

Dividends

The Board has announced an interim dividend of 5.9 pence per share, representing a 7.3% increase from the interim dividend paid last year of 5.5 pence. This will amount to a dividend payment of £12.4m (H1 2019: £11.6m). The dividend will be paid on 14 August 2020 to shareholders who are on the Company's register at the close of business on 10 July 2020. The ex-dividend date will be 9 July 2020. 100% (H1 2019: 100%) of the dividend will be paid as a property income dividend ("PID").

Property Valuation

As discussed above, a sample of the Group's largest properties, representing approximately 53% of the value of the Group's investment property, has been valued by the Group's external valuers and the Directors have prepared estimates of fair values for the remaining 47% of the Group's investment property portfolio.

	UK	**Paris**	**Spain**	**Total**	**Paris**	**Spain**
	£'m	**£'m**	**£'m**	**£'m**	**€'m**	**€'m**
Value as at 1 November 2019	998.9	332.9	-	1,331.8	386.1	-
Currency translation movement	-	3.5	0.4	3.9	-	-
Additions	19.9	1.2	0.1	21.2	1.4	0.1
On acquisition of subsidiary	4.2	-	14.6	18.8	-	17.2
Reclassifications	6.9	-	-	6.9	-	-
Revaluation	42.6	28.6	(2.6)	68.6	33.2	(2.9)
Value at 30 April 2020	1,072.5	366.2	12.5	1,451.2	420.7	14.4

The table above summarises the movement in the valuations of the Group's investment property portfolio excluding investment properties under construction.

The exchange rate at 30 April 2020 was €1.1487:£1 compared to €1.1596:£1 at 31 October 2019. This movement in the foreign exchange rate has resulted in a £3.9m positive currency translation movement in the period. This affects net asset value ("NAV") but has no impact on the loan to value ("LTV") covenant as the assets in Paris are tested in Euro.

The Group's property portfolio valuation has increased by £119.4m from the valuation of £1,331.8m at 31 October 2019. This reflects the gain on valuation of £68.6m, which is explained above, plus additions associated with the acquisitions, including Spain, of £18.8m, £28.1m relating to store refurbishments and reclassifications and £3.9m of foreign exchange movements on the translation of the Paris and Spain portfolios.

EPRA Basic NAV per share was £4.87, an increase of 7.7% since 31 October 2019.

Gearing and Capital Structure

As at 30 April 2020, the Group's borrowings comprised bank borrowing facilities, made up of a UK term loan and revolving facilities in the UK and France, as well as US Private Placements.

Net debt (including finance leases and cash) stood at £504.1m at 30 April 2020, an increase of £60.8m during the period, from £443.3m at 31 October 2019, that is principally due to increased net drawings for development property acquisition and construction costs, as well as lease liabilities relating to acquired leasehold property. Total capital (net debt plus equity) increased from £1,329.2 at 31 October 2019 to £1,457.7m at 30 April 2020.

The net impact is that the gearing ratio has increased slightly to 35% at 30 April 2020 from 33% at 31 October 2020.

Management also measures gearing with reference to its loan to value ("LTV") ratio defined as gross debt (excluding finance leases, but adjusted for the fair value of the US dollar cross currency swaps) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases). At 30 April 2020, the Group LTV ratio was 30% compared with 31% at 31 October 2019. The Board considers the current level of gearing is appropriate for the business to enable the Group to increase returns on equity, maintain financial flexibility and to achieve our medium-term strategic objectives.

As at 30 April 2020, £123.5m of the £250m UK revolver and €34m (£29.6m) of the €70m Euro revolver were drawn. Including the US Private Placement debt of €195m (£169.7m) and £115.5m, the Group's borrowings totalled £438.3m (before adjustment for unamortised finance costs). As at 30 April 2020, the weighted average remaining term for the Group's committed borrowing facilities is 5.0 years.

Borrowings under the existing loan facilities are subject to certain financial covenants. The UK bank facilities and the US Private Placement share interest cover and LTV covenants. The interest cover requirement of EBITDA:interest is 2.4:1, where it will remain until the end of the facilities' terms. Interest cover for the rolling twelve month period to 30 April 2020 is 8.6x, calculated on the basis required under our financial covenants.

The LTV covenant is 60% in both the UK and France, where it will remain until the end of the facilities' terms. As at 30 April 2020, there is significant headroom in both the UK LTV and the French LTV covenant calculations. The Group is in compliance with its covenants at 30 April 2020 and, based on forecast projections (which considered a number of factors, including the current balance sheet position, the principal and emerging risks which could impact the performance of the Group and the Group's strategic and financial plan), is expected to be in compliance for a period in excess of twelve months from the date of this report and accordingly, this interim statement is prepared on the basis of going concern.

Cash flow

The table below sets out the cash flow of the business in H1 2020 and H1 2019.

	H1 2020 £'m	H1 2019 £'m
Underlying EBITDA	45.9	41.4
Working capital/ exceptionals/ other	-	(1.4)
Adjusted operating cash inflow	45.9	40.0
Interest payments	(4.6)	(4.3)
Leasehold rent payments	(6.3)	(5.3)
Tax payments	(2.6)	(2.8)
Free cash flow (before investing and financing activities)	32.4	27.6
Acquisition of subsidiary, net of cash acquired	(18.5)	-
Capital expenditure - investment properties	(31.9)	(17.3)
Capital expenditure - property, plant and equipment	(0.6)	(0.5)
Adjusted net cash flow after investing activities	(18.6)	9.8
Dividends paid	(21.8)	(20.4)
Net drawdown of borrowings	22.2	19.0
Debt issuance costs	(0.5)	-
Net (decrease)/increase in cash	(18.7)	8.4

Note: Free cash flow is a non-GAAP measure, defined as cash flow before investing and financing activities but after leasehold rent payments.

Adjusted operating cash flow increased by £5.9m in the period, principally reflecting the £4.5m increase in underlying EBITDA.

Interest payments were £0.3m higher than the prior half year, principally as a result of increased net borrowings. Tax paid during the period decreased slightly by £0.2m principally due to timing differences. As a result, free cash flow (before investing and financing activities) grew by £4.8m to £32.4m (H1 2019: £27.6m).

Investing activities experienced a net outflow of £51.0m (H1 2019: £17.8m) from acquisitions in Spain and London and capital expenditure relating to new sites at Carshalton in London, Gateshead, Sheffield and an extension of the Bedford store. Of the £31.9m cash outflow on investment properties, £2.4m (H1 2019: £2.0m) was spent on capital maintenance and store fit-outs, with the balance principally spent on new stores and development of the existing portfolio.

Dividends paid to shareholders increased from £20.4m in H1 2019 to £21.8m in H1 2020, and the Group drew a net £22.2m of borrowings, primarily to finance capital expenditure.

The first table below reconciles free cash flow (before investing and financing activities) in the table above to net cash inflow from operating activities in the consolidated cash flow statement. The second table below reconciles adjusted net cash flow after investing activities in the table above to the consolidated cash flow statement.

	H1 2020 £'m	H1 2019 £'m
Free cash flow (before investing and financing activities)	32.4	27.6
Addback: Finance lease principal payments	3.3	2.7
Net cash inflow from operating activities	35.7	30.3

	H1 2020 £'m	H1 2019 £'m
From table above:		
Adjusted net cash flow after investing activities	(18.6)	9.8
Addback: Finance lease principal payments	3.3	2.7
Net cash outflow after investing activities	(15.3)	12.5
From consolidated cash flow:		
Net cash inflow from operating activities	35.7	30.3
Net cash outflow from investing activities	(51.0)	(17.8)
Net cash outflow after investing activities	(15.3)	12.5

Consolidated income statement
for the six months ended 30 April 2020

	Note	**Six months ended 30 April 2020 (unaudited) £m**	Six months ended 30 April 2019 (unaudited) £m	Year ended 31 October 2019 (audited) £m
Revenue	4,5	**79.3**	73.1	151.8
Cost of sales		**(27.5)**	(26.4)	(53.8)
Gross profit		**51.8**	46.7	98.0
Administrative expenses		**(10.0)**	(8.7)	(18.5)
Share of profit in associate		**-**	-	-
Underlying EBITDA	5	**45.9**	41.4	87.5
Exceptional items and corporate transaction costs	6	**(0.4)**	-	(0.6)
Share-based payments		**(2.8)**	(2.7)	(5.6)
Depreciation and contingent rent		**(0.6)**	(0.7)	(1.8)
Share of associate's depreciation, interest and tax		**(0.3)**	-	-
Operating profit before gain on investment properties		**41.8**	38.0	79.5
Gain on investment properties	13	**64.0**	7.9	84.2
Operating profit		**105.8**	45.9	163.7
Finance income	7	**1.6**	-	0.1
Finance expense	7	**(7.7)**	(7.7)	(16.5)
Profit before income tax	5	**99.7**	38.2	147.3
Income tax (charge)/credit	8	**(10.2)**	(3.8)	(15.2)
Profit for the period		**89.5**	34.4	132.1
Earnings per share for profit attributable to the equity holders				
- basic (pence)	11	**42.5**	16.4	62.8
- diluted (pence)	11	**42.4**	16.4	62.6

All items in the income statement relate to continuing operations.

Underlying EBITDA is defined as operating profit before exceptional items and corporate transaction costs, share-based payments, gain/loss on investment properties, contingent rent and depreciation.

An interim dividend of 5.9 pence per ordinary share has been declared for the period ended 30 April 2020 (30 April 2019: 5.5 pence).

Consolidated statement of comprehensive income
for the six months ended 30 April 2020

	Six months ended 30 April 2020 (unaudited) £m	Six months ended 30 April 2019 (unaudited) £m	Year ended 31 October 2019 (audited) £m
Profit for the period	**89.5**	34.4	132.1
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss:			
Currency translation differences	**2.9**	(6.3)	(7.0)
Net investment hedge	**(1.6)**	3.2	3.3
Total other comprehensive income, net of tax	**1.3**	(3.1)	(3.7)
Total comprehensive income for the period	**90.8**	31.3	128.4

Consolidated balance sheet
as at 30 April 2020

	Note	**30 April 2020 (unaudited) £m**	30 April 2019 (unaudited) £m	31 October 2019 (audited) £m
Non-current assets				
Goodwill		**-**	-	-
Investment in associates	12	**2.8**	-	2.8
Investment properties	13	**1,451.2**	1,226.5	1,331.8
Interests in leasehold properties	13	**81.6**	59.8	63.5
Investment properties under construction	13	**15.6**	12.2	13.9
Property, plant and equipment		**3.0**	2.4	2.4
Derivative financial instruments	17	**1.4**	0.7	-
Deferred tax assets	9	**0.2**	0.1	0.3
Other receivables		**0.2**	0.5	0.2
		1,556.0	1,302.2	1,414.9
Current assets				
Inventories		**0.3**	0.2	0.3
Derivative financial instruments	17	**0.8**	-	-
Trade and other receivables		**27.4**	28.1	22.6
Cash and cash equivalents		**14.6**	18.6	33.2
		43.1	46.9	56.1
Total assets		**1,599.1**	1,349.1	1,471.0
Current liabilities				
Trade and other payables		**(49.9)**	(47.1)	(40.6)
Current income tax liabilities		**(2.5)**	(2.3)	(2.7)
Obligations under finance leases		**(12.2)**	(9.1)	(9.7)
		(64.6)	(58.5)	(53.0)
Non-current liabilities				
Bank borrowings	16	**(436.8)**	(384.5)	(413.0)
Derivative financial instruments	17	**(1.2)**	(0.7)	(0.6)
Deferred tax liabilities	9	**(73.2)**	(56.2)	(64.7)
Obligations under finance leases		**(69.7)**	(50.7)	(53.8)
		(580.9)	(492.1)	(532.1)
Total liabilities		**(645.2)**	(550.6)	(585.1)
Net assets		**953.6**	798.5	885.9
Shareholders' equity				
Ordinary shares	18	**2.1**	2.1	2.1
Share premium		**60.6**	60.5	60.6
Translation reserve		**11.1**	10.4	9.8
Retained earnings		**879.8**	725.5	813.4
Total equity		**953.6**	798.5	885.9

The notes set out below form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity
for the six months ended 30 April 2020

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 November 2019	2.1	60.6	9.8	813.4	885.9
Total comprehensive income for the period	-	-	1.3	89.5	90.8
Transactions with owners in their capacity as owner:					
Dividends (note 10)	-	-	-	(25.3)	(25.3)
Increase in share capital	-	-	-	-	-
Employee share options	-	-	-	2.2	2.2
At 30 April 2020	**2.1**	**60.6**	**11.1**	**879.8**	**953.6**

Condensed consolidated statement of changes in equity
for the six months ended 30 April 2019

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total Equity £m
At 1 November 2018	2.1	60.5	13.5	712.5	788.6
Total comprehensive income for the period	-	-	(3.1)	34.4	31.3
Transactions with owners in their capacity as owner:					
Dividends (note 10)	-	-	-	(23.4)	(23.4)
Employee share options	-	-	-	2.0	2.0
At 30 April 2019	**2.1**	**60.5**	**10.4**	**725.5**	**798.5**

Condensed consolidated statement of changes in equity
for the year ended 31 October 2019

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total Equity £m
At 1 November 2018	2.1	60.5	13.5	712.5	788.6
Total comprehensive income for the year	-	-	(3.7)	132.1	128.4
Transactions with owners in their capacity as owner:					
Dividends (note 10)	-	-	-	(35.0)	(35.0)
Increase in share capital	-	0.1	-	-	0.1
Employee share options	-	-	-	3.8	3.8
At 31 October 2019	**2.1**	**60.6**	**9.8**	**813.4**	**885.9**

Consolidated cash flow statement
for the six months ended 30 April 2020

	Six months ended 30 April 2020 (unaudited) £m	Six months ended 30 April 2019 (unaudited) £m	Year ended 31 October 2019 (audited) £m
Profit before income tax	**99.7**	38.2	147.3
Gain on the revaluation of investment properties	**(64.0)**	(7.9)	(84.2)
Share of profit in associate	**-**	-	-
Depreciation	**0.4**	0.4	0.7
Net finance expense	**6.1**	7.7	16.4
Employee share options	**2.2**	2.0	3.8
(Increase)/decrease in trade and other receivables	**(4.4)**	(5.8)	0.9
Increase/(decrease) in trade and other payables	**5.7**	5.1	0.6
Cash flows from operating activities	**45.7**	39.7	85.5
Interest received	**-**	-	0.1
Interest paid	**(7.4)**	(6.6)	(13.7)
Tax paid	**(2.6)**	(2.8)	(5.3)
Net cash inflow from operating activities	**35.7**	30.3	66.6
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired (note 23)	**(18.5)**	-	(6.4)
Investment in associates	**-**	-	(2.8)
Loans to associates		-	(1.7)
Expenditure on investment and development properties	**(31.9)**	(17.3)	(38.7)
Proceeds in respect of Capital Goods Scheme	**-**	-	0.6
Purchase of property, plant and equipment	**(0.6)**	(0.5)	(0.9)
Net cash outflow from investing activities	**(51.0)**	(17.8)	(49.9)
Cash flows from financing activities			
Issue of share capital	**-**	-	0.1
Equity dividends paid	**(21.8)**	(20.4)	(35.0)
Proceeds from borrowings	**39.5**	23.0	173.4
Repayment of borrowings	**(17.3)**	(4.0)	(125.5)
Debt issuance costs	**(0.5)**	-	(0.5)
Hedge breakage costs	**-**	-	(0.6)
Finance lease principal payments	**(3.3)**	(2.7)	(5.4)
Net cash (outflow)/inflow from financing activities	**(3.4)**	(4.1)	6.5
Net (decrease)/increase in cash and cash equivalents	**(18.7)**	8.4	23.2
Exchange loss on cash and cash equivalents	**0.1**	(0.3)	(0.5)
Opening cash and cash equivalents	**33.2**	10.5	10.5
Closing cash and cash equivalents	**14.6**	18.6	33.2

Reconciliation of net cash flow to movement in net debt
for the six months ended 30 April 2020

	Six months ended 30 April 2020 (unaudited) £m	Six months ended 30 April 2019 (unaudited) £m	Year ended 31 October 2019 (audited) £m
Net increase/(decrease) in cash and cash equivalents (after exchange adjustments)	**(18.6)**	8.1	22.7
(Increase)/decrease in debt financing	**(42.2)**	(18.3)	(50.5)
(Increase)/decrease in net debt	**(60.8)**	(10.2)	(27.8)
Net debt at start of period	**(443.3)**	(415.5)	(415.5)
Net debt at end of period	**(504.1)**	(425.7)	(443.3)

Notes to the interim report for the six months ended 30 April 2020

1 General information

The Company is a public limited company incorporated in Great Britain and domiciled in the UK. The address of its registered office is Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

The Company is listed on the London Stock Exchange.

This interim report was approved for issue on 18 June 2020.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The full accounts of Safestore Holdings plc for the year ended 31 October 2019, which received an unqualified report from the auditors, and did not contain a statement under S.498(2) or (3) of the Companies Act 2006, were filed with the Registrar of Companies on 21 March 2020.

This condensed consolidated interim financial information for 30 April 2020 and 30 April 2019 is unaudited. The interim financial information for 30 April 2020 has been reviewed by the auditors and their Independent Review report is included within this financial information.

2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 April 2020 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing this condensed consolidated interim financial information.

In assessing the Group's going concern position as at 30 April 2020, the Directors have considered a number of factors, including the current balance sheet position, the principal and emerging risks which could impact the performance of the Group and the Group's strategic and financial plan. Consideration has been given to compliance with borrowing covenants along with the uncertainty inherent in future financial forecasts. In addition, in relation to the potential impact of COVID-19, various scenarios and stress tests have been modelled including sensitivities relating to the potential impact on performance due to possible changes in lockdown durations and post lockdown demand levels. This included the potential impact on performance due to possible changes in the levels of demand, customer churn, sales performance and rate growth. The Group is a profitable provider of self-storage with a strong balance sheet, significant liquidity and has considerable headroom compared to its banking covenants. The financial position of the Group, including details of its financing and capital structure, is set out in the Financial Review section of this announcement.

The assessment concluded that, for the foreseeable future, the Group has sufficient capital to support its operations; has a funding and liquidity base which is strong, robust and well managed with substantial future capacity and has expectations that performance will continue to improve as the Group's strategy is executed.

The potential impact of COVID-19 is discussed further on pages 7 to 9 in the front section of this announcement.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 October 2019, which have been prepared in accordance with IFRS as adopted by the European Union.

2 Basis of preparation (continued)

Non-GAAP financial information

The Directors have identified certain measures that they believe will assist the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but they have been included as the Directors consider them to be important comparables and key measures used within the business for assessing performance. The following are the key non-GAAP measures identified by the Group:

- The Group defines exceptional items to be those that warrant, by virtue of their nature, size or frequency, separate disclosure on the face of the income statement where, in the opinion of the Directors, this enhances the understanding of the Group's financial performance.
- Underlying EBITDA is defined as operating profit before exceptional items and corporate transaction costs, share-based payments, gain/loss on investment properties, contingent rent and depreciation. Management considers this presentation to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of investment properties, and the impact of exceptional credits, costs and finance charges.

  The reconciliation of statutory operating profit to underlying EBITDA can be found in the financial review section of this announcement.
- Adjusted Diluted EPRA EPS is based on the European Public Real Estate Association's ("EPRA") definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore, neither the Company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements disclose earnings both on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest. A reconciliation of statutory basic earnings per share to Adjusted Diluted EPRA EPS can be found in note 11.
- EPRA basic net assets per share is an industry standard measure recommended by the EPRA. The basis of calculation, including a reconciliation to reported net assets, is set out in note 15.

3 Accounting policies

The condensed consolidated interim financial information has been prepared on the basis of the accounting policies expected to apply for the financial year to 31 October 2020 applicable to companies under IFRS. The IFRS and IFRIC interpretations as adopted by the European Union that will be applicable at 31 October 2020, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements. Thus the accounting policies adopted in these interim financial statements may be subject to revision to reflect further IFRS and IFRIC interpretations and pronouncements issued between 18 June 2020 and publication of the annual IFRS financial statements for the year ending 31 October 2020.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are disclosed within the Group's accounting policies as disclosed in the IFRS financial statements for the year ended 31 October 2019. The external valuation of our portfolio at 30 April 2020, as

3 Accounting policies (continued)

detailed in note 14, contains a material uncertainty clause from C&W, which is in line with the RICS guidance to valuers and reflects the increased difficulty in determining asset values when few, if any, comparable transactions have occurred and overall market sentiment in the new trading environment brought on by COVID-19. There have been no other significant changes in accounting estimates in the period.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest financial statements other than the accounting policy for leases which has been amended for the adoption of IFRS 16. The nature of the Significant Judgements and Key Sources of Estimation Uncertainty applied in the condensed financial statements have remained consistent with those applied in the Group's latest annual audited financial statements.

This is the Group's first set of financial statements where IFRS 16 "Leases" has been applied. There have been no retrospective adjustments made to the prior year figures. The impact on the six month results on adoption of this standard is set out below:

- IFRS 16 replaces IAS 17 "Leases" and requires all operating leases in excess of one year, where the Group is the lessee, to be included on the Group's balance sheet, and the recognition of a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually (incorporating any onerous lease assessments) and amortised on a straight-line basis, with the lease liability being amortised using the effective interest method. The Group's only significant lease commitments, which is not classified as part of its investment property portfolio, relates to its French head office.
- The Group has applied IFRS 16 using the modified retrospective approach and has not restated comparative information. The transition date of initial application of IFRS 16 for the Group is 1 November 2019. The Group already classified its leasehold stores as finance leases. However, as a result of this new standard, these leases are based on actual current cash flows, rather than cash flows at inception of the lease, as was the case under IAS 17 "Leases". This resulted in an opening transition adjustment to the right of use asset and lease liability of £8.7m. As these offset, there will be no impact to net assets or the income statement on transition.
- In the prior year, the Group had one operating lease, with non-cancellable future lease payments of £0.4m. After discounting the future lease payments under IFRS 16, the liability on transition remained at £0.4m. The Group recognised a right-of-use asset of £0.4m in property, plant and equipment and a lease liability of £0.4m at the transition date. The impact at the transition date on the opening retained earnings is £nil. As at 30 April 2020 the net carrying value of the right-of-use asset was £0.3m and lease liability was £0.3m. The additional depreciation charge for the right-of-use asset recognised during the period to 30 April 2020 was £0.1m. The reduction in the finance lease liability in respect of principal repayments and interest was £0.1m. Therefore, the recognition of this operating lease has had no impact to net assets or the income statement.

4 Revenue

	Six months ended 30 April 2020 (unaudited)	Six months ended 30 April 2019 (unaudited)	Year ended 31 October 2019 (audited)
	£m	£m	£m
Self storage income	**64.4**	59.0	122.0
Insurance income	**9.5**	8.8	18.6
Other non-storage income	**5.4**	5.3	11.2
Total revenue	**79.3**	73.1	151.8

Notes to the interim report for the six months ended 30 April 2020 (continued)

5 Segmental information

The segmental information for the six months ended 30 April 2020 is as follows:

	United Kingdom £m	Paris £m	Spain £m	Total £m
Continuing operations				
Revenue	59.8	18.7	0.8	79.3
Underlying EBITDA	33.3	12.1	0.5	45.9
Exceptional items and corporate transaction costs	(0.4)	-	-	(0.4)
Share-based payments	(2.5)	(0.3)	-	(2.8)
Depreciation and contingent rent	(0.5)	(0.1)	-	(0.6)
Share of associate's depreciation, interest and tax	(0.3)	-	-	(0.3)
Operating profit before gain on investment properties	29.6	11.7	0.5	41.8
Gain on investment properties	39.6	27.2	(2.8)	64.0
Operating profit/(loss)	69.2	38.9	(2.3)	105.8
Net finance expense	(5.1)	(1.0)	-	(6.1)
Profit/(loss) before tax	64.1	37.9	(2.3)	99.7
Total assets	1,176.6	400.6	21.6	1,598.8

The segmental information for the six months ended 30 April 2019 is as follows:

	United Kingdom £m	Paris £m	Spain £m	Total £m
Continuing operations				
Revenue	55.2	17.9	-	73.1
Underlying EBITDA	30.0	11.4	-	41.4
Share-based payments	(2.4)	(0.3)	-	(2.7)
Depreciation and contingent rent	(0.3)	(0.4)	-	(0.7)
Operating profit before gain on investment properties	27.3	10.7	-	38.0
Gain on investment properties	1.7	6.2	-	7.9
Operating profit	29.0	16.9	-	45.9
Net finance expense	(6.7)	(1.0)	-	(7.7)
Profit before tax	22.3	15.9	-	38.2
Total assets	1,016.5	332.6	-	1,349.1

Underlying EBITDA is defined as operating profit before exceptional items and corporate transaction costs, share-based payments, gain/loss on investment properties, contingent rent and depreciation.

6 Exceptional items and corporate transactions costs

	Six months ended 30 April 2020 (unaudited)	Six months ended 30 April 2019 (unaudited)	Year ended 31 October 2019 (audited)
	£m	£m	£m
Costs relating to corporate transactions and legal and employment proceedings	**(0.4)**	-	(0.6)
Net exceptional items and corporate transaction costs	**(0.4)**	-	(0.6)

A net exceptional items and corporate transaction costs of £0.4m (April 2019: £nil) was incurred in the period, in relation to acquisition transactions as described in note 23.

7 Finance income and costs

	Six months ended 30 April 2020 (unaudited)	Six months ended 30 April 2019 (unaudited)	Year ended 31 October 2019 (audited)
	£m	£m	£m
Finance income			
Fair value movement of derivatives	**1.6**	-	-
Unwinding of discount on Capital Goods Scheme receivable	**-**	-	0.1
Total finance income	**1.6**	-	0.1
Finance costs			
Interest payable on bank loans and overdrafts	**(4.7)**	(4.1)	(8.5)
Amortisation of debt issuance costs on bank loans	**(0.2)**	(0.1)	(0.2)
Underlying finance charges	**(4.9)**	(4.2)	(8.7)
Interest on obligations under finance leases	**(2.8)**	(2.3)	(4.8)
Fair value movement of derivatives	**-**	(1.2)	(2.1)
Exceptional finance expense	**-**	-	(0.6)
Net exchange losses	**-**	-	(0.3)
Total finance costs	**(7.7)**	(7.7)	(16.5)
Net finance costs	**(6.1)**	(7.7)	(16.4)

Included within interest payable of £4.7m (April 2019: £4.1m) is £nil (April 2019: £0.2m) of interest relating to derivative financial instruments that are economically hedging the Group's borrowings. The change in fair value of derivatives for the period is a net gain of £1.6m (April 2019: net loss of £1.2m).

8 Income tax (charge)/credit

	Six months ended 30 April 2020 (unaudited)	Six months ended 30 April 2019 (unaudited)	Year ended 31 October 2019 (audited)
	£m	£m	£m
Current tax	**(2.5)**	(2.3)	(5.1)
Deferred tax	**(7.7)**	(1.5)	(10.1)
	(10.2)	(3.8)	(15.2)

Income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

In the UK, the Group is a Real Estate Investment Trust ("REIT"). As a result, the Group is exempt from UK corporation tax on the profits and gains arising from its qualifying property rental business in the UK provided that it meets certain conditions. Non-qualifying profits and gains of the Group remain subject to corporation tax as normal. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

9 Deferred income tax

	As at 30 April 2020 (unaudited)	As at 30 April 2019 (unaudited)	As at 31 October 2019 (audited)
	£m	£m	£m
The amounts provided in the accounts are:			
Revaluation of investment properties and tax depreciation	**73.0**	55.9	64.4
Other timing differences	**0.2**	0.3	0.3
Deferred tax liabilities	**73.2**	56.2	64.7
Interest rate swap instruments	**0.1**	0.1	0.1
Other timing differences	**0.1**	-	0.2
Deferred tax assets	**0.2**	0.1	0.3
Net deferred tax liability	**73.0**	56.1	64.4

As at 30 April 2020, the Group had income losses of £26.4m (April 2019: £30.6m) and capital losses of £36.4m (April 2019: £36.4m) in respect of its UK operations. All losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of these losses.

As at 30 April 2020, the Group has recorded a revaluation loss of £2.2m (April 2019: £Nil) in respect of its Spanish investment properties. No deferred tax asset has been recognised in respect of this loss.

10 Dividends

	Six months ended 30 April 2020 (unaudited)	Six months ended 30 April 2019 (unaudited)	Year ended 31 October 2019 (audited)
	£m	£m	£m
For the year ended 31 October 2018:			
Final dividend – paid 10 April 2019 (11.15p per share)	**-**	23.4	23.4
For the year ended 31 October 2019:			
Interim dividend – paid 16 August 2019 (5.5p per share)	**-**	-	11.6
Final dividend – paid 9 April 2020 (12.00p per share)	**25.3**	-	-
Dividends in the statement of changes in equity	**25.3**	23.4	35.0
Timing difference on payment of withholding tax	**(3.5)**	(3.0)	-
Dividends in the cash flow statement	**21.8**	20.4	31.3

An interim dividend of 5.9 pence per ordinary share (April 2019: 5.5 pence) has been declared. The ex-dividend date will be 9 July 2020 and the record date 10 July 2020, with an intended payment date of 14 August 2020.

It is intended that 100% (April 2019: 100%) of the interim dividend of 5.9 pence per ordinary share (April 2019: 5.5 pence) will be paid as a REIT Property Income Distribution ("PID") net of withholding tax where appropriate.

The interim dividend, amounting to £12.4m (April 2019: £11.6m), has not been included as a liability at 30 April 2020. It will be recognised in shareholders' equity in the year to 31 October 2020.

11 Earnings per ordinary share

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period/year excluding ordinary shares held by the Safestore Employee Benefit Trust. Diluted earnings per share are calculated by adjusting the weighted average numbers of ordinary shares to assume conversion of all dilutive potential shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 April 2020 (unaudited)			Six months ended 30 April 2019 (unaudited)			Year ended 31 October 2019 (audited)		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	**89.5**	**210.4**	**42.5**	34.4	210.1	16.4	132.1	210.2	62.8
Dilutive share options	**-**	**0.8**	**(0.1)**	-	0.1	-	-	0.7	(0.2)
Diluted	**89.5**	**211.2**	**42.4**	34.4	210.2	16.4	132.1	210.9	62.6

11 Earnings per ordinary share (continued)

Adjusted earnings per share

Adjusted earnings per share represents profit after tax adjusted for the valuation movement on investment properties, exceptional items, change in fair value of derivatives and the associated tax thereon. As an industry standard measure, European Public Real Estate Association ("EPRA") earnings are presented below. Adjusted diluted earnings are also presented by adding back the share-based payment charge to the EPRA earnings. The Directors consider that these alternative measures provide useful information on the performance of the Group.

	Six months ended 30 April 2020 (unaudited)			Six months ended 30 April 2019 (unaudited)			Year ended 31 October 2019 (audited)		
	Earnings/ (loss) £m	**Shares million**	**Pence per share**	Earnings/ (loss) £m	Shares million	Pence per share	Earnings/ (loss) £m	Shares million	Pence per share
Basic	**89.5**	**210.4**	**42.5**	34.4	210.1	16.4	132.1	210.2	62.8
Adjustments:									
Gain on investment properties	**(64.0)**	**-**	**(30.4)**	(7.9)	-	(3.8)	(84.2)	-	(40.1)
Exceptional items	**0.4**	**-**	**0.2**	-	-	-	0.6	-	0.3
Exceptional finance costs	**-**	**-**	**-**	-	-	-	0.6	-	0.3
Net exchange loss				-	-	-	0.3	-	0.1
Change in fair value of derivatives	**(1.6)**	**-**	**(0.8)**	1.2	-	0.6	2.1	-	1.0
Tax on adjustments	**7.3**	**-**	**3.5**	1.1	-	0.5	9.4	-	4.5
Adjusted	**31.6**	**210.4**	**15.0**	28.8	210.1	13.7	60.9	210.2	28.9
EPRA adjusted:									
Fair value re-measurement of leasehold properties	**(3.3)**	**-**	**(1.6)**	(2.7)	-	(1.3)	(5.4)	-	(2.6)
Tax on leasehold fair value re-measurement	**0.4**	**-**	**0.2**	0.4	-	0.2	0.7	-	0.3
EPRA basic	**28.7**	**210.4**	**13.6**	26.5	210.1	12.6	56.2	210.2	26.6
Share-based payment charge	**2.8**	**-**	**1.3**	2.7	-	1.3	5.6	-	2.7
Dilutive shares	**-**	**6.8**	**(0.4)**	-	6.5	(0.4)	-	6.6	(0.8)
Adjusted Diluted EPRA EPS	**31.5**	**217.2**	**14.5**	29.2	216.6	13.5	61.8	216.8	28.5

The definition of Adjusted Diluted EPRA EPS can be found in note 2 to the financial statements.

Gain on investment properties includes the fair value re-measurement of interest in leasehold properties of £3.3m (30 April 2019: £2.7m) and the related tax thereon of £0.4m (30 April 2019: £0.4m). As an industry standard measure, EPRA earnings is presented. EPRA earnings of £28.7m (30 April 2019: £26.5m) and EPRA earnings per share of 13.6 pence (30 April 2019: 12.6 pence) are calculated after further adjusting for these items.

Notes to the interim report for the six months ended 30 April 2020 (continued)

12 Investment in associates

	As at 30 April 2020 (unaudited)	As at 30 April 2019 (unaudited)	As at 31 October 2019 (audited)
	£m	£m	£m
Investment in associates	**2.8**	-	2.8

On 21 August 2019 the Group acquired a 20% interest in CERF Storage JV B.V. ("CERF"), a company registered and operating in the Netherlands. CERF is accounted for using the equity method of accounting. Aggregate carrying value of the Group's interest in the associate was £4.6m at 30 April 2020 (31 October 2019: £4.5m), made up of an investment of £2.8m, a loan to the associate of £1.7m and current receivables of £0.1m. The Group's share of profits from continuing operations for the period was £nil (30 April 2019: £nil). The Group's share of other comprehensive income for the period was £nil (30 April 2019: £nil). The Group's share of total comprehensive income from associates for the period was £nil (30 April 2019: £nil).

13 Property portfolio

	Investment Properties	**Interest in leasehold properties**	**Investment properties under construction**	**Total investment properties**
	£m	**£m**	**£m**	**£m**
At 1 November 2019	1,331.8	63.5	13.9	1,409.2
IFRS 16 Day 1 Transition Adjustment	-	8.7	-	8.7
Additions	21.2	1.7	9.9	32.8
On acquisition of subsidiary	18.8	10.6	-	29.4
Reclassification	6.9	-	(6.9)	-
Revaluation movement	68.6	-	(1.3)	67.3
Fair value re-measurement of interest in leasehold properties	-	(3.3)	-	(3.3)
Exchange movements	3.9	0.4	-	4.3
At 30 April 2020	**1,451.2**	**81.6**	**15.6**	**1,548.4**

	Investment properties	**Interest in leasehold properties**	**Investment properties under construction**	**Total investment properties**
	£m	**£m**	**£m**	**£m**
At 1 November 2018	1,216.2	56.1	4.7	1,277.0
Additions	5.0	7.5	11.4	23.9
Disposals	-	(0.7)	-	(0.7)
Revaluation movement	14.5	-	(3.9)	10.6
Fair value re-measurement of interest in leasehold properties	-	(2.7)	-	(2.7)
Exchange movements	(9.2)	(0.4)	-	(9.6)
At 30 April 2019	**1,226.5**	**59.8**	**12.2**	**1,298.5**

13 Property portfolio (continued)

Gain on investment properties of £64.0m (30 April 2019: £7.9m) as disclosed in the consolidated income statement comprises a £67.3m (30 April 2019: £10.6m) revaluation gain on investment properties and investment properties under construction less the fair value re-measurement on interest in leasehold properties of £3.3m (30 April 2019: £2.7m).

The Group has classified investment property and investment property under construction, held at fair value, within Level 3 of the fair value hierarchy. There were no transfers to or from Level 3 during the period. The fair valuation exercise undertaken at 30 April 2020 is explained in note 14.

The interests in leasehold properties balance of £81.6m (30 April 2019: £59.8m) is the finance lease asset portion of the leasehold assets relating to individual properties that Safestore leases under operating leases, and that are accounted for as investment properties under IAS 40. The lease cash flows are already included within both the fair value of investment properties and within the finance lease liability. Therefore, to avoid double counting of these lease cash flows, a finance lease asset is included within the total investment properties balance at the same value as the related finance lease liability, i.e. the finance lease liability of £81.9m (30 April 2019: £59.8m). The difference of £0.3m relates to the right-of-use asset included as part of property, plant and equipment as described in note 3.

14 Valuations

External valuation

A sample of the Group's largest properties, representing approximately 53% of the value of the Group's investment property portfolio at 31 October 2019, has been valued by the Group's external valuers, C&W, as at 30 April 2020. In light of current economic conditions, this represents an increase from the prior year to ensure we had a more comprehensive and representative sample in advance of a full valuation at 31 October 2020. The valuation has been carried out in accordance with the requirements of the RICS Valuation – Global Standards which incorporate the International Valuation Standards ("IVS") and the RICS Valuation UK National Supplement (the "RICS Red Book") edition current at 30 April 2020. The valuation of each of the investment properties has been prepared on the basis of fair value as a fully equipped operational entity, having regard to trading potential. The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W has confirmed that:

- the member of the RICS who has been appointed as the new signatory to the valuations provided to the Group for the same purposes as previous valuations, has done so since April 2020;
- C&W has been carrying out regular valuations for the same purpose as this valuation on behalf of the Group since October 2006;
- C&W does not provide other significant professional or agency services to the Group;
- The proportion of fees payable by the Group to C&W to the total fee income of C&W's last financial year to 31 December 2019, was less than 5%. We anticipate that the proportion of fees for the financial year to 31 December 2020 will remain at less than 5%; and
- the fee payable to C&W is a fixed amount per property and is not contingent on the appraised value.

Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from low liquidity in the market for self-storage property. C&W notes that in the UK since the start of 2015 C&W are only aware of seventeen transactions involving multiple assets and twenty single asset transactions, and only one recent comparable transaction in the Paris market. C&W states that due to the lack of comparable market information in the self-storage sector, there is greater uncertainty attached to its opinion of value than would be anticipated during more active market conditions.

14 Valuations (continued)

Material valuation uncertainty

The outbreak of the Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11 March 2020 has impacted global financial markets and global economy. The unknown future impact that COVID-19 might have on the real estate market led to the valuations to be reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global, given the unknown future impact that COVID-19 might have on the real estate market. Consequently, less certainty should be attached to the valuation than would normally be the case.

Portfolio premium

C&W's valuation report further confirms that the properties have been valued individually but that if the portfolio was to be sold as a single lot or in selected groups of properties, the total value could be different. C&W states that in current market conditions it is of the view that there could be a material portfolio premium.

Further details of the valuation carried out by C&W as at 31 October 2019, including the valuation method and assumptions, are set out in note 13 to the Group's annual report and financial statements for the year ended 31 October 2019. This note should be read in conjunction with note 13 of the Group's annual report.

Directors' valuation

In addition, at the same date, the Directors have prepared estimates of fair values for the remaining 47% of the Group's investment property portfolio, incorporating assumptions for estimated absorption, revenue growth and capitalisation rates to reflect current market conditions and trading.

Assumptions

The key assumptions incorporated into both the external valuation and the Directors' valuation, calculated on a weighted average basis across the entire portfolio, are:

- Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue subject to a cap and collar. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date.
- The net operating income in future years is calculated assuming either straight line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuations the assumed stabilised occupancy level for the trading stores (both freeholds and all leaseholds) open at 30 April 2020 averages 84.82% (31 October 2019: 86.18%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for stores to trade at their maturity levels is 29.44 months (31 October 2019: 28.16 months).
- The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as student housing and hotels, bank base rates, ten year money rates, inflation and the available evidence of transactions in the sector. The valuations included in the accounts assume rental growth in future periods. If an assumption of no rental growth is applied to the valuations, the net initial yield pre-administration expenses for the mature stores (i.e. excluding those stores categorised as "developing") is 7.16% (31 October 2019: 7.20%), rising to stabilised net yield pre-administration expenses of 8.07% (31 October 2019: 8.22%).
- The weighted average freehold exit yield on UK freeholds is 6.63% (31 October 2019: 6.60%) and on France freeholds is 6.48% (31 October 2019: 6.43%). The weighted average freehold exit yield for all freeholds adopted 6.60% (31 October 2019: 6.57%).

14 Valuations (continued)

- The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) in the UK portfolio is 9.76% (31 October 2019: 9.83%) and in the France portfolio is 9.77% (31 October 2019: 9.80%). The weighted average annual discount rate adopted (for both freeholds and all leaseholds) is 9.76% (31 October 2019: 9.82%).
- Purchaser's costs in the range of approximately 3.3% to 6.8% for the UK and 7.5% for Paris have been assumed initially, reflecting the progressive SDLT rates brought into force in March 2016 in the UK, and sales plus purchaser's costs totalling approximately 5.3% to 8.8% (UK) and 9.5% (Paris) are assumed on the notional sales in the tenth year in relation to freehold and long leasehold stores.

All other factors being equal, higher net operating income would lead to an increase in the valuation of a store and an increase in the capitalisation rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilised occupancy, absorption rate, rental rate and other revenue, and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

As a result of these exercises, as at 30 April 2020, the Group's investment property portfolio has been valued at £1,451.2m (April 2019: £1,226.5m), and a revaluation gain of £68.6m (April 2019: £14.5m) has been recognised in the income statement for the period.

A full external valuation of the Group's investment property portfolio will be performed at 31 October 2020.

Sensitivity analysis

As part of the Directors valuation, a key sensitivity analysis was performed to understand the impact on the entire property portfolio should there be a delay in the Time to Stabilised Occupancy. A significant delay of 24 months was applied to all properties. This delay had the effect of decreasing the UK and France portfolios by 1.9% (£20.7m) and 1.1% (£4.0m) respectively.

15 Net assets per share

Analysis of net asset value	**As at 30 April 2020 (unaudited) £m**	As at 30 April 2019 (unaudited) £m	As at 31 October 2019 (audited) £m
Net assets	**953.6**	798.5	885.9
Adjustments to exclude:			
Fair value of derivative financial instruments (net of deferred tax)	**(1.1)**	(0.1)	0.5
Deferred tax liabilities on the revaluation of investment properties	**73.0**	55.9	64.4
EPRA net asset value	**1,025.5**	854.3	950.8
Basic net assets per share (pence)	**453**	380	421
EPRA basic net assets per share (pence)	**487**	406	452
Diluted net assets per share (pence)	**451**	379	420
EPRA diluted net assets per share (pence)	**485**	406	450
	Number	Number	**Number**
Shares in issue	**210,406,518**	210,374,508	210,381,968

Basic net assets per share is shareholders' funds divided by the number of shares at the period end. The number of shares in issue at the period end excludes 32,698 shares (April 2019: 2,316 shares) held by the Safestore Employee Benefit Trust. Diluted net assets per share is shareholders' funds divided by the number of shares at the period end, adjusted for dilutive share options of 838,619 shares (April 2019: 125,885 shares). As an industry standard measure, European Public Real Estate Association ("EPRA") net asset values are presented.

16 Borrowings

The tables below set out the Group's borrowings position as at 30 April 2020:

Non-current	**As at 30 April 2020 (unaudited) £m**	As at 30 April 2019 (unaudited) £m	As at 31 October 2019 (audited) £m
Borrowings:			
Secured - bank loans	**153.1**	227.1	130.6
Secured - US Private placement notes	**285.2**	158.3	283.7
Debt issue costs	**(1.5)**	(0.9)	(1.3)
	436.8	384.5	413.0

The Group's borrowings consist of bank facilities of £250m and €70m maturing in June 2023. US Private Placement Notes of €195m have maturities extending to 2024, 2026 and 2027, and £115.5m have maturities extending to 2026 and 2029.

The borrowings were secured by a fixed charge over the Group's investment property portfolio.

Borrowings are stated before unamortised issue costs of £1.5m (30 April 2019: £0.9m). The bank loans and private placement notes were repayable as follows:

	As at 30 April 2020 (unaudited) £m	As at 30 April 2019 (unaudited) £m	As at 31 October 2019 (audited) £m
Between two and five years	**197.4**	227.1	174.5
After more than five years	**240.9**	158.3	239.8
Borrowings	**438.3**	385.4	414.3
Unamortised issue costs	**(1.5)**	(0.9)	(1.3)
	436.8	384.5	413.0

The effective interest rates at the balance sheet date were as follows:

	As at 30 April 2020 (unaudited)	As at 30 April 2019 (unaudited)	As at 31 October 2019 (audited)
Bank loans (Sterling)	**Quarterly or monthly LIBOR plus 1.25%**	Quarterly or monthly LIBOR plus 1.25%	Quarterly or monthly LIBOR plus 1.25%
Bank loans (Euro)	**Quarterly EURIBOR plus 1.25%**	Quarterly EURIBOR plus 1.25%	Quarterly EURIBOR plus 1.25%
Private placement notes (Euro)	**Weighted average rate of 1.63%**	Weighted average rate of 1.83%	Weighted average rate of 1.63%
Private placement notes (Sterling)	**2.76%**	2.92%	2.76%

Notes to the interim report for the six months ended 30 April 2020 (continued)

16 Borrowings (continued)

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at the period end in respect of which all conditions precedent had been met at that date:

	Floating rate		
	As at 30 April 2020 (unaudited)	As at 30 April 2019 (unaudited)	As at 31 October 2019 (audited)
	£m	£m	£m
Expiring beyond one year	**157.8**	83.3	179.7

17 Financial instruments

IFRS 13 requires disclosure of fair value measurements by level of the following measurement hierarchy:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset of liability, either directly or indirectly.
Level 3 – inputs for the asset of liability that are not based on observable market data.

The table below shows the level in the fair value hierarchy into which fair value measurements have been categorised:

	As at 30 April 2020 (unaudited)	As at 30 April 2019 (unaudited)	As at 31 October 2019 (audited)
Assets per the balance sheet	**£m**	£m	£m
Derivative financial instruments – Level 2	**2.2**	0.7	-
Amounts due from associates – Level 2	**1.8**	-	1.9

	As at 30 April 2020 (unaudited)	As at 30 April 2019 (unaudited)	As at 31 October 2019 (audited)
Liabilities per the balance sheet	**£m**	£m	£m
Derivative financial instruments – Level 2	**1.2**	0.7	0.6

The fair value of financial instruments that are not traded in an active market, such as over-the-counter derivatives, is determined using valuation techniques. The Group obtains such valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date. The valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the asset or liability is included in level 3. The Group has no disclosable level 3 financial instruments.

There have been no transfers of assets or liabilities between levels of the fair value hierarchy.

18 Share capital

	As at 30 April 2020 (unaudited)	As at 30 April 2019 (unaudited)	As at 31 October 2019 (audited)
Called up, issued and fully paid	**£m**	£m	£m
210,439,216 (30 April 2019: 210,376,824) ordinary shares of 1p each	**2.1**	2.1	2.1

19 Capital commitments

The Group had capital commitments of £30.1m as at 30 April 2020 (April 2019: £14.9m).

20 Seasonality

Self-storage revenues are subject to seasonal fluctuations, with peak sales normally occurring in the second and third quarters of the year. This is due to seasonal weather conditions and holiday periods leading to fluctuating demand for storage. For the six months ended April 2019, on a like-for-like basis adjusting for the impact of changes to the Group's store portfolio, the level of self-storage revenues represented 48.3% (April 2018: 48.0%) of the annual level of self-storage revenue in the year ended 31 October 2019.

21 Related party transactions

The Group's shares are widely held. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with CERF Storage JV B.V.

The Group has a 20% interest in CERF Storage JV B.V. ("CERF"), and entered into transactions with CERF. During the period the Group recharged £0.1m to CERF for costs paid on behalf of CERF, and received £0.2m for recharges previously invoiced. Amounts due from CERF as at 30 April 2020 amounted to £1.8m (30 April 2019: nil).

22 Contingent liabilities

As part of the Group banking facility, the Company has guaranteed the borrowings totalling £438.3m (30 April 2019: £385.4m) of fellow Group undertakings by way of a charge over all of its property and assets. There are similar cross guarantees provided by the Group companies in respect of any bank borrowings which the Company may draw under a Group facility agreement. The financial liability associated with this guarantee is considered unlikely to crystallise and therefore no provision has been recorded.

Following tax audits carried out on the Group's operations in Paris, elements of tax were challenged by the French Tax Administration ("FTA") for financial years 2011 to 2013 and 2016 to 2019. Similar challenges from the FTA have also been made to other operators within the self storage industry. The Company and its legal advisers are of the opinion that there are no valid grounds for these challenges and are in the process of contesting the findings of the FTA through the French courts. The duration and outcome of this dispute cannot be anticipated at this stage of the proceedings. Based on our analysis of the relevant information, the maximum potential exposure in relation to the tax audit issues at 30 April 2020 is £4.1m. No provision for any potential exposure has been recorded in the consolidated financial statements since the Group believes it is more likely than not that a successful outcome will be achieved resulting in no eventual additional liabilities. Bank guarantees to cover any potential additional tax assessment are currently being put in place, of which guarantees totalling £0.5m have been put in place as at 30 April 2020 (30 April 2019: £0.4m).

23 Business combinations

On 5 November 2019, the Group completed the acquisition of Fortbox Self Storage Limited ("Fortbox") and Walnut Tree Self Storage Limited ("Walnut") which include properties located in Central London, for a net cash consideration of £4.1m.

On 30 December 2019, the Group completed the acquisition of OMB Self Storage SL ("OMB") which include properties located in Central Barcelona, for a net cash consideration of £14.4m.

These acquisitions have complemented the Group's strategy of strengthening its market-leading portfolio. Final fair values of assets and liabilities have been determined for Fortbox and Walnut following finalisation of working capital balances, and provisional fair values have been determined for investment properties, resulting in no goodwill being recognised on acquisition due to the consideration paid being equal to the fair value of the identifiable net assets. £0.4m of corporate transaction costs were reported as an exceptional item and corporate transaction costs within administrative expenses for the period ended 30 April 2020.

The fair value of the assets and liabilities recognised at the dates of acquisition is set out in the table below:

	Fortbox £m	Walnut £m	OMB £m	Total £m
Assets				
Investment Properties (note 13)	**2.1**	**2.1**	**14.6**	**18.8**
Interest in leasehold properties	**-**	**2.3**	**8.3**	**10.6**
Inventories	**-**	**-**	**-**	**-**
Trade and other receivables	**0.1**	**0.1**	**0.3**	**0.5**
Total assets	**2.2**	**4.5**	**23.2**	**29.9**
Liabilities				
Trade and other payables	**(0.2)**	**(0.1)**	**(0.5)**	**(0.8)**
Finance leases		**(2.3)**	**(8.3)**	**(10.6)**
Total liabilities	**(0.2)**	**(2.4)**	**(8.8)**	**(11.4)**
Net assets	**2.0**	**2.1**	**14.4**	**18.5**
Gross consideration	**2.1**	**2.1**	**12.9**	**17.1**
Add debt acquired	**-**	**-**	**2.0**	**2.0**
Less cash acquired	**(0.1)**	**-**	**(0.5)**	**(0.6)**
Net consideration paid	**2.0**	**2.1**	**14.4**	**18.5**

Notes to the interim report for the six months ended 30 April 2020 (continued)

Principal risks and uncertainties

The delivery of our strategic objectives is dependent on effective risk management. There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historical results. Details of the principal risks facing the Group were included on pages 13 to 15 of the Annual Report and Financial Statements for the year ended 31 October 2019, a copy of which is available at www.safestore.com, and include:

- Strategy risk
- Finance risk
- Treasury risk
- Property investment and development risk
- Valuation risk
- Occupancy risk
- Real estate investment trust ("REIT") risk
- Catastrophic event risk
- Consequences of the UK's decision to leave the EU ("Brexit")

The Company regularly assesses these risks together with the associated mitigating factors listed in the 2019 Annual Report. The levels of activity in the Group's markets and the level of financial liquidity and flexibility continue to be the areas designated as appropriate for added management focus.

The Group is closely monitoring the COVID-19 pandemic and taking prudent steps to mitigate any potential impacts to the health and safety of employees, customers and suppliers, and to the successful operation of our business. Potential risks to the business are seen as closure of stores due to limitations on the ability of employees to work on site, physical and mental health of employees as a result of home working, failure of IT systems and support in the face of significant levels of home working and reduced occupancy levels and customer financial hardship leading to reduced profitability and cash generation. These risks have been reviewed by the Risk Committee and actions agreed, following which management has taken action to address each of the risks, as well as ensuring that the Group's control environment is maintained, if not enhanced. More information on how Safestore is being impacted by and responding to COVID-19 is set out in pages 7 to 9 in the front section of this announcement. We are confident that we have the necessary resources to meet even the most pessimistic of our forecasts.

We continue to believe that our market leading position in the UK and Paris, our strong brand and depth of management, as well as our retail expertise and infrastructure, help mitigate the effects of fluctuations the economy or the housing market. Furthermore, the UK self-storage market remains immature with little risk of supply outstripping demand in the medium term.

Our prudent approach on new stores reduces our dependence on the number of non-trading investment properties in relation to the established and mature stores that provide relatively stable and growing cash flow. The Board regularly reviews the cash requirements of the business, including the covenant position although given the nature of the product, customer base and lack of working capital requirements, liquidity is not considered to be a significant risk.

The Outlook section of this half yearly report provides a commentary concerning the remainder of the financial year.

Forward-looking statements

Certain statements in this interim results announcement are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this interim results announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this interim results announcement. Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this interim results announcement or to correct any inaccuracies which may become apparent in such forward-looking statements.

Statement of Directors' responsibilities for the six months ended 30 April 2020

The Directors confirm that, to the best of their knowledge, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Safestore Holdings plc are listed in the Safestore Holdings plc Annual Report for 31 October 2019. There have been no changes of director since the Annual Report. A list of current Directors is maintained on the Safestore Holdings plc website, www.safestore.com.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Frederic Vecchioli
17 June 2020
Chief Executive Officer

Andrew Jones
17 June 2020
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO SAFESTORE HOLDINGS PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30th April 2020 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the condensed consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 23. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30th April 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Emphasis of matter – valuation uncertainty

We draw attention to note 14, which describes the effects of the uncertainties created by the coronavirus (COVID19) pandemic on the valuation of the company's investment property portfolio. The outbreak has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the investment property portfolio at the balance sheet date. Our conclusion is not modified in respect of this matter.

Deloitte LLP
Statutory Auditor
London, United Kingdom
17th June 2020