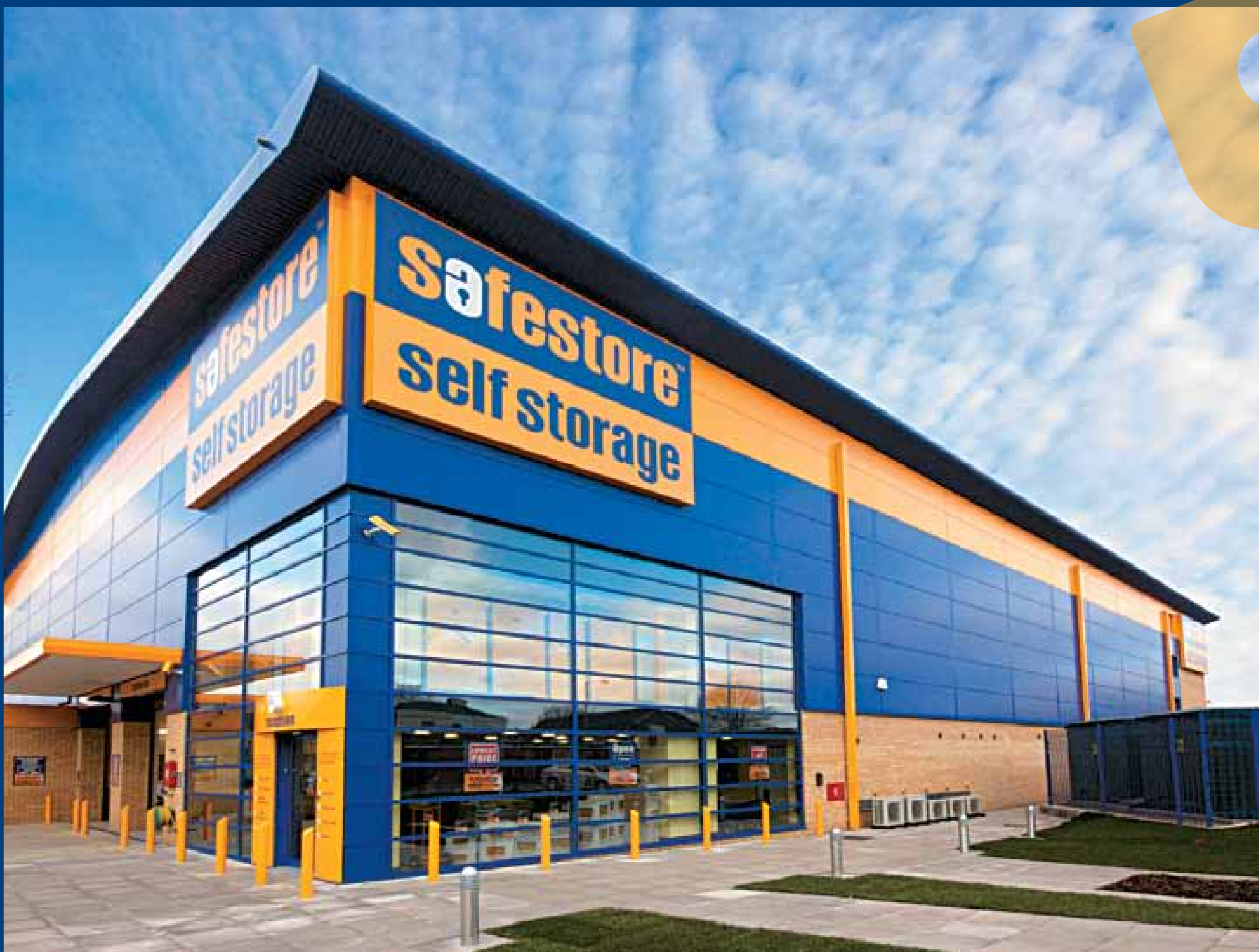
safestore self storage

Safestore Holdings plc

Interim report
for the six months ended
30 April 2011



we know the value of space

Safestore Holdings plc is a FTSE All-Share self storage company, listed on the main market of the London Stock Exchange.

Safestore is the UK's largest and Europe's second largest provider of self storage solutions. Our principal operations are located in the UK, where we have 96 stores with a further 22 stores in Europe.

Our track record

Safestore has an impressive track record in managing and developing its assets. With over 41,500 customers and 118 stores, Safestore has a strong understanding of the evolving needs of its customers and a robust operational platform from which to continue to deliver sustained growth.

Our strengths

Our strength lies in our ability to combine a deep understanding of a rapidly expanding growth market with the commercial and operational skills to provide flexible self storage solutions for an expanding UK and European customer base. We have the expertise, knowledge and skills to benefit from the evolving self-storage market and return value to shareholders.

To view our online report please visit our investor relations website at www.safestore.com

Contents

Highlights

Financial highlights

+ Revenues up 7.3% to £45.5 million.
+ Underlying EBITDA[1] up 5.9% to £24.3 million.
+ EPRA[2] adjusted earnings per share ("EPS") up 7.6% to 3.96 pence.
+ Basic EPS down 7.0% to 2.38 pence.
+ Interim dividend of 1.75 pence.

Operational highlights

+ Robust trading, particularly in London, the South East and Paris.
+ Average self storage rental rate up 3.2% to £26.33 per square foot ("sq ft") year on year.
+ Closing occupancy[3] as at 30 April 2011 of 2.92 million sq ft, a year on year increase of 3.2%.
+ Occupancy increased to 59% of maximum lettable area ("MLA"), an increase of three percentage points.

Peter Gowers, Safestore's Chief Executive Officer, commented:

"We are pleased to report a good performance for the first half of the year, demonstrating the resilience and strength of our operating model.

Safestore has significant scale, a comprehensive customer offer for both personal and business customers and geographic diversity through its store network in the UK and France. Since joining as Chief Executive on 1 March 2011, my initial review with the team has highlighted further opportunities to use our scale to take advantage of the favourable underlying demand and supply trends, particularly by strengthening our brand power, yield management and asset management.

We have had a solid start to our third quarter. However, customer confidence remains fragile and there is limited visibility of the underlying pace of economic recovery. We therefore maintain a cautious outlook for the second half of the year.

Beyond the short-term economic pressures, the Board remains confident that the business is well positioned, with a strong and resilient operating model and strategic opportunities to create further value."

1 EBITDA before exceptional items, contingent rent, fair value movement of derivatives and movement in investment properties ("underlying EBITDA").

2 European Public Real Estate Association ("EPRA").

3 Closing occupancy excludes offices but includes 56,000 sq ft of bulk tenancy as at 30 April 2011 (30 April 2010: 21,000 sq ft).

Chief Executive Officer's review

"Safestore delivered another good set of results for the first half of the year, demonstrating the resilience and strength of our operating model."

Introduction

We are pleased to present Safestore's results for the six months ended 30 April 2011.

Safestore delivered another good set of results for the first half of the year, demonstrating the resilience and strength of our operating model.

At the operating level we have delivered a 3.2% increase in average self storage rental rate and a three percentage point increase in closing occupancy.

We continued our selective investment programme, opening a new store in the Paris region and improving the portfolio with two modern and efficient replacement stores in Bolton and Southend in the UK. Since the period end we have opened a further new store to serve the Paris market.

The table below summarises the impact of our operating performance on Group financial performance.

	Six months ended 30 April 2011 (unaudited) £'000	Six months ended 30 April 2010 (unaudited) £'000	Movement %
Revenue	**45,528**	42,435	+7.3
Like-for-like[1] revenue	**43,791**	40,736	+7.5
Ancillary revenue	**6,103**	5,608	+8.8
Underlying EBITDA[2]	**24,275**	22,928	+5.9
EPRA profit after tax (adjusted)[3]	**7,420**	6,906	+7.4
Profit after tax[3] ("Earnings")	**4,466**	4,795	-6.9
EPRA earnings per share (adjusted)[3]	**3.96p**	3.68p	+7.6
Basic EPS[3]	**2.38p**	2.56p	-7.0
EPRA Net Asset Value ("NAV") per share (adjusted)[4]	**204.8p**	197.2p	+3.9
NAV per share[4]	**144.6p**	134.1p	+7.8
Dividend – interim per share	**1.75p**	1.70p	+2.9

1 Like-for-like stores are those that have been open for two full financial years or more.

2 EBITDA before exceptional items, contingent rent, fair value movement of derivatives and movement in investment properties ("underlying EBITDA").

3 See note 10.

4 See note 13.

Operational review

During the first half of the year we have continued to strengthen our presence for both personal and business customers, to build our distribution channels and to further grow our business in Paris.

In the first quarter of the year we saw the continuation of the very strong performance delivered in the second half of the last financial year, with economic recovery continuing and sustained growth in occupancy and rate. However, as we entered the second quarter, the rate of UK economic growth slowed and our growth rates also slowed, bringing performance more in line with similar levels to the prior year.

The impact of the slowing economic recovery on new lets can be seen below:

	Q1 2011 vs Q1 2010	Q2 2011 vs Q2 2010	Total H1 2011 vs H1 2010
Personal*	+7%	+3%	+5%
Business	+14%	-1%	+6%
Total	**+9%**	**+3%**	**+5%**

* Including students.

Comparisons with the second quarter last year are made more complicated by the shift in timing of Easter and the addition of an extra bank holiday in April, both of which may have distorted trading patterns. While we are seeing continued growth in the personal customer segment, the slowing in the rate of UK economic recovery has impacted our short-term ability to replace high volume vacating business customers.

Customer growth – enquiry growth continues with personal customers recovering faster

Enquiry growth continued to improve during the first half of the year, benefiting from our wide network of stores, internet presence and national accounts. During the first quarter we saw strong growth in both personal and business customer enquiries, although this rate of growth slowed in the second quarter.

We now have more than 41,500 customers and the overall length of stay has increased to 100 weeks from 98 weeks during the period under review.

Personal customers are traditionally the largest part of the self storage customer base. Personal customers have many different reasons for choosing self storage and there is a diverse set of demand drivers. It has been encouraging that, despite the relatively low level of housing transactions, we have seen an increasing level of enquiries and new lets from personal customers compared to the same period last year.

In the first half of the year, personal customers accounted for 72% of all customers (measured by customer numbers) and 49% when measured by space occupied. Personal customers typically rent smaller self storage rooms for short periods of time: now an average of 92 weeks compared to 90 weeks for the same period last year.

Business customers are a newer and attractive component of the self storage customer base. Businesses are becoming increasingly focused on improving the efficiency of the way they use space and this creates new drivers for self-storage. Safestore has a comprehensive business storage offer and we are the only self-storage provider with a truly national footprint across the UK and scale in Paris. We offer a range of different solutions including drive-in bays, bulk storage, workshops and compact offices. With a focus on making self storage simple and flexible for customers, we also offer a single billing system covering all UK stores, dedicated account management, guaranteed rental rates for the first twelve months, free holding units for deliveries and a fork lift service in the majority of stores, as well as 24 hour access.

In the first half of the year business customers accounted for 28% of all customers (measured by customer numbers) and 51% when measured by space occupied. Business customers' average length of stay is now 120 weeks compared to 117 weeks for the same period last year. With the slowing in the UK economy in our second quarter, we witnessed a significant quarter on quarter fall in business enquiries and new lets, with the effect of limiting our ability to replace large volume business customers as they vacated. As the economic recovery improves this effect should be abated.

Customer distribution channels – scale and integrated channels support customer growth

Our customers expect to be able to get advice on storage and make a reservation in the manner most convenient to them. Safestore, therefore, uses its scale to offer a range of ways for our customers to engage with us, including advisors in-store, a telephone customer contact centre, our websites and a national sales team. We have made continued progress in enhancing each area during the first half of the year.

Customers increasingly use the internet as their first point of call when researching self storage. This is moving the focus towards having the right internet presence and a network of stores that are sufficiently attractively located and priced to register highly in customer internet searches. Our scale in the UK and Paris is giving us a strong internet position with more than 60% of all enquiries now coming via the web. We continue to deploy a range of marketing techniques online, including search engine optimisation, keywords, buys and display advertising, adjusting the mix dynamically to deliver growth. Calls to our customer contact centre have increased and we have recently extended our opening hours and team size to capture a higher volume of calls.

Relationship sales continue to be critical for larger volume accounts and Safestore's national accounts team has continued to engage with business customers, with 150 national account customers now using our centralised services and benefiting from our national network in the UK.

Highlights from the Chief Executive Officer's review

+ At operating level we delivered 3.2% increase in average self storage rental rate and a three percentage point increase in closing occupancy.
+ We have more than 41,500 customers and overall length of stay has increased to 100 weeks (30 April 2010: 98 weeks).
+ In the six months ended 30 April 2011 the UPP business accounted for 25% of Group revenue and 29% of Group underlying EBITDA.
+ The Safestore property portfolio (including investment properties under construction) was valued at £693.6 million at 30 April 2011, an increase of £6.4 million from 31 October 2010.

"Safestore has a market leading position in the Paris market, with 22 stores and a further three stores under construction, one of which has opened since the half year end."

Operational review continued

Customer distribution channels – scale and integrated channels support customer growth continued

Regardless of where the initial enquiry has been made, our customers want the flexibility to choose to progress their enquiry to a reservation in the manner that suits them best, including on the internet directly, with our telephone contact centre and by visiting the stores.

Having a seamless link between the internet, customer contact centre and stores is critical and we have maintained operational focus in the first half of the year on strengthening the customer service and sales skills of our team members. During the course of the second quarter of our financial year we rolled out a comprehensive training programme, 'Space Specialists', to our team members that covered aspects of intelligently estimating customer needs to provide best value for money, assisting customers with transport and support to move in as well as completing sales. This programme, which has now been introduced to 95% of existing UK operations staff, underpins our ability to provide an excellent customer experience to all customers and to increase sales.

France – continued growth from Paris as economic recovery strengthens

Safestore has a market leading position in the Paris market, with 22 stores and a further three stores under construction, one of which has opened since the half year end.

In Paris, the Group trades under the brand Une Pièce en Plus ("UPP"), which literally translated means 'the spare room'. UPP benefits from a high concentration of its assets in central Paris where land availability and planning restrictions create high barriers to entry for new competition, while having further opportunities for growth in the suburban market.

Performance of the central Paris stores continues to be strong, with average occupancy levels of more than 70%. We continue to build up the occupancy of the store opened last year to the south of the city at Longpont and during the half year we opened a further store to the south-west of the city, close to Versailles, at Trappes.

The effect on the business mix of opening suburban stores with lower average rental rates than their central counterparts is to reduce reported overall achieved rental rates but this is more than offset by the lower investment costs in these markets and we are confident the suburban stores will generate attractive investment returns.

In December 2010 our Paris – La Défense store, which also housed our Paris head office, was damaged by fire. Our team responded well and executed our recovery plan, with the effect that beyond the loss of the physical building, and its individual contribution to EBITDA, there was no significant impact on trading. The La Défense building is covered by insurance for both reconstruction and loss of profit and the process has now commenced to determine the amounts payable.

In the six months ended 30 April 2011 the UPP business accounted for 25% of Group revenue and 29% of Group underlying EBITDA which is broadly consistent with the same period last year. UPP gives the Group valuable geographic diversification, exposure to the somewhat faster economic recovery in France than in the UK and further opportunities for value creative investment.

The importance of UPP to the Group was recognised by the appointment to the Board of Frederic Vecchioli, the President Directeur-General of UPP, in March 2011. This will add further experience to the Board and strengthen the visibility of the business at Group level.

Portfolio development

Continued progress in extending our reach and building the asset portfolio

During the half year we continued our strategy of selectively investing in extending our network of stores and reinvesting where appropriate to drive value.

At the period end, the Group's portfolio of 118 stores comprised a self storage maximum lettable area ("MLA") of circa 4.9 million sq ft, of which 2.92 million sq ft was occupied.

In the UK, 55 stores are freehold sites, seven are long leasehold and 34 short leasehold (defined as leases with a term of 25 years or less). In France, 9 are freehold sites and 13 short leaseholds. In France a short lease, typically nine years, essentially has the same key commercial characteristics of UK freeholds. This broadly means that the tenant is entitled to receive the full value of the business as compensation based on the projected future cash flow of the business if the lease is not renewed by the landlord.

The Safestore property portfolio (including investment properties under construction) was valued at £693.6 million at 30 April 2011, an increase of £6.4 million from 31 October 2010.

During the half year we opened a new freehold store in Paris and two freehold stores in the UK in Bolton and Southend. Both the UK stores are replacements for old, first generation and poorly located stores. The old store in Bolton was a short leasehold and the old Southend store a freehold.

Safestore's strategy continues to be to operate a balanced property portfolio including a mix of freehold sites, leasehold sites and management contracts appropriate to the specific markets in which we operate.

As at the period end, we had nine stores in our pipeline including three under construction. Since the period end I am pleased to announce that we have opened one of the pipeline stores in the Torcy (Bussy) region outside Paris. We have also completed the acquisition of the freehold interest of our short leasehold store on Pentonville Road, London. We believe both actions will be significantly value enhancing for the Group.

We continue to see opportunities for selective investment in new stores in locations that we believe will enable us to drive quality earnings and generate value. The flexibility of our approach enables us to draw from a much wider selection of potential properties and locations and is, we believe, an appropriate and prudent strategy, especially in the current economic environment giving the business a significant competitive advantage.

Initial impressions

Since joining as Chief Executive Officer on 1 March 2011, I have been encouraged by Safestore's scale, comprehensive customer offer for both personal and business customers and geographic diversity. Looking beyond the short-term uncertainty in the UK economy, my initial impressions are that Safestore is well positioned for future growth and has further opportunities to strengthen performance and create value.

In particular, I see further areas in which we can use our scale in the UK and France to take advantage of the favourable underlying demand and supply trends. We are focused on strengthening our operating performance, particularly in the areas of brand power, yield management and asset management.

Self storage is an attractive market with demand growth and constrained medium-term supply

The self storage market in the UK and Paris is now well established and has significant further potential. There are a diverse range of reasons why customers require storage, from temporary event-driven needs, such as a home refurbishment, house move or seasonal storage, to longer-term solution-driven needs, such as permanent extra space, small business storage and logistics for major companies. With approximately 400,000 existing customers for self storage in the UK but more than two million changes of domestic circumstance (for example, new baby, marriage, house move etc) and more than four million small businesses, we believe there is further opportunity to expand our customer base.

In the context of this attractive customer demand outlook, medium-term supply growth is expected to be moderate for the self storage market. In high density urban markets such as London and Paris, site availability and planning restrictions make it challenging to acquire new sites. The economic downturn and reductions in financing capacity have led to relatively few new sites being acquired in the last few years. These trends will have a positive impact on the medium-term supply/demand balance in these key markets.

Safestore is in a strong competitive position

Safestore is well positioned to take advantage of the market opportunity. We have a unique national network of stores in the UK and density in the attractive Paris market. Our strong balance sheet has given us the ability to secure further attractive new sites, at attractive prices, in London and Paris even during the recent economic downturn.

We operate a multi-brand portfolio, comprising Safestore, Une Piece en Plus and the Space Maker brand which we operate under management contract. The business is positioned for both personal customers and businesses, allowing us to target different customer types and diversify our income streams.

We have a strong operational focus, using a mix of centralised and decentralised operational processes to drive customer enquiries, sales conversion and customer service. Attention to detail at each level within the business gives us the ability to react quickly to market changes and to maximise our competitiveness.

Driving revenue per available foot ("RevPAF") will enhance ability to deliver on operational gearing effects

Safestore is a cash generative, operationally geared business and our focus is on driving free cash flow. Looking forward, we believe a focus on the rate of sustained growth in RevPAF, which is the equivalent of the total revenue generated per square foot of maximum lettable area, will strengthen our focus. This is a similar measure to the sales per square foot measure used by retailers or revenue per available room measure used in the hospitality real estate sector.

Using this measure facilitates a focus on maximising free cash flow with flexible strategies to drive an appropriate combination of occupancy and rate at the store level, rather than a rigid adherence to a policy of driving either at the expense of a gain in total revenue delivery, margin and free cash flow. In turn, this focus drives cash generation and asset value.

RevPAF annualised for the period was £18.71, an increase of 3.7% over the same period last year, or 1.9% excluding the impact of the adjustment to MLA made in October 2010 to account for space deemed unsuitable for self storage development.

We have identified clear strategic priorities to create further value

Safestore is a strong business with scale, a comprehensive customer offer and geographic diversity.

My initial review with the team has highlighted further opportunities to use our scale to take advantage of the favourable underlying demand and supply trends, particularly by strengthening our brand power, yield management and asset management.

Brand power will be critical to extending Safestore's market leadership. Brand power is not merely name recognition, but the combination of a recognised and favoured brand among target audiences, effective distribution channels, a network of locations that can meet customer demand, strong customer service and operational delivery. Safestore has a clear opportunity to build its brand reputation, to enhance its web presence and to further strengthen its relevance to business customers, in particular, by extending its early steps in national sales, alliances and customer contact centres.

"For the six months ended 30 April 2011, revenue grew to £45.5 million (six months ended 30 April 2010: £42.4 million), an increase of 7.3%."

Initial impressions continued

We have identified clear strategic priorities to create further value continued

Operationally, the shift in focus to RevPAF will heighten focus on managing the right balance of occupancy and rate growth, placing appropriate emphasis on yield management. The appropriate balance will be driven by using our scale to create customer demand and to invest in equipping our teams with the skills and tools to drive appropriate choices at store level.

Asset management will continue to be critical. There is now an opportunity to review our portfolio in detail and determine how best we can create value from each individual asset, including investment in the self storage offer, alternate use and optimum business model. We will continue to seek high returning opportunities by selectively adding new stores and have a brand format which permits us to grow with new model stores. This includes our recent London openings, in Barking and Crystal Palace, and our Paris opening at Trappes and attractive replacement store projects, as we have done successfully at Bolton and Southend.

Finally, the business continues to rest on the quality and development of our people. Safestore has a first-class reputation for operational skill and customer service, particularly for first-time self storage users and business customers with complex needs. We will continue to align our team around the key strategic priorities and build our capabilities, both in-store and by leveraging our scale centrally to drive productivity.

In the months ahead we expect to develop our plans further in each area and to report on our progress on each strategic priority.

Outlook

Last year we had a particularly strong second half performance in the UK in terms of new lets as the economy began to emerge from recession. As this would normally lead to a higher level of vacates in the following year, a slowdown in economic growth that impacts new let volumes will make it challenging to sustain such high overall growth. This will be compounded by the previously announced temporary closure of our La Défense store following the fire in December 2010.

We have had a solid start to our third quarter. However, customer confidence remains fragile and there is limited visibility of the underlying pace of economic recovery. We, therefore, maintain a cautious outlook for the second half of the year.

Beyond the short-term economic pressures, the Board remains confident that the business is well positioned, with a strong and resilient operating model and strategic opportunities to create further value.

Financial review

Overview

For the six months ended 30 April 2011, revenue grew to £45.5 million (six months ended 30 April 2010: £42.4 million), an increase of 7.3%. Like-for-like revenue was £43.8 million, 7.5% up on the same period last year (six months ended 30 April 2010: £40.7 million).

The average self storage rate per sq ft increased by 3.2% to £26.33 (six months ended 30 April 2010: £25.51).

The closing occupancy (including circa 56,000 sq ft of bulk space let) was 89,000 sq ft up on April 2010 but 26,000 sq ft down on October 2010 at 2.92 million sq ft. These figures include the impact of the relocation of two stores to new, purpose built facilities in the UK and the closure of a store in Paris due to a fire. Adjusting for these events, underlying closing occupancy is 126,000 sq ft up on April 2010 and 11,000 sq ft up on October 2010.

Ancillary revenues for the period, derived from the sale of contents insurance, storage accessories and miscellaneous items, increased by 8.8% to £6.1 million (six months ended 30 April 2010: £5.6 million). This represents 16.5% of self storage revenues.

Margin

The Company generated underlying EBITDA of £24.3 million, an increase of 5.9% over the same period last year (six months ended 30 April 2010: £22.9 million). The underlying EBITDA margin has reduced slightly to 53.3% (six months ended 30 April 2010: 54.0%). This decrease is mainly driven by the costs associated with the new stores opened since 30 April 2010 and general inflationary pressure, especially in utilities and rates.

Finance costs

Finance expense comprises interest on bank loans, amortisation of debt issuance costs and interest on finance lease obligations, net of capitalised interest.

Profit after tax ("earnings") and EPS

	Six months to 30 April 2011 £ million	Six months to 30 April 2010 £ million	Movement £ million
Earnings for the six months ended 30 April 2010			4.8
(Loss)/gain on investment properties	**(13.8)**	5.0	(18.8)
One off refinancing costs	**—**	(10.8)	10.8
Fair value movements on derivatives (net)	**3.3**	(0.7)	4.0
Income tax	**3.5**	(1.9)	5.4
Exceptional items	**(1.1)**	0.4	(1.5)
Other movements not separately identified			(0.2)
Earnings for the six months ended 30 April 2011			4.5

— Interest on bank loans has increased by 20.9% to £8.0 million in the period driven, in the main, by the timing of the refinancing in 2010.

— Amortisation of debt issuance costs have increased from £0.9 million for the six months ended 30 April 2010 to £1.09 million for the same period this year. This increase is driven by the costs associated with the new debt facility.

— Interest on finance leases has increased by 4.2% to £2.5 million (six months ended 30 April 2010: £2.4 million) and reflects part of the rental payable under UK GAAP (the balance being charged through the investment gain/(loss) line in the income statement and contingent rent under IFRS).

— Interest has been capitalised in accordance with IAS 23. Interest capitalised in the period was £0.1 million (six months ended 30 April 2010: £0.3 million).

— Finance income includes fair value movement of derivatives of £3.6 million (30 April 2010: finance expense £1.0 million). This is driven solely by interest rate movements relative to the contractual rates of derivatives held.

Profit after tax ("earnings") and EPS

The profit after tax was £4.5 million, a decrease of 6.9% compared to the same period last year (six months ended 30 April 2010: £4.8 million). After adjusting for various items set out in note 10, the Company made an EPRA adjusted profit after tax in the period of £7.4 million compared to £6.9 million for the same period last year. EPRA adjusted and basic EPS were 3.96 pence and 2.38 pence respectively for the period ended 30 April 2011 (six months ended 30 April 2010: 3.68 pence and 2.56 pence respectively).

Earnings have decreased by £0.3 million from £4.8 million for the six months ended 30 April 2010 to £4.5 million for the comparable period this year. The main components of this movement are set out in the table above.

Debt financing/covenants

As at 30 April 2011, the Group's net borrowings, excluding finance leases, totalled £319.2 million. Approximately 75% of the net debt is covered by a mixture of interest rate swap instruments to provide an overall blended rate of 5.0% to 5.5% for the period to August 2013.

The Directors have reviewed both the loan to value and interest cover covenants and are satisfied that there is sufficient headroom for the foreseeable future. The Group also has a strong cash position of £15.7 million at the period end. The current debt facilities and projected cash flow provides sufficient funds to cover all existing commitments including the current pipeline as well as capacity for further new store acquisitions. The debt facilities do not mature until August 2013.

Property valuation

Cushman & Wakefield LLP has again valued the Company's property portfolio. As at 30 April 2011, the total value of the Company's portfolio was £693.6 million.

This represents an increase of £6.4 million or 0.9% over the £687.2 million valuation as at 31 October 2010.

There are several factors influencing the valuation movement of the existing store portfolio during the period and, as such, the UK and France are listed separately.

— New stores opened in the UK and France since 31 October 2010 added £17.0 million to the overall valuation. Net of new stores, the existing store portfolio has experienced a valuation reduction of £10.6 million. Included in this reduction is £6.6 million relating to the La Défense store. £2.3 million of this value being treated as a exceptional impairment in the income statement with the balance being transferred from Investment Properties to Investment Properties Under Construction due to the closure following the fire in December 2010.

— Taking the UK first, the existing store valuation shows a £9.7 million valuation decrease compared to October 2010. As noted below this is primarily due to changes in the cash flow modelling assumptions.

— Excluding La Défense, the existing French store portfolio valuation has increased by £5.7 million from 31 October 2010. This does, however, include the impact of a £3.6 million foreign exchange gain which arises when translating the assets at the relative balance sheet exchange rates.

— We estimate that 93% of this change has been driven by changes in the cash flow assumptions with the balance of 7% being attributable to capital movements.

— The Group freehold exit yield for the valuation at 30 April 2011 was 7.88% which is broadly consistent with the exit yield of 7.87% adopted at 31 October 2010 and 7.90% adopted at 30 April 2010.

The weighted average annual discount rate for the whole portfolio has followed a similar trend to exit yields.

At 30 April 2011, the Company's property portfolio consisted of 118 trading stores. The freehold/long leasehold stores were valued at £551.2 million and the short leasehold properties were valued at £142.4 million. Freehold/long leasehold stores which make up 60% of the stores by number account for 79% of the valuation. The remaining 21% of the valuation is attributable to the short leasehold portfolio.

The Company's pipeline of expansion stores is valued at £14.6 million as at 30 April 2011 (including the La Défense store).

In their report to us, our Valuer has drawn attention to valuation uncertainty resulting from exceptional volatility in the financial markets and a lack of transactions in the property investment market. Please see note 12 for further details.

The EPRA adjusted NAV per share is 204.8 pence, up 3.9% on April 2010 but down 2.0% on 31 October 2010. The main contributory factor in these movements is the impact of the valuation (loss)/gain in the relevant periods.

Dividend

The Board is pleased to announce that we will be paying an interim dividend of 1.75 pence per share (six months ended 30 April 2010: 1.70 pence per share), which will amount to £3.3 million (30 April 2010: £3.2 million) The dividend will be paid on 10 August 2011 to shareholders who are on the Company's register at the close of business on 15 July 2011. The ex-dividend date will be 13 July 2011.

P D Gowers
Chief Executive Officer
23 June 2011

Statement of Directors' responsibilities

for the six months ended 30 April 2011

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 following changes have taken place to the Directors of Safestore Holdings plc listed in the Safestore Holdings plc Annual Report for 31 October 2010:

S W Williams	(resigned 28 February 2011);
P D Gowers	(appointed 1 March 2011); and
F Vecchioli	(appointed 23 March 2011).

By order of the Board

P D Gowers
Chief Executive Officer
23 June 2011

R D Hodsden
Chief Financial Officer
23 June 2011

Independent review report

to Safestore Holdings plc

Introduction

We have been engaged by the Company to review the condensed consolidated interim financial information in the interim report for the six months ended 30 April 2011, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net debt and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services 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 consolidated interim financial information included in this interim 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 consolidated interim financial information in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 Ireland) 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 consolidated interim financial information in the interim report for the six months ended 30 April 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
23 June 2011

Notes

a) The maintenance and integrity of the Safestore Holdings plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

for the six months ended 30 April 2011

	Notes	**Six months ended 30 April 2011 (unaudited) £'000**	Six months ended 30 April 2010 (unaudited) £'000	Year ended 31 October 2010 (audited) £'000
Revenue	4	**45,528**	42,435	89,214
Cost of sales		**(15,118)**	(14,456)	(28,951)
Gross profit		**30,410**	27,979	60,263
Administrative expenses		**(7,866)**	(5,435)	(11,819)
EBITDA before exceptional items, fair value movement of derivatives, contingent rent and (loss)/gain on investment properties	4	**24,275**	22,928	49,178
Exceptional items	5	**(1,062)**	—	(280)
Fair value movement of derivatives		**(325)**	343	461
Contingent rent and depreciation		**(344)**	(727)	(915)
Operating profit before (loss)/gain on investment properties		**22,544**	22,544	48,444
(Loss)/gain on investment properties before exceptional item		**(11,540)**	4,950	18,472
Impairment of investment property – exceptional	11	**(2,262)**	—	—
Total (loss)/gain on investment properties		**(13,802)**	4,950	18,472
Operating profit		**8,742**	27,494	66,916
Finance income before exceptional items and change in fair values of derivatives		**110**	164	290
Fair value movement of derivatives		**3,629**	—	—
Recycling of foreign exchange gains – exceptional	6	**—**	431	431
Total finance income		**3,739**	595	721
Finance expense before fair value movement of derivatives and exceptional items	6	**(11,508)**	(9,647)	(22,834)
Fair value movement of derivatives	6	**—**	(1,012)	(4,829)
Recycling of cash flow hedge reserves – exceptional	6	**—**	(8,749)	(8,749)
Exceptional finance expense	6	**—**	(2,004)	(2,004)
Total finance expense		**(11,508)**	(21,412)	(38,416)
Profit before income tax	4	**973**	6,677	29,221
Income tax credit/(expense)[1]	7	**3,493**	(1,882)	(2,881)
Profit for the period		**4,466**	4,795	26,340
Earnings per share for profit attributable to the equity holders				
– basic (pence)	10	**2.38**	2.56	14.05
– diluted (pence)	10	**2.33**	2.51	13.81

1 Includes an exceptional credit of £3,293,000 (31 October 2010: £3,478,000) (see note 7).

All items in the income statement relate to continuing operations.

An interim dividend of 1.75 pence per ordinary share has been declared for the period ended 30 April 2011 (30 April 2010: 1.70 pence).

Consolidated statement of comprehensive income

for the six months ended 30 April 2011

	Six months ended 30 April 2011 (unaudited) £'000	Six months ended 30 April 2010 (unaudited) £'000	Year ended 31 October 2010 (audited) £'000
Profit for the period	**4,466**	4,795	26,340
Other comprehensive income:			
Cash flow hedges	**—**	1,172	1,172
Currency translation differences	**2,543**	(3,084)	(2,767)
Recycled cumulative exchange gain	**—**	(431)	(431)
Recycled cumulative cash flow hedges	**—**	8,749	8,749
Tax credit in respect of items taken directly to equity	**—**	(2,794)	(2,846)
Total other comprehensive income, net of tax	**2,543**	3,612	3,877
Total comprehensive income for the period	**7,009**	8,407	30,217

Consolidated balance sheet

as at 30 April 2011

	Notes	30 April 2011 (unaudited) £'000	30 April 2010 (unaudited) £'000	31 October 2010 (audited) £'000
Non-current assets				
Investment properties	11	**692,810**	654,394	686,178
Interests in leasehold properties	11	**66,781**	63,122	69,130
Investment properties under construction	11	**14,638**	17,753	18,360
Property, plant and equipment		**1,915**	1,778	1,794
Derivative financial instruments		**—**	1,559	227
Deferred tax assets	8	**6,238**	10,102	8,498
		782,382	748,708	784,187
Current assets				
Inventories		**253**	242	253
Trade and other receivables		**20,748**	16,351	16,244
Other financial assets		**—**	340	—
Derivative financial instruments		**359**	121	72
Cash and cash equivalents		**15,690**	21,297	15,481
		37,050	38,351	32,050
Total assets		**819,432**	787,059	816,237
Current liabilities				
Financial liabilities				
– Borrowings		**(2,643)**	—	—
– Derivative financial instruments		**(1,294)**	(167)	(3,332)
Trade and other payables		**(39,148)**	(36,180)	(35,817)
Obligations under finance leases		**(10,081)**	(9,758)	(10,005)
		(53,166)	(46,105)	(49,154)
Non-current liabilities				
Bank borrowings		**(316,571)**	(308,261)	(309,511)
Derivative financial instruments		**(3,751)**	(4,085)	(4,956)
Trade and other payables		**(624)**	(815)	(745)
Deferred tax liabilities	8	**(117,470)**	(123,018)	(122,557)
Obligations under finance leases		**(56,700)**	(53,364)	(59,125)
		(495,116)	(489,543)	(496,894)
Total liabilities		**(548,282)**	(535,648)	(546,048)
Net assets		**271,150**	251,411	270,189
Shareholders' equity				
Ordinary shares	16	**1,881**	1,881	1,881
Share premium	15	**28,349**	28,349	28,349
Reserves	15	**240,920**	221,181	239,959
Total equity		**271,150**	251,411	270,189

The notes on pages 16 to 23 form an integral part of this condensed consolidated interim financial information.

Consolidated statement of changes in equity

for the six months ended 30 April 2011

	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
At 1 November 2010	1,881	28,349	229,243	10,716	270,189
Total comprehensive income for the period	—	—	4,466	2,543	7,009
Transactions with owners in their capacity as owner:					
Dividends (note 9)	—	—	(6,093)	—	(6,093)
Employee share options	—	—	45	—	45
At 30 April 2011	**1,881**	**28,349**	**227,661**	**13,259**	**271,150**

Consolidated statement of changes in equity

for the six months ended 30 April 2010

	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
At 1 November 2009	1,881	28,349	211,580	6,785	248,595
Total comprehensive income for the period	—	—	4,795	3,612	8,407
Transactions with owners in their capacity as owner:					
Dividends (note 9)	—	—	(5,625)	—	(5,625)
Employee share options	—	—	34	—	34
At 30 April 2010	1,881	28,349	210,784	10,397	251,411

Consolidated statement of changes in equity

for the year ended 31 October 2010

	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
At 1 November 2009	1,881	28,349	211,580	6,785	248,595
Total comprehensive income	—	—	26,287	3,930	30,217
Transactions with owners in their capacity as owner:					
Dividends (note 9)	—	—	(8,812)	—	(8,812)
Employee share options	—	—	189	—	189
At 31 October 2010	1,881	28,349	229,244	10,715	270,189

Consolidated cash flow statement

for the six months ended 30 April 2011

	Six months ended 30 April 2011 (unaudited) £'000	Six months ended 30 April 2010 (unaudited) £'000	Year ended 31 October 2010 (audited) £'000
Profit before income tax	**973**	6,677	29,221
Loss/(gain) on the revaluation of investment properties	**13,802**	(4,950)	(18,472)
Loss on non-current assets	**—**	—	280
Impairment of non-current assets	**265**	—	—
Change in fair value of derivatives	**325**	(343)	(461)
Depreciation	**84**	84	168
Finance income	**(3,739)**	(595)	(721)
Finance expense	**11,508**	21,412	38,416
Employee share options	**45**	34	189
Decrease/(increase) in inventories	**3**	(17)	(28)
Increase in receivables	**(4,262)**	(3,081)	(2,886)
Increase in payables	**3,048**	2,337	608
Decrease in provisions	**—**	(109)	(109)
Cash inflows from operating activities	**22,052**	21,449	46,205
Interest paid	**(10,291)**	(8,975)	(18,564)
Interest received	**—**	93	139
Tax paid	**(8)**	(9)	(19)
Net cash inflows from operating activities	**11,753**	12,558	27,761
Investing activities			
Expenditure on investment and development properties	**(10,445)**	(7,907)	(23,313)
Net proceeds from disposal of development properties	**—**	—	559
Purchase of property, plant and equipment	**(470)**	(123)	(227)
Purchase of available for sale financial assets	**—**	(340)	—
Net cash outflows from investing activities	**(10,915)**	(8,370)	(22,981)
Financing activities			
Equity dividends paid	**(6,094)**	(5,625)	(8,812)
Net proceeds from issue of new borrowings	**8,000**	326,026	326,026
Debt issue costs	**—**	(7,680)	(8,161)
Payments in relation to financial instruments	**—**	(8,746)	(8,746)
Finance lease principal payments	**(2,720)**	(2,838)	(5,635)
Repayment of borrowings	**—**	(310,026)	(310,026)
Net cash outflows from financing activities	**(814)**	(8,889)	(15,354)
Net increase/(decrease) in cash and cash equivalents	**24**	(4,701)	(10,574)
Exchange gains/(losses) on cash and cash equivalents	**185**	(354)	(297)
Opening cash and cash equivalents	**15,481**	26,352	26,352
Closing cash and cash equivalents	**15,690**	21,297	15,481

Reconciliation of net cash flow to movement in net debt

for the six months ended 30 April 2011

	Six months ended 30 April 2011 (unaudited) £'000	Six months ended 30 April 2010 (unaudited) £'000	Year ended 31 October 2010 (audited) £'000
Net increase/(decrease) in cash and cash equivalents in the period/year	**209**	(5,055)	(10,871)
Increase in debt financing	**(7,354)**	(1,044)	(8,302)
Movement in net debt in the period/year	**(7,145)**	(6,099)	(19,173)
Net debt at start of period/year	**(363,160)**	(343,987)	(343,987)
Net debt at end of period/year	**(370,305)**	(350,086)	(363,160)

Notes to the interim report

for the six months ended 30 April 2011

1 General information

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

The Company has its primary listing on the London Stock Exchange.

This interim report was approved for issue on 23 June 2011.

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 2010, which received an unqualified report from the auditors and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies on 13 April 2011.

The condensed consolidated interim financial information for 30 April 2011 and 30 April 2010 is unaudited. The interim financial information for 30 April 2011 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 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 October 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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 ending 31 October 2011 applicable to companies under IFRS. The IFRS and IFRIC interpretations as adopted by the European Union that will be applicable at 31 October 2011, 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, IFRIC interpretations and pronouncements issued between 23 June 2011 and publication of the annual IFRS financial statements for the year ending 31 October 2011.

The accounting policies applied are consistent with those in the annual financial statements for the year ended 31 October 2010, as described in those financial statements. The following accounting standards are applicable for the first time in the year ended 31 October 2011:

- Amendment to IAS 39 'Eligible Hedged Items';
- Amendment to IFRS 2 'Group Cash-settled Share-based Payment Transactions';
- Revision to IFRS 3 'Business Combinations';
- Improvements to IFRSs (April 2009);
- IFRIC 17 'Distributions of Non-cash Assets to Owners'; and
- IFRIC 18 'Transfers of Assets from Customers'.

There has been no significant impact from the adoption of these accounting standards.

The following new standards and interpretations have been issued but are not effective for the year ending 31 October 2011 and have not been adopted early:

- Amendments to IFRIC 9 and IAS 39 'Embedded Derivatives';
- IFRS 10 'Consolidation';
- IFRS 11 'Joint Arrangements';
- IFRS 12 'Disclosure';
- IAS 27 'Separate Financial Statements';
- IAS 28 'Investments in Associates and Joint Ventures';
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments';
- Improvements to IFRS (April 2010);
- IAS 24 (Revised) 'Related Party Disclosures'; and
- Amendments to IFRIC 14 'Prepayment of a Minimum Funding Requirement'.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and fair value of derivative financial instruments.

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 2010.

4 Segmental information

The segmental information for the six months ended 30 April 2011 is as follows:

	United Kingdom £'000	France £'000	Total operating segments £'000	Central activities £'000	Total £'000
Revenue from external customers	34,162	11,366	45,528	—	45,528
Underlying EBITDA	16,800	7,150	23,950	325	24,275
Reconciliation from EBITDA before exceptional items, change in fair value of derivatives, contingent rent and (loss)/gain on investment properties to profit/(loss) before tax					
Underlying EBITDA	16,800	7,150	23,950	325	24,275
Contingent rent and depreciation	(239)	(105)	(344)	—	(344)
(Loss)/gain on investment properties before exceptional item	(11,549)	9	(11,540)	—	(11,540)
Impairment on investment properties – exceptional	—	(2,262)	(2,262)	—	(2,262)
Fair value movement of derivatives	—	—	—	(325)	(325)
Exceptional items	(716)	(346)	(1,062)	—	(1,062)
Net finance expense	—	—	—	(7,769)	(7,769)
Profit/(loss) before tax	**4,296**	**4,446**	**8,742**	**(7,769)**	**973**

The segmental information for the six months ended 30 April 2010 is as follows:

	United Kingdom £'000	France £'000	Total operating segments £'000	Central activities £'000	Total £'000
Revenue from external customers	31,610	10,825	42,435	—	42,435
Underlying EBITDA	16,362	6,909	23,271	(343)	22,928
Reconciliation from EBITDA before exceptional items, change in fair value of derivatives, contingent rent and gain on investment properties to profit/(loss) before tax					
Underlying EBITDA	16,362	6,909	23,271	(343)	22,928
Contingent rent and depreciation	(410)	(317)	(727)	—	(727)
Gain on investment properties	240	4,710	4,950	—	4,950
Fair value movement of derivatives	—	—	—	343	343
Net finance expense	—	—	—	(20,817)	(20,817)
Profit/(loss) before tax	16,192	11,302	27,494	(20,817)	6,677

5 Exceptional items

	Six months ended 30 April 2011 (unaudited) £'000	Six months ended 30 April 2010 (unaudited) £'000	Year ended 31 October 2010 (audited) £'000
La Défense fire	**(346)**	—	—
Loss on sale of non-current assets	**—**	—	(280)
Costs relating to retirement of CEO	**(716)**	—	—
Total exceptional items	**(1,062)**	—	(280)

As a result of a fire at the La Défense store in Paris on 30 December 2010, an impairment charge of £265,000 (30 April 2010: £nil) and costs of relocation £81,000 (30 April 2010: £nil) has been recognised. These have been incurred in addition to an impairment charge for the investment property of £2.3 million (as shown in note 11).

£716,000 (30 April 2010: £nil) has been incurred in relation to the retirement of the CEO.

6 Finance expense

	Six months ended 30 April 2011 (unaudited) £'000	Six months ended 30 April 2010 (unaudited) £'000	Year ended 31 October 2010 (audited) £'000
Interest payable on bank loans and overdrafts	**(7,986)**	(6,603)	(16,227)
Amortisation of debt issue costs on bank loans	**(1,085)**	(875)	(2,093)
Interest on finance lease obligations	**(2,544)**	(2,427)	(4,912)
Capitalised interest	**107**	258	398
	(11,508)	(9,647)	(22,834)
Fair value movement of derivatives	**—**	(1,012)	(4,829)
Recycling of cash flow hedge reserve – exceptional	**—**	(8,749)	(8,749)
Exceptional finance expense	**—**	(2,004)	(2,004)
Total finance expense	**(11,508)**	(21,412)	(38,416)

Interest has been capitalised at an average rate of 3.5% (April 2010: 3.5%) for the period.

The recycling of the cash flow hedge reserve in the prior year of £8.7 million represents the transfer of cumulative movements on cash flow hedges that were previously charged directly to reserves. The exceptional finance expense in the prior year of £2.0 million represents the write-off of debt issue costs relating to the previous banking facility.

The £0.4 million within finance income in the prior year arose in respect of recycled foreign currency translation gains from the translation reserve which were realised.

Included within interest payable of £8.0 million is £2.2 million of interest relating to derivative financial instruments that are economically hedging the Group's borrowings. The total change in fair value of derivatives for the period is £3.6 million.

7 Income tax credit/(expense)

	Six months ended 30 April 2011 (unaudited) £'000	Six months ended 30 April 2010 (unaudited) £'000	Year ended 31 October 2010 (audited) £'000
Current tax – UK corporation tax at 26.83% (2010: 28%)	**(9)**	(9)	(17)
Deferred tax	**3,502**	(1,873)	(2,864)
	3,493	(1,882)	(2,881)

Income tax credit/(expense) is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending 31 October 2011 is 30%. The deferred tax credit of £3,502,000 for the six months ended 30 April 2011 includes £3,293,000 arising as a result of the impact on deferred tax of the UK tax rate change from 27% to 26%.

Further reductions in the main corporation tax rate from 26% to 23% have been announced but not yet enacted. In addition, the rates of capital allowances on assets in the main and special pools are expected to fall from 20% to 18% and from 10% to 8% respectively from 1 April 2012.

The Directors are in the process of evaluating the impact these changes will have on future tax charges.

8 Deferred income tax

	As at 30 April 2011 (unaudited) £'000	As at 30 April 2010 (unaudited) £'000	As at 31 October 2010 (audited) £'000
The amounts provided in the accounts are:			
Revaluation of investment properties and tax depreciation	**117,978**	120,749	123,422
Other timing differences	**(508)**	2,269	(865)
Deferred tax liabilities	**117,470**	123,018	122,557
Tax losses	**(5,020)**	(7,811)	(6,261)
Interest rate swap instrument	**(1,218)**	(2,291)	(2,237)
Deferred tax assets	**(6,238)**	(10,102)	(8,498)
Deferred tax – net	**111,232**	112,916	114,059

Deferred tax assets/liabilities have been calculated using an effective rate of 30% (2010: 30%) which is the rate expected to be applied for the 2010/11 full year.

9 Dividends

On 8 April 2011, a final dividend of 3.25 pence (2010: 3.0 pence) per ordinary share, amounting to £6,093,000 (2010: £5,625,000), was paid to shareholders in respect of the year ended 31 October 2010.

An interim dividend of 1.75 pence per ordinary share (30 April 2010: 1.70 pence) has been declared. The ex-dividend date will be 13 July 2011 and the record date 15 July 2011, with an intended payment date of 10 August 2011. The interim dividend, amounting to £3.3 million (30 April 2010: £3.2 million), has not been included as a liability at 30 April 2011. It will be recognised in shareholders' equity in the year ending 31 October 2011.

10 Earnings per ordinary share

	Six months ended 30 April 2011 (unaudited)			Six months ended 30 April 2010 (unaudited)			Year ended 31 October 2010 (audited)		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	**4.47**	**187.49**	**2.38**	4.79	187.49	2.56	26.34	187.50	14.05
Dilutive share options	**—**	**3.97**	**—**	—	3.26	—	—	3.28	—
Diluted	**4.47**	**191.46**	**2.33**	4.79	190.75	2.51	26.34	190.78	13.81
Adjustments:									
Loss/(gain) on investment properties	**13.80**	**—**	**7.21**	(4.95)	—	(2.59)	(18.47)	—	(9.85)
Depreciation of leasehold properties	**(2.72)**	**—**	**(1.42)**	(2.84)	—	(1.49)	(5.63)	—	(2.99)
Operating exceptional items	**1.06**	**—**	**0.55**	—	—	—	0.28	—	0.15
Fair value movement of derivatives	**(3.30)**	**—**	**(1.72)**	0.67	—	0.35	4.37	—	2.33
Exceptional finance expense	**—**	**—**	**—**	2.00	—	1.05	2.00	—	1.07
Recycling of cash flow hedge reserve	**—**	**—**	**—**	8.74	—	4.59	8.75	—	4.67
Recycling of foreign exchange gains	**—**	**—**	**—**	(0.43)	—	(0.23)	(0.43)	—	(0.23)
Exceptional tax credit	**(3.29)**	**—**	**(1.72)**	—	—	—	(3.48)	—	(1.86)
Tax on adjustments	**(2.60)**	**—**	**(1.36)**	(1.08)	—	(0.57)	1.62	—	0.95
EPRA – diluted	**7.42**	**191.46**	**3.87**	6.90	190.75	3.62	15.35	190.78	8.05
EPRA – basic	**7.42**	**187.49**	**3.96**	6.90	187.49	3.68	15.35	187.50	8.19

Earnings per share is 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.

EPRA earnings per share

As an industry standard measure, European Public Real Estate Association ("EPRA") earnings are presented. The tax on adjustments shown above excludes the recycling of foreign exchange gains as there is no tax effect arising for the transactions.

Diluted earnings per share is 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.

11 Property portfolio

	Investment properties £'000	Interest in leasehold properties £'000	Investment properties under construction £'000	Total investment properties £'000
At 1 November 2010	686,178	69,130	18,360	773,668
Additions	1,788	—	8,611	10,399
Impairments	(2,262)	—	—	(2,262)
Reclassifications	10,571	—	(10,571)	—
Revaluation	(7,058)	—	(1,762)	(8,820)
Depreciation	—	(2,720)	—	(2,720)
Exchange movements	3,593	371	—	3,964
At 30 April 2011	**692,810**	**66,781**	**14,638**	**774,229**

The impairment charge of £2.3 million has been recognised as a result of a fire at the La Défense store in Paris on 30 December 2010.

	Investment properties £'000	Interest in leasehold properties £'000	Investment properties under construction £'000	Total investment properties £'000
At 1 November 2009	646,778	71,954	12,641	731,373
Additions	2,394	—	6,519	8,913
Disposals	—	(2,784)	—	(2,784)
Reclassifications	—	(2,858)	—	(2,858)
Revaluation	9,195	—	(1,407)	7,788
Depreciation	—	(2,838)	—	(2,838)
Exchange movements	(3,973)	(352)	—	(4,325)
At 30 April 2010	654,394	63,122	17,753	735,269

Notes to the interim report continued

for the six months ended 30 April 2011

12 Valuations

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
Freehold stores			
As at 1 November 2010	297,034	541,181	244,147
Movement in period	14,008	9,974	(4,034)
As at 30 April 2011	**311,042**	**551,155**	**240,113**
Leasehold stores			
As at 1 November 2010	72,760	144,997	72,237
Movement in period	1,943	(3,342)	(5,285)
As at 30 April 2011	**74,703**	**141,655**	**66,952**
Investment properties under construction			
As at 1 November 2010	25,588	18,360	(7,228)
Movement in period	(1,959)	(3,722)	(1,763)
As at 30 April 2011	**23,629**	**14,638**	**(8,991)**
All stores			
As at 1 November 2010	395,382	704,538	309,156
Movement in period	13,992	2,910	(11,082)
As at 30 April 2011	**409,374**	**707,448**	**298,074**

	Deemed cost £'000	Valuation £'000	Revaluation on deemed cost £'000
Freehold stores			
As at 1 November 2009	292,769	499,447	206,678
Movement in period	(307)	10,961	11,268
As at 30 April 2010	292,462	510,408	217,946
Leasehold stores			
As at 1 November 2009	72,125	147,331	75,206
Movement in period	(1,272)	(3,345)	(2,073)
As at 30 April 2010	70,853	143,986	73,133
Investment properties under construction			
As at 1 November 2009	—	—	—
Movement in period	19,160	17,753	(1,407)
As at 30 April 2010	19,160	17,753	(1,407)
All stores			
As at 1 November 2009	364,894	646,778	281,884
Movement in period	17,581	25,369	7,788
As at 30 April 2010	382,475	672,147	289,672

The freehold and leasehold investment properties have been valued as at 30 April 2011 by external valuers, Cushman and Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the RICS Valuation Standards published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties has been prepared on the basis of market 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 have confirmed that:

- the members of the RICS who have been the signatories to the valuations provided to the Company for the same purposes as this valuation have been so since October 2006;
- C&W do not provide other significant professional or agency services to the Company;
- in relation to the preceding financial year of C&W, the proportion of total fees payable by the Company to the total fee income of the firm is less than 5%; and
- C&W has continuously been carrying out bi-annual valuations for accounts purposes on behalf of the Company since October 2006.

Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from the recent global banking crisis coupled with the economic downturn, which have caused a low number of transactions in the market for self storage property. C&W note that, although there were a number of self storage transactions in 2007, the only significant transactions since 2007 were:

- the sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008;
- the sale of the former Keepsafe portfolio by Macquarie to Alligator Self Storage which was completed in January 2010; and
- the purchase by Shurgard Europe of the 80% interests held by its joint venture partner (Arcapita) in its two European joint venture vehicles, First Shurgard and Second Shurgard. The price paid was €172 million and the transaction was announced in March 2011. The two joint ventures owned 72 self storage properties.

12 Valuations continued

Market uncertainty continued

C&W observe that, in order to provide a rational opinion of value at the present time, it is necessary to assume that the self storage sector will continue to perform in a way not greatly different from that being anticipated prior to the "credit crunch", however, they have reflected negative sentiment in their capitalisation rates and they have reflected current trading conditions in their cash flow projections for each property. C&W state that there is, therefore, greater uncertainty attached to their opinion of value than would be anticipated during more active market conditions.

Valuation method and assumptions

The valuation of the operational self storage facilities has been prepared having regard to trading potential. Cash flow projections have been prepared for each property reflecting estimated absorption, revenue growth and expense inflation. A discounted cash flow method of valuation based on these cash flow projections has been used to arrive at an opinion of market value for each property. C&W has adopted different approaches for the valuation of the leasehold and freehold assets as follows:

Freehold (UK and France)

The valuation is based on a discounted cash flow of the net operating income over a ten-year period and notional sale of the asset at the end of the tenth year.

Leasehold (UK)

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease term.

Leasehold (France)

In relation to the French commercial leases, C&W has valued the cash flow projections in perpetuity due to the security of tenure arrangements in that market and the potential compensation arrangements in the event of the landlord wishing to take possession. The valuation treatment is, therefore, the same as for the freehold properties. The capitalisation rates on these stores reflect the risk of the landlord terminating the lease arrangements.

Investment properties under construction (UK and France)

C&W has valued the stores in development adopting the same methodology as set out above but on the basis of the cash flow projection expected for the store at opening and allowing for the outstanding costs to take each store from its current state to completion and full fit out. C&W has allowed for carry costs and construction contingency, as appropriate.

Prudent lotting

C&W has assessed the value of each property individually. However, with regard to recently opened stores with negative or low short term cash flow, C&W has prepared its valuation on the assumption that, were these properties to be brought to the market, then they would be lotted or grouped for sale with other more mature assets of a similar type owned by the Company in such a manner as would most likely be adopted in the case of an actual sale of the interests valued. This lotting assumption has been made in order to alleviate the issue of low or negative short term cash flow. C&W has not assumed that the entire portfolio of properties owned by the Company would be sold as a single lot and the value for the whole portfolio in the context of a sale as a single lot may differ significantly from the aggregate of the individual values for each property in the portfolio, reflecting prudent lotting as described above.

13 Net assets per share

	As at 30 April 2011 (unaudited) £'000	As at 30 April 2010 (unaudited) £'000	As at 31 October 2010 (audited) £'000
Analysis of net asset value			
Basic and diluted net asset value	**271,150**	251,411	270,189
Adjustments:			
Deferred tax liabilities	**117,470**	123,018	122,557
Adjusted net asset value	**388,620**	374,429	392,746
Fair value of derivatives (net of tax)	**3,468**	1,800	5,832
EPRA net asset value	**392,088**	376,229	398,578
Basic net assets per share (pence)	**144.6**	134.1	144.1
Diluted net assets per share (pence)	**141.6**	131.8	141.6
Adjusted net assets per share (pence)	**203.0**	196.3	205.9
EPRA net assets per share (pence)	**204.8**	197.2	208.9

	Number	Number	Number
Shares in issue	**187,495,348**	187,495,348	187,495,348
Dilutive share options	**3,971,455**	3,261,406	3,283,607
Diluted shares used for calculation	**191,466,803**	190,756,754	190,778,955

Basic net assets per share are shareholders' funds divided by the number of shares at the period end. Diluted net assets per share are shareholders' funds divided by the number of shares at the period end, adjusted for dilutive share options. As an industry standard measure, European Public Real Estate Association ("EPRA") net asset values are presented.

14 Borrowings

The bank loan has a floating rate of interest, with £350 million of the facility being denominated in Sterling and £36 million being denominated in Euros. The bank loan is carried at amortised cost. As at 30 April 2011, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount of liabilities £'000
At 30 April 2011						
Non-derivatives						
Trade payables	39,148	624	—	—	39,772	39,772
Borrowings (excluding finance leases)	5,000	15,000	304,715	—	324,715	319,214
Finance lease liabilities	10,645	10,678	26,544	55,393	103,260	66,781
Total non-derivatives	**54,793**	**26,302**	**331,259**	**55,393**	**467,747**	**425,767**
At 31 October 2010						
Non-derivatives						
Trade payables	35,817	745	—	—	36,562	36,562
Borrowings (excluding finance leases)	—	12,500	303,571	—	316,071	309,511
Finance lease liabilities	10,488	10,595	27,624	59,213	107,920	69,130
Total non-derivatives	46,305	23,840	331,195	59,213	460,553	415,203
At 30 April 2010						
Non-derivatives						
Trade payables	36,180	151	664	—	36,995	36,995
Borrowings (excluding finance leases)	—	5,000	311,026	—	316,026	308,261
Finance lease liabilities	10,531	8,655	23,487	57,297	99,970	63,122
Total non-derivatives	46,711	13,806	335,177	57,297	452,991	408,378

Financing arrangements

The Group's undrawn borrowing facilities were as follows as at 30 April 2011:

	30 April 2011 £'000	30 April 2010 £'000	31 October 2010 £'000
Floating rate			
Expiring within one year (bank overdraft and loan facility)	**—**	—	—
Expiring beyond one year (bank loans)	**60,904**	68,675	68,690
	60,904	68,675	68,690

15 Share premium and reserves

	Share premium account £'000	Reserves £'000	Total £'000
At 1 November 2010	28,349	239,959	268,308
Profit for the period	—	4,466	4,466
Dividends	—	(6,093)	(6,093)
Employee share options	—	45	45
Currency translation differences	—	2,543	2,543
At 30 April 2011	**28,349**	**240,920**	**269,269**

	Share premium account £'000	Reserves £'000	Total £'000
At 1 November 2009	28,349	218,365	246,714
Profit for the period	—	4,795	4,795
Dividends	—	(5,625)	(5,625)
Employee share options	—	34	34
Change in value of interest rate swaps	—	1,172	1,172
Recycling of balances in hedge reserve to finance expense in the income statement	—	8,749	8,749
Tax relating to hedge reserve recycled to income statement	—	(2,794)	(2,794)
Currency translation differences	—	(3,084)	(3,084)
Recycling of balances in translation reserve to finance income in the income statement	—	(431)	(431)
At 30 April 2010	28,349	221,181	249,530

16 Share capital

	As at 30 April 2011 (unaudited) £'000	As at 30 April 2010 (unaudited) £'000	As at 31 October 2010 (audited) £'000
Called up, issued and fully paid			
188,135,088 (2010: 188,135,088) ordinary shares of 1 pence each	**1,881**	1,881	1,881

17 Related party transactions

The Company's shares are widely held. On 19 January 2011 Bridgepoint Capital (Nominees) Limited disposed of their 19% shareholding.

The ultimate parent company of the Group is Safestore Holdings plc.

During the period, the following transactions were carried out with related parties:

Bridgepoint Capital

	Six months ended 30 April 2011 (unaudited) £'000	Six months ended 30 April 2010 (unaudited) £'000	Year ended 31 October 2010 (audited) £'000
Director fees (for the period 1 November 2010 – 19 January 2011)	**6**	13	25

The following amounts are due to Bridgepoint Capital:

	As at 30 April 2011 (unaudited) £'000	As at 30 April 2010 (unaudited) £'000	As at 31 October 2010 (audited) £'000
Trade payables	**—**	2	2

18 Capital commitments

The Group had capital commitments of £27.0 million as at 30 April 2011 (30 April 2010: £12.8 million).

19 Seasonality

Self storage revenues are subject to seasonal fluctuations, with peak sales occurring in the second and third quarters of the year. This is due to seasonal weather conditions and holiday periods leading to less demand for storage. For the six months ended 30 April 2010, the level of self storage revenues represented 51.0% (30 April 2009: 48.9%) of the annual level of self storage revenue in the year ended 31 October 2010.

20 Principal risks and uncertainties

The principal risks and uncertainties which could affect the Group for the remainder of the financial year are consistent with those detailed on page 34 of the annual report and financial statements for the year ended 31 October 2010, a copy of which is available at www.safestore.com, and are:

— self storage market risk;
— property risk;
— treasury risk;
— taxation risk; and
— liquidity risk.

The Company regularly assesses these risks together with the associated mitigating factors listed in the 2010 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.

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

Our prudent approach for acquiring 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.

21 Forward-looking statements

Certain statements in this interim report 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 report 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 report. Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this interim report or to correct any inaccuracies which may become apparent in such forward-looking statements.

Directors and advisers

Directors

R S Grainger	(Non-Executive Chairman)
P D Gowers	(Chief Executive Officer)
R D Hodsden	(Chief Financial Officer)
A H Martin	(Non-Executive Director)
A S Lewis	(Non-Executive Director)
K G Edelman	(Non-Executive Director)
F Vecchioli	(Executive Director)

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Through the website of our Registrar, Capita Registrars, shareholders are able to manage their shareholding by registering for the Share Portal, a free, secure, online access to their shareholding.

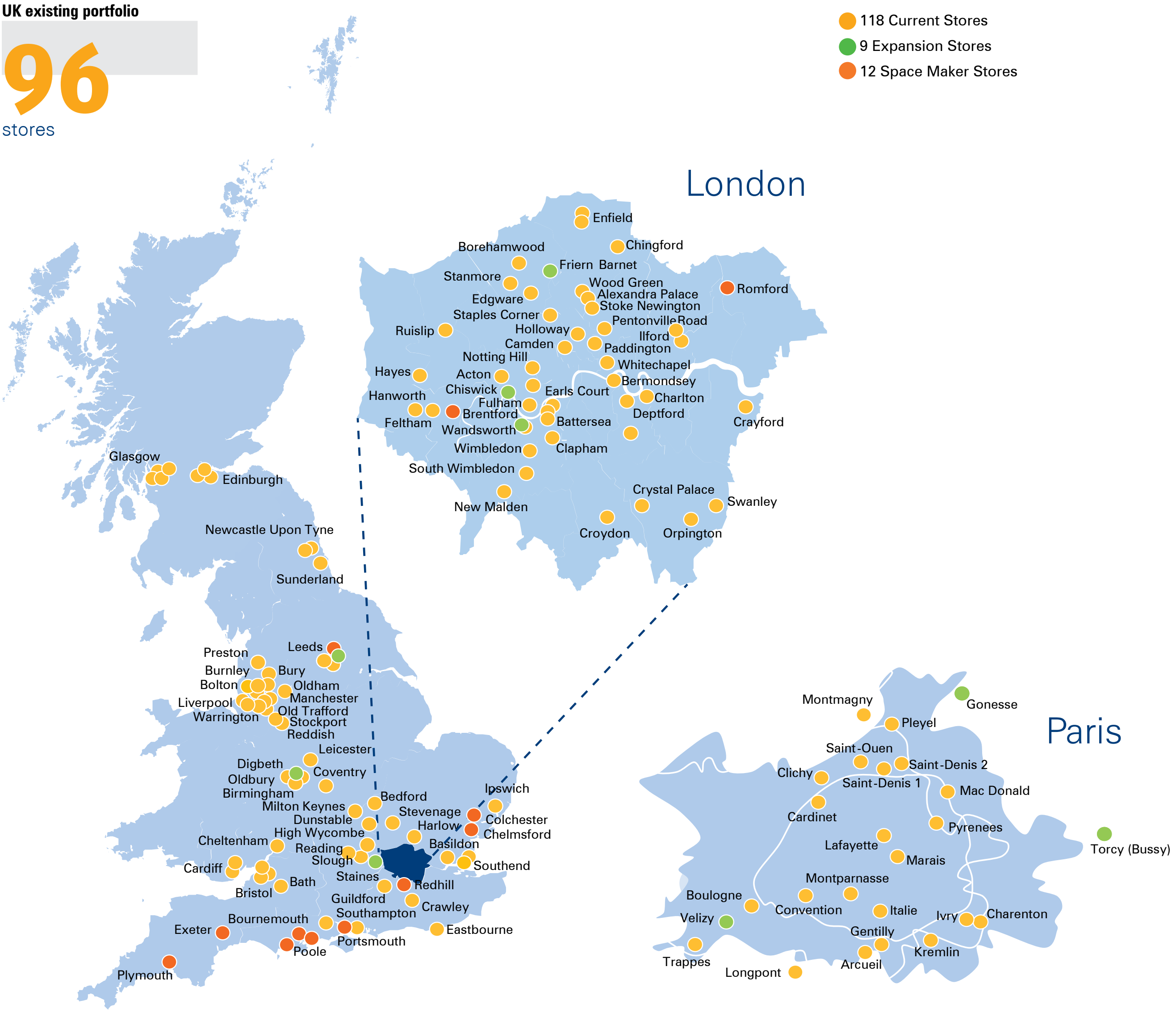
A focused business

Geographical spread as at 30 April 2011

Our strategy since 2004 has been to have a national footprint with stores across the UK and in all major cities. Our Paris business Une Pièce en Plus (“UPP”) targets the second most developed self storage market in Europe after London. In 2011 Safestore retains its number one position in the UK and in Paris by store number.

UK existing portfolio

96
stores



France existing portfolio

22
stores

MIX
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