2019

SHURGARD SELF-STORAGE

HALF-YEAR REPORT

JANUARY 1, 2019 TO JUNE 30, 2019

AT A GLANCE

Shurgard is the largest owner and operator of self-storage facilities in Europe by both number of stores and rentable space. We operate 231 stores in seven countries where over 150,000 customers lease our storage units every year.

FINANCIAL HIGHLIGHTS H1 2019

(€ millions)	H1 2019	H1 2018	+/-	+/- (CER)[1]
Property operating revenue[2]	126.0	119.4	5.5%	6.0%
Income from property (NOI)[3]	77.0	71.2	8.1%	8.7%
NOI margin[4]	61.1%	59.7%	1.5pp	1.5pp
EBITDA[5]	68.8	65.6	4.8%	5.5%
Adjusted EPRA earnings[6]	50.9	46.3	9.9%	10.6%

1 In the constant exchange rate (CER) comparison, 2018 financials are recalculated using 2019 exchange rates.

2 Property operating revenue represents our revenue from operating our stores, and comprises our rental revenue, insurance revenue and ancillary revenue.

3 Income from property (NOI – Net Operating Income) is calculated as property operating revenue less real estate operating expense for the relevant period.

4 NOI margin is calculated as income from property (NOI) divided by property operating revenue for the relevant period.

5 EBITDA is calculated as earnings before interest, tax, depreciation and amortization, excluding (i) valuation gains from investment property and investment property under construction and (ii) losses or gains on disposal of investment property plant and equipment and assets held for sale, (iii) acquisition costs and dead deals and (iv) casualty loss (gain). EBITDA factors in the impact of the IFRS 16 in H1 2019.

6 Adjusted EPRA earnings is calculated as EPRA earnings adjusted for (i) deferred tax expenses on items other than the revaluation of investment property and (ii) special items ("one-offs") that are significant and arise from events or transactions distinct from the regular operating activities.

PROPERTY HIGHLIGHTS H1 2019

	H1 2019	H1 2018	+/-	+/- (CER)
Number of stores (as of June 30)	231	222	4.1%	
Net rentable sqm (as of June 30)[1]	1,166	1,122	4.0%	
Net rented sqm (as of June 30)[2]	1,019	994	2.5%	
Occupancy rate (as of June 30)[3]	87.4%	88.6%	-1.2pp	
Average occupancy rate for the period[4]	86.2%	86.6%	-0.4pp	
Average in-place rent for the period (€ per sqm)[5]	214.5	210.4	1.9%	2.4%
RevPAM for the period (€ per sqm)[6]	216.1	213.3	1.3%	1.8%

1 Net rentable square meters is presented in thousands of square meters and calculated as the sum of unit space available for customer storage use at our stores, measured in square m, based on our unit size categories, as of the relevant date.

2 Net rented sqm is presented in thousands of sqm and calculated as the sum of unit space rented by customers at our stores, measured in sqm, based on our unit size categories, as of the relevant date.

3 Occupancy rate is presented in percent and calculated as the net rented sqm divided by net rentable sqm as of the relevant date.

4 Average occupancy rate is presented in percent and is calculated as the average of the net rented sqm divided by the average of the net rentable sqm, each for the relevant periods.

5 Average in-place rent is presented in € per square meter and calculated as rental revenue, on a constant exchange rate basis, divided by the average net rented sqm for the relevant period.

6 RevPAM, which stands for revenue per available square meter, is presented in € per square meter for the relevant period and calculated as property operating revenue, on a constant exchange rate basis, divided by the average net rentable sqm for the relevant period.

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CEO STATEMENT

"During the first six months of 2019, Shurgard has been building on its long-term strengths in the storage industry by leveraging its integrated platform to grow the existing business, and expanding its reach with a new pipeline of properties. The second quarter has seen a ramping up of the sales trajectory and we are confident we will deliver on our forecasts for the full year."

FINANCIAL PERFORMANCE

Shurgard's strong financial performance in the first half of 2019 is in line with our full-year guidance. Property operating revenue for the first six months rose 5.5%, or 6.0% at constant exchange rates, supported by the growth of our network through redevelopments, new developments and acquisitions. This is well within our guidance of 4% to 6% for the full year.

Meanwhile same store property operating revenue rose 1.3% at constant exchange rates in the first half. This represents an accelerating trend from the first quarter to the second quarter, underpinned by an increase in rental rates in the period. We have the ability to flexibly apply promotional discounts to maintain or increase occupancy rates. During the first half, we reduced the number of special offers available which, along with the annual increases we apply to existing tenants, raised rental rates and lifted operating revenue. In addition, well-managed expenses at our same store helped NOI margins rise by 1.5 percentage points to 61.6% at constant exchange rates.

Adjusted EPRA earnings, which excludes fluctuating acquisition and revaluation costs to give a good reflection of the underlying performance of the business, rose 9.9% to €50.9 million in the first half.

Our financial position remains incredibly robust, with undrawn credit facilities of €250 million and a low loan to value ratio and net debt level, all of which puts us in a very strong position to move quickly when suitable acquisitions are available.

We propose an interim dividend of €0.45 per share, with payment on or around October 3, 2019.

PROPERTY DEVELOPMENT

To date we have five projects signed conditional to permit consent, representing a further 29,000 sqm of storage pace. The developments in London, Paris and Berlin are in line with our 2019 guidance.

This year we have two new properties opening in the fourth quarter in London and Utrecht. These stores will add 11,800 sqm to our storage footprint for an investment of €24.7 million, and we expect to generate a property yield of between 8 and 10% at maturity. The opening of Berlin Oberschoeneweide, foreseen in the fourth quarter of this year, has been postponed to the third quarter 2020 due to construction delays.

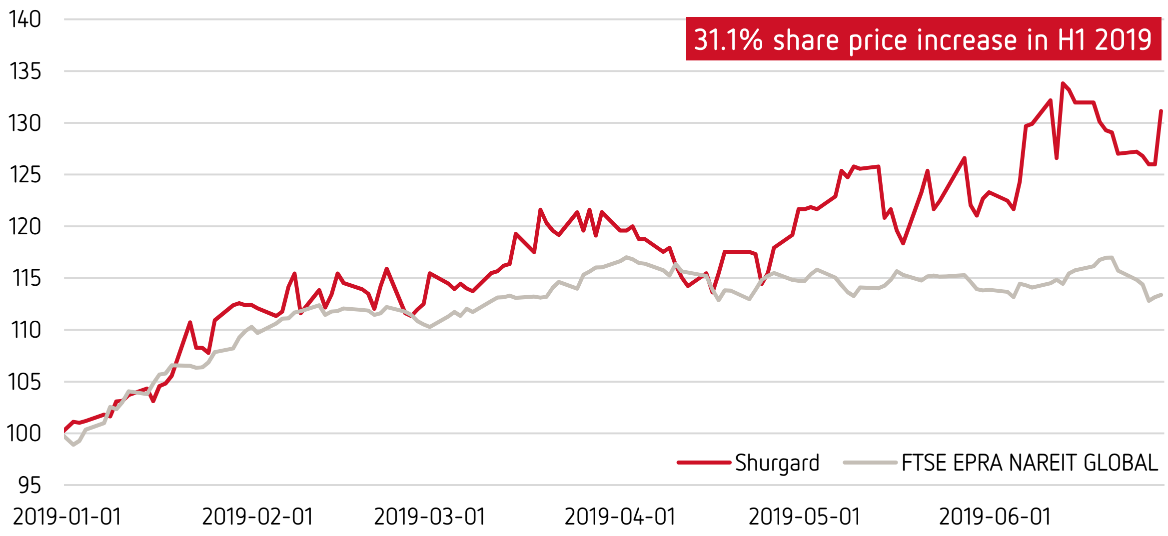
Our redevelopment pipeline remains in line with our objectives. The first two redevelopments were finalized in the first six months of 2019 and have added 4,300 sqm to our portfolio in London and Paris. One further redevelopment in London is due to be finalized in the second half of the year.

Throughout the first half of 2019, Shurgard has leveraged its integrated platform to increase sales, manage costs and deliver strong financial results. We are on course to maintain this growth through the second half of the year as we build our pipeline and deliver value for our shareholders.

Marc Oursin
Chief Executive Officer

THE SHURGARD SHARE

SHARE PRICE DEVELOPMENT



BASIC SHARE DATA

ISIN / common code	LU1883301340 / 188330134
CFI code	ESVUFX
Ticker	SHUR
Stock exchange	Euronext Brussels
Shares issued	88,935,681
Shares outstanding (June 30, 2019)	88,791,766
Subscribed capital	€63,470,669.79
Share price as of June 28, 2019[1]	€31.80
52-week high / low[2]	€32.45 / €24.13
Market capitalization as of June 28, 2019	€2,828 million
Average daily trading volume	34,898 shares

1 Last trading date of the month.
2 In each case from start of trading on October 15, 2018 to June 30, 2019, based on Euronext Brussels closing price.

DIVIDEND

In respect of H1 2019, our Board of Directors approved an interim dividend of a maximum of €40.0 million or €0.45 per share as per our guidance. The interim dividend will be payable on or around October 3, 2019 to shareholders on the register at close of business on October 2, 2019.

SHARE TRADING

The Company appointed Kempen & Co. and KBC Securities as liquidity providers starting in May and June 2019 respectively, with the contracts being officially recognized by Euronext. The Company aims to make the necessary efforts to improve the liquidity of its order book and increase the trading volumes of its share, to benefit current and potential investors.

MANAGEMENT REPORT

KEY FINANCIALS

(in € millions, except where indicated)	Q2 2019	Q2 2018	+/- (CER)[1]	H1 2019	H1 2018	+/-	+/- (CER)[1]
Property KPIs at period end							
Number of stores	231	222		231	222	4.1%	
Net rentable sqm[2]	1,166	1,122		1,166	1,122	4.0%	
Net rented sqm[3]	1,019	994		1,019	994	2.5%	
Occupancy rate[4]	87.4%	88.6%		87.4%	88.6%	-1.2pp	
Property KPIs for the period							
Average occupancy rate[5]	86.5%	87.4%		86.2%	86.6%	-0.4pp	
Average in-place rent (in € per sqm)[6]	214.2	208.2	3.3%	214.5	210.4	1.9%	2.4%
RevPAM (in € per sqm)[7]	216.7	213.3	2.0%	216.1	213.3	1.3%	1.8%
Financial KPIs for the period							
Property operating revenue[8]	63.1	59.8	6.0%	126.0	119.4	5.5%	6.0%
Income from property (NOI)[9]	41.7	38.6	8.5%	77.0	71.2	8.1%	8.7%
NOI margin[10]	66.0%	64.5%	1.5pp	61.1%	59.7%	1.5pp	1.5pp
EBITDA[11]	37.2	35.7	4.8%	68.8	65.6	4.8%	5.5%
Adjusted EPRA earnings[12]	28.6	24.6	16.9%	50.9	46.3	9.9%	10.6%
Adjusted EPRA earnings per share (diluted) (in €)[13]	0.32			0.57			
Average number of shares (diluted)	89.3			89.3			
Interim dividend per share (in €)				0.45			
Financial KPIs at period end							
EPRA net asset value (NAV)[14]				2,161.7	1,698.7	27.3%	
Loan to Value (LTV)[15]				15.8%	24.8%	-9.0pp	

1 In the constant exchange rate (CER) comparison, 2018 financials are recalculated using 2019 exchange rates.
2 Net rentable sqm is presented in thousands of sqm and calculated as the sum of unit space available for customer storage use at our stores, measured in sqm, based on our unit size categories, as of the relevant date.
3 Net rented sqm is presented in thousands of sqm and calculated as the sum of unit space rented by customers at our stores, measured in sqm, based on our unit size categories, as of the relevant date.
4 Occupancy rate is presented in percent and calculated as the net rented sqm divided by net rentable sqm as of the relevant date.
5 Average occupancy rate is presented in percent and is calculated as the average of the net rented sqm divided by the average of the net rentable sqm, each for the relevant periods.
6 Average in-place rent is presented in euro per square meter and calculated as rental revenue, on a constant exchange rate basis, divided by the average net rented sqm for the relevant period.
7 RevPAM, which stands for revenue per available square meter, is presented in euro per square meter for the relevant period and calculated as property operating revenue, divided by the average net rentable sqm for the relevant period.
8 Property operating revenue represents our revenue from operating our stores, and comprises our rental revenue, insurance revenue and ancillary revenue.
9 Income from property (NOI) is calculated as property operating revenue less real estate operating expense for the relevant period.
10 NOI margin is calculated as income from property (NOI) divided by property operating revenue for the relevant period.
11 EBITDA is calculated as earnings before interest, tax, depreciation and amortization, excluding (i) valuation gains from investment property and investment property under construction and (ii) losses or gains on disposal of investment property plant and equipment and assets held for sale, (iii) acquisition costs and dead deals and (iv) casualty loss (gain). EBITDA factors in the impact of the IFRS 16 in H1 2019.
12 Adjusted EPRA earnings is calculated as EPRA earnings adjusted for (i) deferred tax expenses on items other than the revaluation of investment property and (ii) special items ("one-offs") that are significant and arise from events or transactions distinct from the regular operating activities.
13 Adjusted EPRA earnings per share in euro (diluted) is calculated as adjusted EPRA earnings divided by the weighted average number of outstanding shares, plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (including outstanding share options) into ordinary shares.
14 EPRA NAV is calculated as net assets in the statement of financial position attributable to ordinary equity holders of the parent, excluding deferred taxes on fair value adjustments of investment property.
15 Net debt expressed as a percentage of the fair value of the group's investment property and investment property under construction.

GROUP OVERVIEW

BUSINESS MODEL

We are the largest owner and operator of self-storage facilities, which we refer to as stores, in Europe in terms of number of stores and net rentable sqm.[1] We began operating in 1995 and are one of the pioneers of the self-storage concept in Europe. As of June 2019, our network of 231 stores comprised approximately 1,166,000 net rentable sqm serving more than 150,000 customers in the Netherlands, France, Sweden, the United Kingdom, Belgium, Germany and Denmark.

Across this network, we have developed an integrated self-storage group with local expertise in the seven countries. We have centralized in-house capabilities to design, develop, acquire and operate stores to provide a consistent experience to residential and commercial customers.

We generate revenue through the lease of storage units and related activities, including insurance referrals and the sale of storage products and packaging. Our property operating revenue and income from property (NOI), have increased steadily in recent years. Over this time, we increased rental rates across our network and grew our portfolio through new developments, redevelopments and acquisitions. The table below shows our property operating revenue and NOI for the financial year 2019 compared to 2018.

(in € millions)	Q2 2019	Q2 2018	+/-	H1 2019	H1 2018	+/-
Property operating revenue	63.1	59.8	5.5%	126.0	119.4	5.5%
NOI	41.7	38.6	8.0%	77.0	71.2	8.1%
NOI margin	66.0%	64.5%	1.5pp	61.1%	59.7%	1.5pp

The EPRA NAV was €2,161.7 million as of June 30, 2019, as compared to €1,698.7 million as of June 30, 2018.

[1] FEDESSA 'European Self Storage Annual Survey' 2018

PROPERTY PORTFOLIO

OUR STORES

The number of stores we own and operate has grown to a network of 231 stores comprising approximately 1,166,000 net rentable sqm as of June 30, 2019. We primarily operate in urban areas across Europe, with around 92% of our stores located in capital and major cities. As of June 30, 2019, approximately 95% of our net square rentable area was in stores that we own ("freehold stores") or operate under long-term lease agreements of at least 80 years remaining life ("long leasehold stores"). The occupancy rate across all our stores was at 86.2% on average over the first half year of 2019. The average in-place rent per square meter was at €214.5 during the first half.

The following table shows our portfolio by country, as of June 30, 2019:

	Total number of stores	Net rentable sqm (in thousands)	Freehold and long leasehold[1]	Average occupancy rate[2]	Average in-place rent (in € per square meter)[3]
The Netherlands	61	291	86%	87.1%	180.3
France	56	273	96%	86.6%	229.3
Sweden	36	183	95%	89.2%	222.3
United Kingdom	30	157	100%	81.6%	268.1
Belgium	21	117	100%	85.3%	174.2
Germany	17	92	100%	84.2%	212.2
Denmark	10	53	100%	88.5%	239.5
Total	**231**	**1,166**	**95%**	**86.2%**	**214.5**

1 Average calculated as a weighted average by net rentable sqm.
2 Average occupancy rate is calculated as the average of the net rented sqm divided by the average of the net rentable sqm.
3 Average in-place rent is calculated as rental revenue divided by the average net rented sqm.

Our net rentable sqm have grown from 1,121,899 sqm as of June 30, 2018 to 1,166,225 sqm as of June 30, 2019. The biggest increase in our portfolio has come from Sweden, where we added 15.0% (23,844) net rentable sqm with the acquisition of Pelican (five stores). By acquiring ABC (three stores) we were able to add 6.5% (9,528) net rentable sqm in the UK. We have furthermore increased our portfolio by 10.5% (8,716) net rentable sqm in Germany following the opening of Berlin Neukoelln and several redevelopments.

PROJECTS COMPLETED IN H1 2019

Store	Region	Country	Net sqm
Major redevelopments			
City Airport	London	UK	3,663
Sucy-en-Brie	Paris	France	628
Total 2019			**4,291**

In the first half year of 2019, we completed two major redevelopments (London and Paris).

PROJECT PIPELINE

Store	Region	Country	Net sqm	Opening date
Major redevelopments				
Forest Hill	London	UK	803	2019
Nanterre La Défense	Paris	France	955	2020
Southwark	London	UK	2,692	2020
New developments				
Utrecht Leidsche Rijn	Randstad	Netherlands	5,923	2019
Herne Hill	London	UK	5,868	2019
Oberschoeneweide	Berlin	Germany	6,060	2020
Total 2019 and 2020			**22,301**	

Signed contract conditional on planning consent				
3 properties	Paris	France	c. 18,000	N/A
1 property	London	UK	c. 6,000	N/A
1 property	Berlin	Germany	c. 5,000	N/A

Building permits have been received for three of the above properties (two in Paris and one in Berlin).

STORE LAYOUT

Although the size of our stores varies, most consist of multi-story buildings. The rental units typically range from one to 20 sqm in size. The average unit size is approximately seven sqm, although unit sizes are typically smaller in major metropolitan areas at approximately five to six sqm. As of June 30, 2019, we had approximately 770 units at each store, and our stores had an average rentable area of over 5,000 sqm.

OPERATIONAL AND FINANCIAL REVIEW

GROUP RESULTS

(in € thousands except where indicated)	Q2 2019	Q2 2018	+/- (CER)	H1 2019	H1 2018	+/-	+/- (CER)
Real estate operating revenue	63,148	59,893	5.9%	125,974	119,510	5.4%	5.9%
Real estate operating expense	(21,447)	(21,227)	1.4%	(48,990)	(48,168)	1.7%	2.0%
Net income from real estate operations	**41,701**	**38,666**	**8.3%**	**76,984**	**71,342**	**7.9%**	**8.5%**
General, administrative and other expenses	(2,622)	(2,810)	-6.7%	(6,178)	(4,033)	53.2%	53.1%
of which depreciation and amortization expense	(363)	(419)	-13.3%	(883)	(830)	6.3%	6.4%
Acquisition costs of business combinations	-	(128)	N/A	-	(128)	N/A	N/A
Royalty fee expense	(623)	(591)	5.8%	(1,242)	(1,180)	5.3%	5.8%
Operating profit before revaluation loss and gain on disposal of investment property, plant and equipment and assets held for sale	**38,456**	**35,137**	**10.0%**	**69,564**	**66,001**	**5.4%**	**6.0%**
Valuation gain from investment property and investment property under construction	(206)	7,669	-102.6%	(206)	7,668	-102.7%	-102.6%
Operating profit	**38,250**	**42,806**	**-10.6%**	**69,358**	**73,669**	**-5.9%**	**-5.5%**
Finance cost	(5,033)	(5,373)	-6.1%	(9,530)	(9,867)	-3.4%	-3.2%
Profit before tax	**33,217**	**37,433**	**-11.3%**	**59,828**	**63,802**	**-6.2%**	**-5.9%**
Income tax expense	(7,960)	(5,989)	30.1%	(16,260)	(12,989)	25.2%	24.2%
Attributable profit for the year	**25,257**	**31,444**	**-19.4%**	**43,568**	**50,813**	**-14.3%**	**-13.7%**
Attributable to non-controlling interests	53	143	-63.4%	91	181	-49.9%	-49.9%
Attributable to ordinary equity holders of the parent	**25,204**	**31,301**	**-19.2%**	**43,477**	**50,632**	**-14.1%**	**-13.6%**
Earnings per share attributable to ordinary equity holders of the parent:							
Basic, profit for the period (in €)	0.28			0.49			
Diluted, profit for the period (in €)	0.28			0.49			
Adjusted EPRA earnings per share (diluted) (in €)	0.32			0.57			
Average number of shares (in millions - diluted)	89.3			89.3			

The following discussion of group revenue and expenses down to EBITDA is based on a constant exchange rate (CER) comparison, where 2018 (actual exchange rate – AER) numbers are recalculated using 2019 exchange rates.

REAL ESTATE OPERATING REVENUE

Our real estate operating revenue is comprised of property operating revenue, which includes rental revenue, insurance and ancillary revenue, and other revenue (management fee revenue and partnership income from self-storage operations).

(in € thousands)	Q2 2019	Q2 2018	+/-	H1 2019	H1 2018	+/-
Rental revenue	53,970	50,815	6.2%	107,803	101,538	6.2%
Insurance revenue	6,564	6,111	7.4%	13,046	12,020	8.5%
Ancillary revenue[1]	2,614	2,668	-2.0%	5,125	5,256	-2.5%
Property operating revenue (CER)	**63,148**	**59,595**	**6.0%**	**125,974**	**118,814**	**6.0%**
Other revenue[2]	0	56	N/A	0	125	N/A
Real estate operating revenue (CER)	**63,148**	**59,651**	**5.9%**	**125,974**	**118,939**	**5.9%**
Foreign exchange	0	242	N/A	0	571	N/A
Real estate operating revenue (AER)	**63,148**	**59,893**	**5.4%**	**125,974**	**119,510**	**5.4%**

1 Ancillary revenue consists of merchandise sales and other revenue from real estate operations.
2 Other revenue consists of management fee revenue and partnership income from self-storage operations.

Real estate operating revenue rose 5.9% from €118.9 million in H1 2018 to €126.0 million in H1 2019. The bulk of this revenue growth comes from an increase in storage rentals supported by the growth of our network through several redevelopments, new developments and acquisitions.

Due to the difference in performance levels of our recently developed and acquired stores on the one hand, which typically have lower occupancy levels, and for which we typically charge lower rental rates, and our stabilized stores on the other hand, which are generally characterized by higher occupancy levels and higher rental rates, we evaluate the performance of our stores in two segments: "same store" and "non-same store".

Rental Revenue

Rental revenue is derived from our core business of renting storage units. The key levers of rental revenue growth are more storage space (from acquisitions, new developments and redevelopments), as well as higher occupancy and higher rental rates.

In H1 2019, rental revenue increased by 6.2% from €101.5 million in 2018 to €107.8 million in 2019. This increase was primarily due to higher rental rates, and the continued operational 'ramp-up' of our non-same store. While acquisitions and developments add extra rentable space to our portfolio, we are also able to increase the occupancy and rental rates as these new stores mature which we refer to as 'ramp-up'. Across our expanded network, our net rented sqm increased by 2.5% from 994 thousand sqm at June 30, 2018 to 1,019 thousand sqm as of June 30, 2019.

Insurance Revenue

When customers rent storage from Shurgard, they are required to have insurance for their stored goods. They can use their own insurance provider or buy insurance from us via an independent insurance company. During H1, insurance revenue increased by 8.5% versus last year from €12.0 million in H1 2018 to €13.0 in H1 2019. This increase was primarily due to the continued 'ramp-up' in operating performance at our non-same store, as well as an increase in the proportion of new customers subscribing to insurance within our same store segment.

Ancillary Revenue

Ancillary revenue is derived from the sale of storage products in our stores including cardboard boxes and packing materials. It also includes other revenue from real estate operations. Ancillary revenue decreased slightly from €5.3 million in H1 2018 to €5.1 million in H1 2019.

REAL ESTATE OPERATING EXPENSE

(in € thousands)	Q2 2019	Q2 2018	+/-	H1 2019	H1 2018	+/-
Payroll expense	9,643	8,970	7.5%	18,714	17,627	6.2%
Real estate and other taxes	1,539	1,545	-0.4%	9,601	9,223	4.1%
Repairs and maintenance	1,693	1,548	9.4%	3,401	3,367	1.0%
Marketing expense	1,832	1,707	7.3%	3,373	3,049	10.6%
Utility expense	838	963	-13.0%	1,933	2,046	-5.5%
Other operating expenses[1]	3,506	3,483	0.7%	7,267	6,864	5.9%
Doubtful debt expense	1,049	990	6.0%	2,081	1,892	10.0%
Cost of insurance and merchandise sales	1,202	1,101	9.2%	2,347	2,168	8.3%
Real estate operating expense excluding property lease expense (CER)	**21,302**	**20,307**	**4.9%**	**48,717**	**46,236**	**5.4%**
Property lease expense	145	854	-83.0%	273	1,771	-84.6%
Real estate operating expense (CER)	**21,447**	**21,161**	**1.4%**	**48,990**	**48,007**	**2.0%**
Foreign exchange	0	66	N/A	0	162	N/A
Real estate operating expense (AER)	**21,447**	**21,227**	**1.0%**	**48,990**	**48,168**	**1.7%**

1 Other operating expenses mainly include: travel expenses, legal and consultancy fees, insurance expenses, non-deductible VAT and information system expenses.

As our network of stores grows, so do the operating expenses required to run them. It is part of our strategy to contain these expenses. Real estate operating expense increased by 2.0% from €48.0 million in H1 2018 to €49.0 million in H1 2019. This increase, which is lower than the group revenue growth, demonstrates the scalability of our platform.

More staffing led to an increase in payroll expenses from €17.6 million to €18.7 million (6.2%). Marketing expenses rose 10.6%, from €3.0 million in H1 2018 to €3.4 million in 2019, representing 2.7% of our property operating revenue. The increase was attributable to a rise in online marketing costs.

NET INCOME FROM REAL ESTATE OPERATIONS

Net income from real estate operations reflects the revenue received minus the expenses incurred in running our real estate operations. Net income growth reflects the strong strategic position of Shurgard's platform. We are able to leverage economies of scale as we acquire or develop stores, using our standardized IT and branding platform to contain costs and ensure our revenues grow faster than our expenses. We also put several energy management initiatives in place during the year, which helped lower our utility costs and reduce expenses. Net income from real estate operations rose 8.5% from €70.9 million in H1 2018 to €77.0 million in H1 2019 at constant exchange rates.

The economies of scale had a direct positive impact on our income from property (NOI) margin, which rose to 61.1% in H1 2019 in comparison with 59.6% in H1 2018.

SEGMENT INFORMATION

The following table shows the development of our store network (same store and non-same store) and our property operating revenue split by the two segments on a year-on-year basis.

(at CER)	Q2 2019	Q2 2018	+/-	H1 2019	H1 2018	+/-
Same store (as of June 30)	217	217	0	217	217	0
Non-same store (as of June 30)	14	5	9	14	5	9
All store	**231**	**222**	**9**	**231**	**222**	**9**
Same store property operating revenue (in € thousands)	59,494	58,682	1.4%	118,693	117,189	1.3%
Non-same store property operating revenue (in € thousands)	3,654	913	300.3%	7,282	1,625	348.2%
All store property operating revenue (in € thousands)	**63,148**	**59,595**	**6.0%**	**125,974**	**118,814**	**6.0%**

Same store

"Same store" are all developed stores that have been in operation for at least three full years, and all acquired stores that we have owned for at least one full year from the start of the year. The following table shows certain performance measures across our same store portfolio.

(at CER)	Q2 2019	Q2 2018	+/-	H1 2019	H1 2018	+/-
Property KPIs at period end						
Number of stores	217	217	0	217	217	0
Net rentable sqm[1]	1,088	1,084	0.3%	1,088	1,084	0.3%
Net rented sqm[2]	961	975	-1.5%	961	975	-1.5%
Occupancy rate[3]	88.3%	89.9%	-1.6pp	88.3%	89.9%	-1.6pp
Property KPIs for the period						
Average occupancy rate[4]	87.5%	88.9%	-1.3pp	87.4%	88.1%	-0.7pp
Average in-place rent (in € per sqm)[5]	214.1	208.0	2.9%	214.3	210.0	2.1%
RevPAM (in € per sqm)[6]	218.8	216.4	1.1%	218.4	216.2	1.0%
Financial KPIs for the period						
Property operating revenue[7] (in € thousands)	59,494	58,682	1.4%	118,693	117,189	1.3%
Income from property (NOI)[8] (in € thousands)	39,692	38,155	4.0%	73,105	70,429	3.8%
NOI margin[9]	66.7%	65.0%	1.7pp	61.6%	60.1%	1.5pp

1 Net rentable sqm for our same store is presented in thousands of sqm and calculated as the sum of unit space available for customer storage use at our same store, measured in sqm, based on our unit size categories, each as of the relevant date.

2 Net rented sqm is presented in thousands of sqm and calculated as the sum of unit space rented by customers at our same store, measured in sqm, based on our unit size categories, each as of the relevant date.

3 Occupancy rate for our same store is presented as a percentage and calculated as the net rented sqm in our same store divided by net rentable sqm in our same store, each as of the relevant date.

4 Average occupancy rate for our same store is presented as a percentage and is calculated as the average of the net rented sqm in our same store divided by the average of the net rentable sqm in our same store, each for the relevant period.

5 Average in-place rent for our same store is presented in euros per square meter and calculated as rental revenue in our same store, on a constant exchange rate basis, divided by the average net rented sqm in our same store, each for the relevant period.

6 RevPAM, which stands for revenue per available square meter, for our same store is presented in euros per square meter for the relevant period and calculated as property operating revenue in our same store, on a constant exchange rate basis, divided by the average net rentable sqm, each for the relevant period.

7 Property operating revenue for our same store represents our revenue from operating our same store, and comprises our rental revenue, insurance revenue and ancillary revenue.

8 Income from property operations (NOI) for our same store is calculated as property operating revenue less real estate operating expense for our same store, each for the relevant period.

9 NOI margin for our same store is calculated as income from property (NOI) divided by property operating revenue for our same store, each for the relevant period.

The average occupancy rates for our same store network decreased by 0.7pp from 88.1% to 87.4%. This decline can be explained by the fact that large promotional activities were implemented in bigger markets last year, especially in June 2018, which were not repeated this year. To maintain occupancy rates at sufficiently high levels, we regularly evaluate changes in traffic patterns of new tenants renting space and the volume of existing tenants vacating. In response to these trends, we increase or decrease rental rates, promotional discounts offered and the frequency of advertising.

The average in-place rent for our same store facilities increased by 2.1% at constant exchange rates from €210.0 per square meter in H1 2018 to €214.3 per square meter in H1 2019. We reduced the number of special offers that we use to boost store activity. This meant higher rental rates on average across the first half of the year, and we also benefited from the annual rate increases we apply to existing tenants.

Property operating revenue generated by our same store facilities increased by 1.3% from €117.2 million in H1 2018 to €118.7 million in H1 2019 at constant exchange rates, primarily due to the increase in average in-place rental rates.

The income from property (NOI) for our same store increased by 3.8% from €70.4 million in H1 2018 to €73.1 million in H1 2019. This reflects our well-managed property operating expenses which rose more slowly than revenues. Consequently, the NOI margin increased from 60.1% to 61.6%.

Non-same store

Non-same store are any stores that are not classified as same store for a given year. Occupancy and in-place rent can vary greatly between these stores depending on their maturity.

Non-same store property operating revenue increased from €1.6 million for H1 2018 to €7.3 million in H1 2019. This increase was due to the continued 'ramp-up' at our new stores and the addition of nine non-same store in 2019.

OPERATIONS BY COUNTRY

Same store Property operating revenue (in € thousands)	Q2 2019	Q2 2018	+/-	H1 2019	H1 2018	+/-
The Netherlands	13,537	13,248	2.2%	26,964	26,446	2.0%
France	16,127	15,863	1.7%	32,113	31,717	1.3%
Sweden	9,295	9,325	-0.3%	18,659	18,770	-0.6%
United Kingdom	7,690	7,348	4.7%	15,298	14,538	5.2%
Belgium	5,087	5,192	-2.0%	10,189	10,359	-1.6%
Germany	4,513	4,397	2.6%	8,989	8,746	2.8%
Denmark	3,246	3,310	-2.0%	6,480	6,612	-2.0%
Total	**59,494**	**58,682**	**1.4%**	**118,693**	**117,189**	**1.3%**

Same store Average occupancy rate[1]	Q2 2019	Q2 2018	+/-	H1 2019	H1 2018	+/-
The Netherlands	87.2%	87.5%	-0.3pp	87.1%	86.8%	0.3pp
France	86.9%	88.8%	-1.9pp	86.6%	87.8%	-1.3pp
Sweden	90.8%	92.4%	-1.6pp	90.6%	91.5%	-0.9pp
United Kingdom	87.2%	86.2%	1.0pp	87.1%	85.3%	1.8pp
Belgium	85.4%	88.8%	-3.4pp	85.3%	87.7%	-2.4pp
Germany	87.3%	89.3%	-2.1pp	87.8%	89.7%	-1.9pp
Denmark	88.6%	91.9%	-3.3pp	88.5%	91.2%	-2.8pp
Total	**87.5%**	**88.9%**	**-1.3pp**	**87.4%**	**88.1%**	**-0.7pp**

Same store Average in-place rent[2]	Q2 2019	Q2 2018	+/-	H1 2019	H1 2018	+/-
The Netherlands	180.6	177.1	1.9%	180.3	178.9	0.8%
France	228.6	219.1	4.4%	229.3	222.4	3.1%
Sweden	232.6	228.6	1.8%	234.0	232.7	0.6%
United Kingdom	265.8	256.4	3.7%	265.0	256.2	3.4%
Belgium	173.8	170.2	2.1%	174.2	172.0	1.3%
Germany	216.3	209.7	3.1%	215.8	207.7	3.9%
Denmark	239.1	234.1	2.1%	239.5	236.0	1.5%
Total	**214.1**	**208.0**	**2.9%**	**214.3**	**210.0**	**2.1%**

Same store NOI margin[3]	Q2 2019	Q2 2018	+/-	H1 2019	H1 2018	+/-
The Netherlands	69.3%	65.3%	4.0pp	65.6%	62.3%	3.3pp
France	64.2%	62.9%	1.3pp	53.5%	52.8%	0.6pp
Sweden	72.3%	71.1%	1.3pp	70.5%	68.6%	1.9pp
United Kingdom	60.2%	59.1%	1.1pp	61.0%	59.0%	1.9pp
Belgium	65.5%	66.6%	-1.1pp	56.9%	58.6%	-1.7pp
Germany	68.0%	64.9%	3.0pp	62.2%	59.9%	2.2pp
Denmark	67.7%	67.6%	0.1pp	67.5%	67.0%	0.5pp
Total	**66.7%**	**65.0%**	**1.7pp**	**61.6%**	**60.1%**	**1.5pp**

1 Average occupancy rate is presented as a percentage and is calculated as the average of the net rented sqm divided by the average of the net rentable sqm, each for the relevant period.

2 Average in-place rent is presented in euros per square meter and calculated as rental revenue divided by the average net rented sqm, each for the relevant period.

3 NOI margin is calculated as income from property (NOI) divided by property operating revenue, each for the relevant period.

In our two biggest markets, the Netherlands and France, same store revenue has increased (2.0% and 1.3% respectively), driven by higher in-place rent. Same store revenue decreased in Sweden (-0.6%), mainly due to decreased occupancy levels. However, the trend in Sweden is positive, as revenue growth improved in the second quarter compared to the first quarter due to improvements in in-place rent. Solid year-on-year growth in both occupancy and in-place rent have led to strong revenue growth in the UK (5.2%). For Belgium, revenue growth deteriorated during H1 2019 (-1.6%) as a consequence of a temporary impact of unit mix changes (in eight stores). In spite of the negative impact of the unit mix on sqm, we managed to rent more units as of June 2019 than in the same period the previous year. Same store revenue for Germany increased by 2.8%, as lower occupancy levels (mainly due to additional net rentable sqm) were more than offset by strong in-place rent growth. Even though occupancy decreased, we were still able to rent more units at the end of the first half of 2019 compared to last year. Denmark showed a drop in same store revenue (-2.0%, stable versus Q1 2019) mainly due to decreasing year-on-year occupancy growth, partially compensated by an uplift in in-place rent compared to Q1 2019. Overall, total same store revenue increased by 1.3% versus H1 2018, despite the decrease in average occupancy (-0.7pp), following the lower promotional activity in 2019.

Based on IFRIC 21 guidance, Shurgard recognizes the expense and obligation in regard to of real estate taxes that are due on the properties it owns or leases, if the obligation to pay this levy exists at the end of the interim reporting period. The obligating event is often the ownership as of January 1 of the year. Therefore, the Company recognizes most of its yearly real estate tax expense that is due for the entire year in the first quarter of that year. There is an exception for real estate taxes due for its Danish and U.K. facilities, and certain real estate taxes due for its French facilities, for which the January 1 ownership principle does not apply. Such upfront recognition of real estate tax expenses has an unfavorable impact on our NOI margin for the first quarter of the year.

GENERAL, ADMINISTRATIVE AND OTHER EXPENSES

(in € thousands, at CER)	Q2 2019	Q2 2018	+/-	H1 2019	H1 2018	+/-
Payroll expense	2,155	1,544	39.6%	4,077	2,824	44.3%
Share-based compensation (income) expense	399	369	8.0%	800	803	-0.3%
Capitalization of internal time spent on development	(475)	(234)	103.3%	(1,029)	(527)	95.4%
Depreciation and amortization expense	363	419	-13.3%	883	830	6.4%
Other general, administrative and other expenses (balance)[1]	180	712	-74.6%	1,447	103	N/A
Total	**2,622**	**2,810**	**-6.7%**	**6,178**	**4,034**	**53.1%**

1 Other general, administrative and other expenses mainly include legal, consultancy and audit fees, insurance reimbursements and non-deductible VAT.

General, administrative and other expenses increased by 53.1%, from €4.0 million in H1 2018 to €6.2 million in H1 2019. The increase in payroll was primarily due to an increased headcount in our real estate development team, legal department and audit department. The main reason for the increase for the year up to June 2019 in other general, administrative and other expenses (balance) is the cost related to being a public company, which includes directors' fees, investor relations costs and Euronext fees. Our quarterly numbers were influenced by the receipt of insurance reimbursements in Q2 2019 as well as Q1 2018.

We also reported a higher capitalization of internal time spent on development of investment property which, like the payroll expenses, relates to an increased headcount in the real estate development team.

ROYALTY FEE EXPENSE

We pay our shareholder Public Storage a royalty fee equal to 1.0% of revenues in exchange for the rights to use the "Shurgard" trade name. In H1 2019, we incurred royalty fees of €1.2 million.

OPERATING PROFIT BEFORE REVALUATION GAINS/LOSSES

Based on the increased net income from real estate operations, the operating income before revaluation gains/losses increased by 5.4%, from €66.0 million in H1 2018 to €69.6 million in H1 2019. This is a reflection of the operational strength of the business before non-cash and exceptional items.

EBITDA

(in € thousands)	Q2 2019	Q2 2018	+/-	H1 2019	H1 2018	+/-
Operating profit before revaluation loss and gain on disposal of investment property, plant and equipment and assets held for sale	**38,456**	35,137	**9.4%**	**69,564**	66,001	**5.4%**
Depreciation and amortization	363	419	-13.3%	883	830	6.3%
Acquisition costs and dead deals	0	128	N/A	0	128	N/A
Casualty loss/gain	(1,646)	(32)	N/A	(1,645)	(1,336)	23.1%
EBITDA (AER)	**37,174**	35,652	**4.3%**	**68,802**	65,622	**4.8%**
Foreign exchange	0	(174)	N/A	0	(405)	N/A
EBITDA (CER)	**37,174**	35,478	**4.8%**	**68,802**	65,218	**5.5%**

We consider EBITDA to be a useful indicator of our operating performance. It is calculated as earnings before interest, tax, depreciation and amortization, excluding valuation gains from investment property and investment property under construction, losses or gains on disposal of investment property plant and equipment and assets held for sale, acquisition costs and dead deals and casualty loss/gain.

At constant exchange rates, EBITDA rose 5.5% from €65.2 million in H1 2018 to €68.8 million in H1 2019 mainly due to an increase in property operating revenue of 6.0%.

VALUATION GAINS FROM INVESTMENT PROPERTY, INVESTMENT PROPERTY UNDER CONSTRUCTION AND RIGHT-OF-USE INVESTMENT PROPERTY

The company opted to fair value its investment properties in accordance with IAS40 and IFRS 13 on a semi-annual basis. Changes in the value of our real estate from period to period, whether caused by macroeconomic conditions or otherwise, are recorded in our consolidated statement of profit and loss as "valuation gain or loss from investment property, investment property under construction (''IPUC''), and right-of-use investment property (''ROU IP'')". Although these revaluation gains and losses are non-cash items, they do have an impact on our operating profits.

The Company incurred a valuation loss from investment property, investment property under construction and ROU IP of €0.2 million for the first half of 2019, which compares to a valuation gain of €7.7 million for the first half of 2018. The valuation assumptions made by external valuers Cushman & Wakefield include predicted occupancy levels, rental rates, expenses and other factors that, depending on each assumption, can cause substantial fluctuations in valuation gains each year. The unfavorable movement of this non-cash item is the primary reason why operating profit, pretax profit and earnings per share for the six months of 2019 are lower than for the same period last year.

The €0.2 million net valuation loss we incurred in the first six months of 2019 consists of a €1.3 million revaluation loss on our IPUC and a €1.1 million revaluation loss we incurred on the ROU IP we recognized in connection with the new IFRS standard on leases IFRS 16 (''IFRS 16''). This was partially offset by a €2.2 million valuation gain in relation to our completed investment properties. The net revaluation loss had a marginal unfavorable impact on the increased valuation by €79.4 million to €2,638.8 million of our investment property, IPUC and ROU IP. Pursuant to our adoption on January 1, 2019 of IFRS 16, investment property as of June 30, 2019 comprises €61.2 million ROU IP assets.

The valuation gain on completed investment property of €2.2 million represents the difference between the fair value of our properties as of June 30, 2019 and their value as of December 31, 2018, net of capital expenditure and exchange rate fluctuations.

The valuation loss on investment property under construction of €1.3 million was primarily due to an increase in anticipated costs related to a development in Germany.

The valuation loss on ROU IP assets of €1.1 million was primarily due to the alignment of the ROU IP with the carrying value of the corresponding lease liabilities in accordance with guidance.

OPERATING PROFIT

Operating profit decreased by 5.9% from €73.7 million in 2018 to €69.4 million in 2019, mostly due to the loss on valuation from investment property and investment property under construction in 2019 (€0.2 million) compared to the gain in 2018 (€7.7 million), partially compensated by the improvement of the net income from real estate operations.

FINANCE COSTS

(in € thousands)	H1 2019	H1 2018	+/-
Total interest expense	9,774	9,422	3.7%
Foreign exchange loss	(244)	445	N/A
Finance cost	**9,530**	**9,867**	**-3.4%**

Finance costs decreased by 3.4% (or €0.4 million) from €9.9 million in H1 2018 to €9.5 million in H1 2019. This was mainly due to a €0.7 million increased foreign exchange transaction result and €0.2 million in increased capitalization of interest. This was partially offset by a €0.5 million interest expense we incurred in connection with the leases we recognized upon adoption of the new lease standard IFRS 16.

INCOME TAX EXPENSE

(in € thousands)	H1 2019	H1 2018	+/-
Current tax expense	8,994	9,842	-8.6%
Deferred tax expense	7,266	3,147	131.0%
Income tax expense	**16,260**	**12,989**	**25.2%**
Effective tax rate[1]	**15.0%**	**17.5%**	**2.5pp**

[1] Effective tax rate is current tax expenses divided by adjusted EPRA earnings before tax.

Current tax expenses decreased by 8.6% from €9.8 million in H1 2018 to €9.0 million in H1 2019.

Deferred tax expenses in H1 2019 amounted to €7.3 million, an increase of 131% versus the €3.1 million in H1 2018. Deferred tax expenses were impacted mainly by an increase in deferred tax liabilities as a result of an increase in investment property values and the Dutch tax reform.

Our effective tax rate in 2019 is 15.0%, compared with 17.5% in 2018, based on the current tax expense divided by the adjusted EPRA earnings before tax for the relevant period. The variation is due to the decrease in corporate income tax rates in France and Sweden. Based on current tax laws, we anticipate this effective tax rate to stabilize between 18% and 20% in the medium term.

ATTRIBUTABLE PROFIT AND ATTRIBUTABLE PROFIT PER SHARE

Despite achieving strong operating profit before non-cash and exceptional items, the higher income taxes and the diminished valuation gain dragged the total attributable profit for the first half year down from €50.8 million in H1 2018 to €43.6 million in H1 2019. For the first half year of 2019, €43.5 million (2018: €50.6 million) was attributable to the shareholders of Shurgard Self Storage SA, and €0.1 million (2018: €0.2 million) was attributable to non-controlling interests. Based on the average number of shares (H1 2019: €88.8 million) this translates into earnings per share of €0.49.

EPRA KPIs

We have identified certain non-GAAP and non-IFRS measures that we believe give a good reflection of the performance of our underlying business. They are based on definitions by the European Public Real Estate Association ("EPRA"), a non-profit association registered in Belgium, in their best practices guidelines dated November 2016. They include EPRA earnings, adjusted EPRA earnings, adjusted EPRA EBITDA and EPRA net asset value per share.

EPRA EARNINGS

(in € thousands, except for EPRA EPS)	**H1 2019**	H1 2018	**+/-**
Profit attributable to ordinary equity holders of the parent	**43,477**	50,632	**-14.1%**
Adjustments:			
Loss/(gain) on revaluation of investment properties, net of deferred taxes	311	(6,051)	N/A
Acquisition costs of business combinations, net of taxes	0	100	N/A
EPRA earnings (basic and diluted)	**43,788**	44,681	**-2.0%**
EPRA earnings per share (EPS) (basic and diluted) in €	0.49		

EPRA earnings exclude acquisition costs which can fluctuate depending on the number and size of acquisitions, the gains or losses on the revaluation of investment property, and other asset sales which are not part of the operational running of the business.

ADJUSTED EPRA EARNINGS

(in € thousands, except for adjusted EPRA EPS)	H1 2019	H1 2018	+/-
EPRA earnings (basic and diluted)	**43,788**	44,681	**-2.0%**
Adjustments:			
Deferred tax expense on items other than the revaluation of investment property	7,160	1,668	N/A
Adjusted EPRA earnings (basic and diluted)	**50,948**	46,349	**9.9%**
Adjusted EPRA earnings per share (basic and diluted) in €	0.57		

Adjusted EPRA earnings exclude deferred tax expenses on items other than the revaluation of investment property, and significant one-off items that arise from events and transactions distinct from the company's regular operating activities. In H1 2019, adjusted EPRA earnings were €50.9 million, 9.9% higher than the €46.3 million in H1 2018.

RECONCILIATION OF EBITDA TO ADJUSTED EPRA EARNINGS

(in € thousands, at CER)	H1 2019	H1 2018	+/-
EBITDA	**68,802**	65,218	**5.5%**
Net attributable profit adjustments:			
Acquisition costs and dead deals	0	(124)	N/A
Casualty loss/gain	1,645	1,336	23.1%
Depreciation & amortization	(883)	(830)	6.4%
Finance costs	(9,530)	(9,841)	-3.2%
Current tax	(8,994)	(9,768)	-7.9%
Minority interest, net of EPRA adjustments	(91)	(182)	-49.9%
EPRA adjustments:			
Loss/(gain) on revaluation of investment properties and deferred tax expense (net of adjustments)	(1)	140	N/A
Acquisition costs of business combinations, net of taxes	0	97	N/A
Adjusted EPRA earnings	**50,948**	46,045	**10.6%**

Adjusted EPRA earnings increased by 10.6% at CER mainly due to an increase in EBITDA of 5.5%. Other factors contributing to the increased adjusted EPRA earnings were a saving in current tax following a decrease in corporate tax rates in France and Sweden, as well as a higher insurance reimbursement than last year (€1.6 million in 2019 versus €1.3 million in the same period in 2018).

EPRA NET ASSET VALUE PER SHARE

(in € thousands, except for NAV per share, as of June 30)	H1 2019	H1 2018	+/-
NAV attributable to ordinary equity holders of the parent	**1,806,487**	**1,366,718**	**32.2%**
Additions to NAV:			
Deferred taxes on fair value adjustments of investment property	355,227	331,952	7.0%
EPRA NAV	**2,161,714**	**1,698,670**	**27.3%**
EPRA NAV per share (diluted) in €	24.2		

This metric reflects the fair value of net assets on an ongoing, long-term basis. EPRA net asset value is calculated based on net asset value adjusted for the cumulative effects of deferred taxes.

As of December 31, 2018, the EPRA net asset value was at €2.2 billion, 27.3% higher than the year before, which was €1.7 billion as of June 30, 2018. The EPRA net asset value per share (diluted) was €24.2 as of June 30, 2019.

LIQUIDITY

Our primary cash requirements are for operating expenses, debt servicing, improvements to existing stores, developments and acquisitions of new stores, and for the payment of dividends. These requirements have been funded by operating cash flows, the issuance of equity and borrowings, including the U.S. Private Placement Notes, the 2018 syndicated revolving credit facility and the proceeds of the October 2018 equity issuance. We expect to continue to fund these requirements with operating cash flow, our existing cash position and future borrowings under our current bank credit facility or other borrowings.

Our loan to value ratio at June 30, 2019 was 16%, compared to 14% at December 31, 2018. This increase was due to a proportionally higher increase in net debt than in market value, mainly due to the recognition of ROU IP of €60.2 million and an equal amount of additional lease liabilities. In the medium term, we are targeting a loan to value ratio within the range of 0.25 and 0.35.

We maintain cash and cash equivalent balances at banking institutions in certain of the countries where we operate. In Sweden, the United Kingdom and Denmark, these balances are held in local currencies. It is our policy that investments of surplus funds are made only with approved counterparties with a minimum credit rating of A.

CASH FLOW OVERVIEW

(in € thousands)	H1 2019	H1 2018	+/-
Cash flows from operating activities	63,317	70,371	(10.0%)
Cash flows from investing activities	(30,457)	(62,561)	(51.3%)
Cash flows from financing activities	(32,622)	(9,364)	N/A
Net increase in cash and cash equivalents	238	(1,554)	N/A
Effect of exchange rate fluctuations	(362)	67	N/A
Cash and cash equivalents at January 1	250,922	23,645	N/A
Cash and cash equivalents at period end	250,798	22,158	N/A

Cash flows from operating activities

Operating cash inflow decreased 10.0% from €70.4 million in the first six months of 2018 to €63.3 million in the first six months of 2019. This was mainly due to €6.6 million of increased income tax payments and a €4.7 million decrease in cash from movements in working capital, which were partially offset by a €4.2 million increase in cash flows from operations.

The working capital movements consisted primarily of a €1.6 million decrease in accrued expenses, VAT payable and accounts payable, as well as an increase of €3.1 million in trade receivables, and other current and non-current assets.

Cash flows from investing activities

Our cash outflow from investing activities decreased by €32.1 million, from €62.6 million in the first half of 2018 to €30.5 million in same period in 2019. The decrease was a result of the absence of acquisitions in the first half of 2019, for which we spent €38.4 million in the first half of 2018 (Pelican Sweden).
Cash outflows in relation to capital expenditure on investment property under construction and completed investment property increased from €24.6 million in the first half of 2018 to €30.6 million in the first half of 2019. We have periodic fluctuations in construction expenditure depending on the current stage of development projects. During the first half of 2019, insurance recovery proceeds on property damage and payments for intangible assets increased by €0.5 million and €0.1 million respectively, compared to the first half of 2018. Capital expenditure on property, plant and equipment increased by €0.5 million.

In the first half of 2018, we opened one new store (none in the first half of 2019) and acquired five new stores (none in the first half of 2019). Since construction of new stores can take from nine to 12 months, with purchase of the site occurring before that period, cash expenditure during a particular period does not always correspond directly to the number of new stores opened during that period.

Cash flows from financing activities

Our cash outflow from financing activities increased by €23.3 million, from a cash outflow of €9.4 million in the first six months of 2018 to a cash outflow of €32.6 million in the first six months of 2019. The increase resulted mainly from the distribution of a €19.6 million dividend in 2019 regarding 2018 results, and a €2.3 million net cash outflow for the purchase and sale of own shares held as treasury shares in connection with our equity settled share option plans. In addition, with the adoption of IFRS 16, repayments of the principal portion of lease obligations increased by €0.9 million and the interest paid on lease obligations rose by €0.5 million.

FINANCIAL POSITION

TOTAL ASSETS

In the first six months of 2019, the Company's total assets increased by 2.9% from €2,836 million on December 31, 2018 to €2,919 million on June 30, 2019. This is mainly due to the increase in the value of our investment property and property plant and equipment (both driven by the adoption of IFRS 16), and investment property under construction. As of June 30, 2019, approximately 90.7% of the Company's balance sheet consists of non-current assets, of which 90.4% is investment property (including ROU IP) and IPUC.

Investment Property

Investment property (including IPUC but excluding IP ROU assets recognized under IFRS 16) increased by 0.7% in the first six months of 2019 from €2,559 million on December 31, 2018 to €2,577 million on June 30, 2019, mainly due to our store developments and redevelopments. The number of stores we own and operate remained stable and consists of a network of 231 stores.

Cash and cash equivalents

As of June 30, 2019 cash and cash equivalents of €250.8 million remained stable as compared to December 31, 2018.

CAPITAL RESOURCES AND FINANCING STRUCTURE

Shurgard's financial resources comprise the Company's total equity as well as certain debt financing instruments.

The Company's total equity increased marginally from €1,799 million on December 31, 2018 to €1,810 million on June 30, 2019, mainly due to €43.6 million net profit realized during the period and the increase in share-based compensation reserves of €1.5 million. This was partially offset by the €19.6 million dividend distribution in 2019 regarding 2018 results, €11.5 million revaluation loss on consolidation of our Swedish, Danish and British operations because of unfavorable currency movements, and a €2.4 million increase in the value of own shares the Company holds in treasury. As of June 30, 2019, the equity ratio was 62.0% (December 31, 2018: 63.4%).

Shurgard has issued six series of senior guaranteed notes in the years 2014 and 2015 with a total nominal volume of €600 million and maturities varying between 2021 and 2030. Effective interest rates vary from 2.67% to 3.38%.

On September 26, 2018 and effective October 16, 2018, the Company entered into a €250 million syndicated revolving loan facility with BNP Paribas Fortis bank, Société Générale bank and HSBC bank (with BNP Paribas Fortis bank as agent). The facility matures on October 16, 2023, bearing interest of Euribor plus a margin varying between 0.45% and 0.95% per annum (currently 0.45%) dependent on the most recent loan-to-value ratio. There are no mandatory repayments of principal debt due for this facility before its maturity, and a commitment fee equal to 35% of the applicable margin per annum applies to undrawn amounts and is currently at 0.16%. The facility is subject to certain customary covenants. As of June 30, 2019 and December 31, 2018, the Company had no outstanding borrowings under this facility.

DIVIDEND

Going forward, we expect to pay dividends in May and October of each year based on our results for the previous financial year or the previous six-month period. Subject to the availability of distributable reserves, we currently intend to declare and distribute a semi-annual interim dividend based on a target pay-out ratio of 80% of adjusted EPRA earnings (see above for details of EPRA KPIs). The amount of any interim or final dividends and the determination of whether to pay dividends in any year may be affected by a number of factors, including our earnings, business prospects and financial performance, the condition of the market, the general economic climate and other factors considered important by the Board of Directors.

In respect of H1 2019, our Board of Directors approved an interim dividend of a maximum of €40.0 million or €0.45 per share, as per the target pay-out ratio of 80% of adjusted EPRA earnings. The interim dividend will be payable on or around October 3, 2019 to shareholders on the register at close of business on October 2, 2019.

EMPLOYEES

Our employees play a crucial role in the success of our organization by providing our customers with outstanding levels of service and support. We facilitate this by ensuring our people are well trained and motivated, with clear career progression, and feel safe and supported at work.

The following table shows the number of full-time equivalent employees by category of activity as of June 30, 2018 and 2019:

	H1 2019	H1 2018	+/-
Store personnel	553	524	29
Operational management	48	47	1
Support functions	103	96	7
Total	**704**	667	**37**

RISKS

Shurgard is exposed to a number of risks that are described in detail in the "Principal Risks and Uncertainties" section of the management report for Shurgard Self Storage SA for the 2018 financial year. During the first half of 2019, this risk position has not changed.

EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 35 in the Notes to the Consolidated Financial Statements.

OUTLOOK

We remain comfortable with our full year guidance. We are still targeting 1.5%-2.5% annual same store revenue growth in the medium term and 4% to 6% growth for all store revenue. We will continue to manage our costs and leverage our proprietary platform, enabling us to forecast an improvement in NOI margins of at least a two percentage points in the medium term.

Our new developments in the UK and the Netherlands remain on track to open this year and we have three redevelopment projects planned for this year and next. Our strategic focus for the last year has been on increasing the expertise needed to expand our pipeline. As our team of property experts grows, we plan to build five new developments a year in the medium term. Our acquisition target remains three properties per year.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that:

- the consolidated financial statements of Shurgard presented in this half-year report and established in conformity with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and results of Shurgard and its subsidiaries included within the consolidation taken as a whole; and
- the management report presented in this annual report includes a fair review of the position and performance, business model and strategy of Shurgard and the subsidiaries included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Luxembourg, August 12, 2019

Marc Oursin
Chief Executive Officer

Jean Kreusch
Chief Financial Officer

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2019 AND 2018

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE SIX MONTHS ENDED JUNE 30

(in € thousands)	Notes	2019	2018
Real estate operating revenue	7	125,974	119,510
Real estate operating expense	8	(48,990)	(48,168)
Net income from real estate operations		**76,984**	**71,342**
General, administrative and other expenses	9	(6,178)	(4,033)
Of which depreciation and amortization expense	16	(883)	(830)
Acquisition costs of business combinations		-	(128)
Royalty fee expense	32	(1,242)	(1,180)
Operating profit before revaluation gain and loss on disposal of investment property, plant and equipment		**69,564**	**66,001**
Valuation (loss) gain from investment property and investment property under construction and right-of-use investment property	15	(206)	7,668
Operating profit		**69,358**	**73,669**
Finance cost	10	(9,530)	(9,867)
Profit before tax		**59,828**	**63,802**
Income tax expense	11	(16,260)	(12,989)
Attributable profit for the period		**43,568**	**50,813**
Profit attributable to non-controlling interests	25	91	181
Profit attributable to ordinary equity holders of the parent		43,477	50,632
Earnings per share in €, attributable to ordinary equity holders of the parent:			
Basic, profit for the period	13	0.49	0.79
Diluted, profit for the period	13	0.49	0.79

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30

(in € thousands)	Notes	2019	2018
Profit for the year		**43,568**	**50,813**
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserve		(11,540)	(20,118)
Net other comprehensive (loss) income, net of tax, to be reclassified to profit or loss in subsequent periods		(11,540)	(20,118)
Net other comprehensive income (loss), net of tax, not to be reclassified to profit or loss in subsequent periods		33	(122)
Total comprehensive income for the year, net of tax		**32,061**	**30,573**
Attributable to non-controlling interests		91	181
Attributable to ordinary equity holders of the parent	**25**	**31,970**	**30,392**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € thousands)	Notes	June 30, 2019	December 31, 2018	June 30, 2018
Assets				
Non-current assets:				
Investment property	15	2,608,020	2,548,168	2,339,615
Investment property under construction	15	30,720	11,151	12,026
Property, plant and equipment	16	3,165	1,221	949
Intangible assets	16	3,878	3,458	3,232
Deferred tax assets		1,230	1,567	1,270
Other non-current assets	17	982	1,842	1,571
Total non-current assets		**2,647,995**	**2,567,407**	**2,358,663**
Current assets:				
Trade and other receivables	18	11,459	12,489	9,569
Other current assets	19	8,312	5,272	10,198
Cash and cash equivalents		250,798	250,922	22,158
Assets held for sale		-	-	3
Total current assets		**270,569**	**268,683**	**41,928**
Total assets		**2,918,564**	**2,836,090**	**2,400,591**
Equity and liabilities				
Equity				
Issued share capital	20,21	60,112	62,542	800,629
Share premium		537,421	537,421	-
Share-based payment reserve	22	6,028	4,525	-
Distributable reserves	23	480,448	500,000	-
Other comprehensive loss		(102,000)	(90,493)	(93,378)
Retained earnings		824,478	781,001	659,467
Total equity attributable to equity holders of the parent		**1,806,487**	**1,794,996**	**1,366,718**
Non-controlling interests	25	**3,756**	**3,665**	**3,371**
Total equity		**1,810,243**	**1,798,661**	**1,370,089**
Non-current liabilities:				
Interest-bearing loans and borrowings	26,28	597,913	597,709	597,546
Deferred tax liabilities		361,657	358,292	337,995
Lease obligations	4,27,28	65,788	5,583	5,804
Other non-current liabilities	29	165	381	658
Total non-current liabilities		**1,025,523**	**961,965**	**942,003**
Current liabilities:				
Lease obligations	4,27,28	2,932	542	525
Trade and other payables and deferred revenue	30	76,221	65,112	78,572
Income tax payable		3,645	9,810	9,402
Total current liabilities		**82,798**	**75,464**	**88,499**
Total liabilities		**1,108,321**	**1,037,429**	**1,030,502**
Total equity and liabilities		**2,918,564**	**2,836,090**	**2,400,591**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € thousands)	Issued share capital	Treasury shares[1]	Share premium	Share-based payment reserve	Distri-butable reserves	Other Compre-hensive loss[2]	Retained Earnings	Total	Non-con-trolling interests	Total equity
At January 1, 2018	**801,578**	**(949)**	**-**	**-**	**-**	**(73,138)**	**608,835**	**1,336,326**	**3,190**	**1,339,516**
Net profit	-	-	-	-	-	-	50,632	50,632	181	50,813
Other comprehensive loss	-	-	-	-	-	(20,240)	-	(20,240)	-	(20,240)
At June 30, 2018	**801,578**	**(949)**	**-**	**-**	**-**	**(93,378)**	**659,467**	**1,366,718**	**3,371**	**1,370,089**
Alignment of Shurgard Self Storage S.A. issued share capital (note 20)	(950)	-	-	-	-	-	950	-	-	-
Creation of distributable reserves (Notes 20,23)	(755,000)	-	-	-	755,000	-	-	-	-	-
Interim distribution (Note 23)	-	-	-	-	(255,000)	-	-	(255,000)	-	(255,000)
Proceeds from issuance of equity (Note 20)	17,842	-	557,158	-	-	-	-	575,000	-	575,000
Transaction costs incurred in connection with issuance of equity	-	-	(19,737)	-	-	-	-	(19,737)	-	(19,737)
Conversion of cash-settled share option plans into equity-settled share option plans (Notes 22,31)	-	-	-	4,280	-	-	-	4,280	-	4,280
Share-based compensation expense (Notes 22,31)	-	-	-	216	-	-	-	216	-	216
Sale of treasury shares to option holders (Notes 22,31)	-	21	-	29	-	-	-	50	-	50
Net profit	-	-	-	-	-	-	120,584	120,584	294	120,878
Other comprehensive income	-	-	-	-	-	2,885	-	2,885	-	2,885
At December 31, 2018	**63,470**	**(928)**	**537,421**	**4,525**	**500,000**	**(90,493)**	**781,001**	**1,794,996**	**3,665**	**1,798,661**
Cash dividends on ordinary shares declared and paid (Note 24)	-	-	-	-	(19,552)	-	-	(19,552)	-	(19,552)
Acquisition of own shares held as treasury shares (Note 21)	-	(3,000)	-	-	-	-	-	(3,000)	-	(3,000)
Share based compensation expense (Notes 22,31)[3]	-	-	-	1,329	-	-	-	1,329	-	1,329
Sale of treasury shares to option holders (Notes 22,31)	-	570	-	174	-	-	-	744	-	744
Net profit	-	-	-	-	-	-	43,477	43,477	91	43,568
Other comprehensive loss	-	-	-	-	-	(11,507)	-	(11,507)	-	(11,507)
At June 30, 2019	**63,470**	**(3,358)**	**537,421**	**6,028**	**480,448**	**(102,000)**	**824,478**	**1,806,487**	**3,756**	**1,810,243**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

1 In our Statement of Financial Position, the value of our treasury shares is deducted from issued share capital (notes 20 and 21)
2 Other comprehensive income for all periods includes €4.9 million comprehensive income the Company earned in connection with net investment hedges the Company entered into.
3 Share based compensation expense for the six months ended June 30, 2019 includes €718 deferred tax expense

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30

(in € thousands)	Notes	2019	2018
Operating activities			
Profit for the period before tax		59,828	63,802
Adjustments to reconcile profit before tax to net cash flows:			
Valuation loss (gain) on investment property and investment property under construction		206	(7,668)
Depreciation and amortization expense		883	830
Share based compensation expense	22,31	611	-
Finance cost	10	9,530	9,867
Working capital movements:			
Increase in trade receivables, other current and non-current assets		(3,698)	(592)
Increase in other current and non-current liabilities and deferred revenue		11,058	12,602
Income tax paid		(15,101)	(8,470)
Cash flows from operating activities		**63,317**	**70,371**
Investing activities			
Capital expenditures on investment property under construction and completed investment property	15	(30,602)	(24,554)
Capital expenditures on property, plant and equipment	16	(556)	(15)
Acquisition of businesses, net of cash acquired		-	(38,380)
Proceeds from disposal of property, plant and equipment and insurance recovery proceeds		1,583	1,130
Acquisition of intangible assets	16	(882)	(742)
Cash flows from investing activities		**(30,457)**	**(62,561)**
Financing activities			
Proceeds from the sales of treasury shares	21,22	743	-
Cash dividends on ordinary shares declared and paid to company's shareholders	23,24	(19,552)	-
Purchase of own shares held as treasury shares	21	(3,000)	-
Repayment of principal portion of lease obligations (2018: finance lease obligations)	27,28	(1,188)	(260)
Interest paid	28	(9,625)	(9,104)
Cash flows from financing activities		**(32,622)**	**(9,364)**
Net increase (decrease) in cash and cash equivalents		238	(1,554)
Effect of exchange rate fluctuation		(362)	67
Cash and cash equivalents at January 1		250,922	23,645
Cash and cash equivalents at June 30		**250,798**	**22,158**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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1. CORPORATE INFORMATION

Shurgard Self Storage S.A. (referred to collectively with its consolidated subsidiaries, as the "Company", "we", "our", or "us") is organized under the laws of the Grand Duchy of Luxembourg. Our registered office and principal place of business is 6 C Rue Gabriel Lippmann, L-5365 Münsbach (Grand Duchy of Luxembourg). On September 26, 2018, the Company changed its denomination from Shurgard Self Storage Europe Sàrl to Shurgard Self Storage and transformed its legal form into a Luxembourg public limited company (société anonyme). In 2018 the Company completed its initial public offering ("IPO") and has been listed on Euronext Brussels since October 15, 2018.

Our principal business activities are the acquisition, development and operation of self-storage facilities providing month-to-month leases for business and personal use. We also provide ancillary services at our self-storage facilities consisting primarily of sales of storage products and provide protection (insurance) via an independent insurance company for customers' stored goods. Any claims in regard to customer insurance are directly handled by our insurance broker. As of June 30, 2019, we operate 231 self-storage facilities under the Shurgard brand name that we own or lease in the Netherlands, France, Sweden, the United Kingdom (the "UK"), Belgium, Germany and Denmark.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements as of and for the six months ended June 30, 2019 have been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting, as adopted by the European Union ("EU"). They do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as of and for the year ended December 31, 2018 and any public announcements made by the Company during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out in Note 4.

The unaudited interim condensed consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€'000), except where indicated otherwise.

These financial statements have been reviewed by our Independent Auditors in accordance with International Standard on Review Engagements 2410, not audited.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these unaudited interim condensed consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2018.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements as of and for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019. Except as disclosed below, the Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies for the first time IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments. As required by IAS 34, the nature and effect of the changes resulting from the first time adoption of these standards are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Company.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and was endorsed by the EU on November 9, 2017. It supersedes IAS 17 Leases and a number of lease-related interpretations and stipulates that all leases and the associated contractual rights and obligations should generally be recognized as a liability for lease obligations in the lessee's Statement of Financial Position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short term and low-value leases.

The implementation of IFRS 16 affected primarily the accounting for the Company's operating leases. The accounting for lessors did not change significantly. The standard is mandatory for financial years commencing on or after January 1, 2019.

In 2019, the Company adopted IFRS 16 using the modified retrospective method and the cumulative catch up approach. Consequently, the comparative financial information for the financial year 2018 was not adjusted in the financial year 2019. The previous determination pursuant to IAS 17 and IFRIC 4 of whether a contract is a lease has been maintained for existing contracts as of the effective date.

The Company elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

The following categories of leases were identified, where as a consequence of the adoption of IFRS 16 at January 1, 2019, contracts that previously had been recognized as operating leases, now qualify as leases as defined by the new standard: investment property, offices and vehicles.

During the first-time application of IFRS 16 to operating leases, the right to use the leased assets ("ROU") was generally measured at the present value of the lease liability, using the Company's incremental borrowing rate at the time of the adoption. These incremental borrowing rate range from 0.72% to 3.16% and have been determined by country and by term of the leases and take into account the Company's credit profile.
For the measurement of the ROU at the adoption date of the new standard, initial direct costs were not taken into account.

Under IAS 17, certain of the Company's Dutch and Swedish ground operating leases are for an indefinite period. These perpetual lease contracts are also in scope of IFRS 16 because Shurgard constructed on these parcels of land buildings that have significant economic value when the option, if any, to extend or terminate the lease or to purchase the underlying asset becomes exercisable. We calculated for these everlasting leases ROU assets and lease liabilities based on a period of nine hundred and ninety-nine (999) years commencing on January 1, 2019 with the considerations that any cash flow beyond 999 years discounted back would not be material. Consequently, all lease payments within this 999-year period are deemed to be payments of interest.

For certain of our Dutch and Swedish ground leases we paid an amount upfront. Upon transition to IFRS on January 1, 2015, we have reclassified these upfront payments to investment property.

The first time adoption of the new standard resulted in recording the following changes on the statement of financial position (increase) as at January 1, 2019:

Assets
Investment property: increase of €59.4 million
Property, plant and equipment: increase of €1.2 million
Other current assets: decrease of €0.4 million

Liabilities
Lease liabilities: increase of €60.2 million

Equity
Net impact on equity: € nil

During the six months ended June 30, 2019, we paid €0.9 million in principal debt and €0.5 million in interest expense on these lease liabilities.

For future periods, the Company will on a semi-annual basis measure and revalue its ROU investment property assets in accordance with IAS 40.50 (d) to avoid double-count of any assets or liabilities that are recognized as separate assets or liabilities.

The off-balance lease obligations as of December 31, 2018 are reconciled as follows to the recognized lease liabilities as of January 1, 2019:

(in € thousands)	2019
Off balance lease obligations as of December 31, 2018	78,651
Current leases with a lease term of 12 months or less	(52)
Payments for service charges and other not qualifying as lease payments	(1,561)
Operating lease obligations as of January 1, 2019, gross, not discounted	**77,038**
Discount effect for finite leases	(20,577)
Variances resulting from changes in expected lease term (infinite leases)	3,717
Operating lease obligations as of January 1, 2019, net, discounted	**60,178**
Lease liabilities due to initial application of IFRS 16 as of January 1, 2019	**60,178**
Lease liabilities from finance leases as of January 1, 2019	**6,125**
Total lease liabilities as of January 1, 2019	**66,303**

We refer to Note 27 for the analysis of the future minimum lease payments.

IFRIC 23 Uncertainty over income tax treatments

In June 2017, the IASB issued IFRIC 23 which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The adoption of IFRIC 23 did not have a significant impact on the interim condensed consolidated financial statements of the Company.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are currently no other standards, amendments and/or interpretations that have been issued, but that are not yet effective, for which the Company reasonably expects they would have a material impact on the Company's financial statements when applied at a future date.

6. SEASONALITY OF OPERATIONS

Under normal economic conditions, the Company's operations for the first six months of the year are not materially affected by seasonality, except for real estate taxes, for which the Company recognizes in the first six months of the year most of the expense that is due for the entire year in accordance with IFRIC 21. Such upfront recognition of real estate tax expense has an unfavorable impact on our NOI margin for the first half of the year.

7. REAL ESTATE OPERATING REVENUE

(in € thousands)	2019	2018
Rental revenue	107,803	102,040
Insurance revenue	13,046	12,073
Ancillary revenue[1]	5,125	5,273
Property operating revenue	**125,974**	**119,386**
Other revenue[2]	-	124
Real estate operating revenue	**125,974**	**119,510**

1 Ancillary revenue consists of merchandise sales and other revenue from real estate operations.
2 Other revenue consists of management fee revenue, rental revenue derived from assets held for sale and partnership income from self-storage operations.

8. REAL ESTATE OPERATING EXPENSE

Real estate operating expense of investment property which generates property operating revenue consists of the following:

(in € thousands)	2019	2018
Payroll expense	18,714	17,701
Real estate and other taxes	9,601	9,224
Repairs and maintenance	3,401	3,378
Marketing expense	3,373	3,053
Utility expense	1,933	2,056
Other operating expenses[1]	7,267	6,901
Doubtful debt expense	2,081	1,895
Cost of insurance and merchandise sales	2,347	2,175
Real estate operating expense excluding property lease expense	**48,717**	**46,383**
Property lease expense	273	1,785
Real estate operating expense	**48,990**	**48,168**

1 Other operating expenses mainly include: travel expenses, legal and consultancy fees, insurance expenses, non-deductible VAT and information system expenses.

9. GENERAL, ADMINISTRATIVE AND OTHER EXPENSES

General, administrative and other expenses for the six months ended June 30 consists of the following:

(in € thousands)	2019	2018
Payroll expense	4,077	2,824
Share-based compensation expense	800	803
Capitalization of internal time spent on development of investment property	(1,029)	(527)
Depreciation and amortization expense	883	830
Other general and administrative expenses[1]	1,447	103
General, administrative and other expenses	**6,178**	**4,033**

1 Other general and administration expenses mainly includes legal, consultancy and audit fees, insurance reimbursement and non-deductible VAT.

10. FINANCE COST

Finance costs for the six months ended June 30 comprise the following:

(in € thousands)	2019	2018
Interest on revolving loan facility and revolving syndicated loan facility	238	176
Interest on senior guaranteed notes	8,836	8,830
Interest on lease obligations[1]	795	296
Capitalized borrowing costs	(320)	(97)
Other interest expense	225	217
Total interest expense	**9,774**	**9,422**
Foreign exchange (gain) loss	(244)	445
Finance cost	**9,530**	**9,867**

1 The interest on lease obligations incurred in the six months ended June 30, 2019 includes €507,000 in interest expense incurred as a result of the adoption of IFRS 16.

11. INCOME TAX

The income tax expense for the six months ended June 30 is comprised of the following:

(in € thousands)	2019	2018
Current tax expense	8,994	9,842
Deferred tax expense	7,266	3,147
Income tax expense	**16,260**	**12,989**
Effective tax rate	**27.2%**	**20.4%**

The average effective current income tax rates based on adjusted EPRA earnings before tax are disclosed in note 13.

The tax expenses as shown above have been calculated in conformity with local and international tax laws. The tax expense on the Company's profit (loss) before tax differs from the theoretical amount that would arise using the domestic rate in each individual jurisdiction (on the pre-tax profits/losses) of the consolidated companies.

(in € thousands)	June 30, 2019	%	June 30, 2018	%
Profit before tax	**59,828**		**63,802**	
Expected tax based on local tax rates	15,105	25.3	16,433	25.8
Disallowed expenses	924	1.6	961	1.5
Nontaxable income (incl. notional interest deduction)	(28)	(0.1)	(61)	-0.1
Change in unrecognized deferred taxes	1,565	2.6	(605)	-0.9
Prior year adjustments and other changes to the deferred tax balances	(272)	(0.4)	1,612	2.5
Impact of changes to substantively enacted tax rates	(157)	(0.3)	(5,343)	-8.4
Other	(877)	(1.5)	(8)	-
Tax expense for the year	**16,260**	**27.2**	**12,989**	**20.4**

12. SEGMENT INFORMATION

The same store facilities segment we present for the first six months of 2019 and 2018 comprises facilities in operations since more than three full years as of January 1, 2019 in the case of self-developed properties or facilities in operations for one full year as of January 1, 2019 in the case of properties that have been acquired.

The non-same store facilities segment comprises any other self-storage facilities that we operate.

The operating segments (individual countries where the Company operates stores, split between same store facilities and non-same store facilities) have been aggregated into two reportable segments which reflect the significant components of our operations.

As of June 30, 2019, the Company operates 231 self-storage facilities (232 self-storage facilities as of December 31, 2018 and 222 self-storage facilities as of June 30, 2018) that it either owns or leases.
Based on the aforementioned criteria, same store facilities provide meaningful comparisons for the six-month periods ended June 30, 2019 and 2018 for a pool of 217 self-storage facilities.

The below table sets forth segment data for the six month period ended June 30, 2019 and 2018 based on the 2019 same store / non-same store definition:

(in € thousands)	**2019**	**2018**
Same store facilities	118,693	117,770
Non-same store facilities	7,281	1,616
Property operating revenue	**125,974**	**119,386**
Same store facilities	73,378	72,628
Non-same store facilities	3,879	375
Net income from real estate operations before property lease expense	**77,257**	**73,003**
Same store facilities	(273)	(1,784)
Non-same store facilities	-	(1)
Property lease expense	**(273)**	**(1,785)**
Same store facilities	73,105	70,844
Non-same store facilities	3,879	374
Income from property	**76,984**	**71,218**

The following table sets forth the reconciliation of Income from property as presented in the above segment table and Net income from real estate operations presented in the unaudited interim condensed consolidated statement of profit and loss:

(in € thousands)	**2019**	**2018**
Income from property	**76,984**	**71,218**
Add: Other revenue[1]	-	124
Net income from real estate operations	**76,984**	**71,342**

1 Other revenue for the six months ended June 30, 2018 consists of management fee revenue and partnership income from self-storage.

SEGMENT INFORMATION BY COUNTRY FOR THE SIX MONTHS ENDED JUNE 30, 2019

(in € thousands)	The Netherlands	France	Sweden	UK	Belgium	Germany	Denmark	Total
Same store facilities	26,964	32,113	18,660	15,298	10,189	8,989	6,480	118,693
Non-same store facilities	-	-	2,154	4,882	-	245	-	7,281
Property operating revenue	**26,964**	**32,113**	**20,814**	**20,180**	**10,189**	**9,234**	**6,480**	**125,974**
Same store facilities	17,876	17,220	13,185	9,332	5,805	5,588	4,372	73,378
Non-same store facilities	-	-	1,013	2,856	-	10	-	3,879
Net income from real estate operations before property lease expense	**17,876**	**17,220**	**14,198**	**12,188**	**5,805**	**5,598**	**4,372**	**77,257**
Same store facilities	(181)	(53)	(31)	(2)	(5)	(1)	-	(273)
Non-same store facilities	-	-	-	-	-	-	-	-
Property lease expense	**(181)**	**(53)**	**(31)**	**(2)**	**(5)**	**(1)**	**-**	**(273)**
Same store facilities	17,695	17,167	13,154	9,330	5,800	5,587	4,372	73,105
Non-same store facilities	-	-	1,013	2,856	-	10	-	3,879
Income from property	**17,695**	**17,167**	**14,167**	**12,186**	**5,800**	**5,597**	**4,372**	**76,984**
Investment property	517,742	639,980	463,223	475,684	181,704	186,330	143,357	2,608,020
Investment property under construction	8,860	740	-	15,621	-	5,499	-	30,720
Property, plant and equipment and intangible assets	254	541	159	174	5,777	136	2	7,043
Deferred tax assets	-	-	-	691	539	-	-	1,230
Other non-current assets	360	301	9	24	276	-	12	982
Non-current assets	**527,216**	**641,562**	**463,391**	**492,194**	**188,296**	**191,965**	**143,371**	**2,647,995**

Segment information by country for the six months ended june 30, 2018

(in € thousands)	The Netherlands	France	Sweden	UK	Belgium	Germany	Denmark	Total
Same store facilities	26,446	31,717	19,444	14,430	10,359	8,747	6,627	117,770
Non-same store facilities	-	-	60	1,556	-	-	-	1,616
Property operating revenue	**26,446**	**31,717**	**19,504**	**15,986**	**10,359**	**8,747**	**6,627**	**119,386**
Same store facilities	17,122	17,356	13,786	8,602	6,072	5,241	4,449	72,628
Non-same store facilities	-	-	(55)	440	-	(10)	-	375
Net income from real estate operations before property lease expense	**17,122**	**17,356**	**13,731**	**9,042**	**6,072**	**5,231**	**4,449**	**73,003**
Same store facilities	(655)	(607)	(418)	(89)	(3)	(1)	(11)	(1,784)
Non-same store facilities	-	-	2	(3)	-	-	-	(1)
Property lease expense	**(655)**	**(607)**	**(416)**	**(92)**	**(3)**	**(1)**	**(11)**	**(1,785)**
Same store facilities	16,467	16,749	13,368	8,513	6,069	5,240	4,438	70,844
Non-same store facilities	-	-	(53)	437	-	(10)	-	374
Income from property	**16,467**	**16,749**	**13,315**	**8,950**	**6,069**	**5,230**	**4,438**	**71,218**
Investment property	471,880	561,210	455,689	387,102	174,850	160,140	128,744	2,339,615
Investment property under construction	552	-	123	491	-	10,860	-	12,026
Property, plant and equipment and intangible assets	156	39	92	3	3,783	106	2	4,181
Deferred tax assets	-	-	-	245	1,025	-	-	1,270
Other non-current assets	845	297	10	233	5	-	181	1,571
Non-current assets	**473,433**	**561,546**	**455,914**	**388,074**	**179,663**	**171,106**	**128,927**	**2,358,663**

13. EARNINGS PER SHARE (EPS)

The table below provides a summarized overview of the Company's Earnings per share, (Adjusted) EPRA earnings and (Adjusted) EPRA earnings per share:

(in € thousands, except for earnings per share)	2019	2018
Earnings per share (basic) €	0.49	0.79
Earnings per share (diluted) €	0.49	0.79
EPRA earnings (basic and diluted)	43,788	44,681
EPRA earnings per share (basic and diluted) €	0.49	0.70
Adjusted EPRA earnings (basic and diluted)	50,948	46,349
Adjusted EPRA earnings per share (basic and diluted) €	0.57	0.72

The bases of calculation of each of the above measures set out above are illustrated below.

EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.
Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (including outstanding share options) into ordinary shares. The own shares the Company holds in treasury are excluded from the weighted average number of ordinary shares for the purpose of calculating EPS as they are not outstanding.

The following tables reflects the income and share data used in the basic and diluted EPS computations for the six months ended June 30:

(in € thousands, except shares and earnings per share)	2019	2018
Profit attributable to ordinary equity holders of the parent for basic earnings	**43,477**	**50,632**
Weighted average number of ordinary shares for basic EPS	88,842,427	63,813,181
Earnings per share (basic) €	**0.49**	**0.79**

EFFECT OF DILUTION

(in € thousands, except shares and earnings per share)	2019	2018
Profit attributable to ordinary equity holders of the parent for dilutive earnings	**43,477**	**50,632**
Weighted average number of ordinary shares for basic EPS	88,842,427	63,813,181
Dilutive effect from share options	474,900	211,301
Weighted average number of ordinary shares adjusted for the effect of dilution	89,317,327	64,024,482
Earnings per share (diluted) €	**0.49**	**0.79**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

EPRA EARNINGS AND EPRA EARNINGS PER SHARE

(in € thousands, except for shares and earnings per share)	2019	2018
Profit attributable to ordinary equity holders of the parent for basic earnings	**43,477**	**50,632**
Adjustments:		
Loss (gain) on revaluation of investment properties, net of deferred taxes	311	(6,051)
Acquisition costs of business combinations, net of taxes	-	100
EPRA earnings (basic and diluted)	**43,788**	**44,681**
EPRA earnings per share (basic and diluted) €	**0.49**	**0.70**

ADJUSTED EPRA EARNINGS AND ADJUSTED EPRA EARNINGS PER SHARE

(in € thousands, except for shares and earnings per share)	2019	2018
EPRA earnings (basic and diluted)	**43,788**	**44,681**
Adjustments:		
Deferred tax (benefit) expense on items other than the revaluation of investment property	7,160	1,668
Adjusted EPRA earnings (basic and diluted)	**50,948**	**46,319**
Adjusted EPRA earnings per share (basic diluted) €	**0.57**	**0.72**

The average effective current income tax rates based on adjusted EPRA earnings before tax is 15.0% for the six months ended June 30, 2019 and 17.5% for the six months ended June 30, 2018.

14. NET ASSET VALUE (NAV) PER SHARE

The table below provides a summarized overview of the Company's NAV, (Adjusted) EPRA NAV and (Adjusted) EPRA NAV per share:

(in € thousands, except for (Adjusted) NAV per share)	June 30, 2019	December 31, 2018	June 30, 2018
NAV	1,806,487	1,794,996	1,366,718
NAV per share (basic) €	20.35	20.21	21.42
NAV per share (diluted) €	20.22	20.14	21.35
EPRA NAV	2,161,714	2,150,135	1,698,670
EPRA NAV per share (diluted) €	24.19	24.12	26.53
Adjusted EPRA NAV (diluted)	2,100,140	2,119,219	1,660,022
Adjusted EPRA NAV per share (diluted) €	23.50	23.78	25.93

The bases of calculation of each of the above measures set out above, are illustrated below.

NAV (BASIC AND DILUTED)

Basic NAV per share amounts are calculated by dividing net assets in the statement of financial position attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding at the reporting date.

The following reflects the net asset and share data used in the basic and diluted NAV per share computations:

(in € thousands, except for number of shares and NAV per share)	June 30, 2019	December 31, 2018	June 30, 2018
NAV attributable to ordinary equity holders of the parent	**1,806,487**	**1,794,996**	**1,366,718**
Number of ordinary shares at the reporting date	88,791,766	88,815,910	63,813,181
Number of diluted shares at the reporting date	546,641	312,684	210,394
NAV per share (basic)	**20.35**	**20.21**	**21.42**
Diluted NAV per share (diluted) €	**20.22**	**20.14**	**21.35**

EPRA NAV (DILUTED)

The objective of the EPRA NAV measure is to highlight the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallize in normal circumstances such as deferred taxes on property valuation surpluses are therefore excluded.

(in € thousands, except for NAV per share)	June 30, 2019	December 31, 2018	June 30, 2018
NAV attributable to ordinary equity holders of the parent (diluted)	**1,806,487**	**1,794,996**	**1,366,718**
Additions to NAV:			
Deferred taxes on fair value adjustments of investment property	355,227	355,139	331,952
EPRA NAV	**2,161,714**	**2,150,135**	**1,698,670**
EPRA NAV per share (diluted) €	**24.19**	**24.12**	**26.53**

ADJUSTED EPRA NAV (DILUTED)

The objective of the adjusted EPRA NAV measure is to report net asset value including fair value adjustments in respect of all material balance sheet items which are not reported at their fair value as part of the EPRA NAV.

(in € thousands, except for adjusted NAV per share)	June 30, 2019	December 31, 2018	June 30, 2018
EPRA NAV	**2,161,714**	**2,150,135**	**1,698,670**
Additions to EPRA NAV:			
Carrying value senior guaranteed notes lower than fair value	(61,574)	(30,916)	(38,648)
Adjusted EPRA NAV	**2,100,140**	**2,119,219**	**1,660,022**
Adjusted EPRA NAV per share (diluted) €	**23.50**	**23.78**	**25.93**

15. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER CONSTRUCTION

The table below sets forth the movement in completed investment property and investment property under construction.

(in € thousands)	Completed investment property Level 3	Investment property ROU assets Level 3	Total completed investment property Level 3	Investment property under construction[4] Level 3	Total investment property Level 3
June 30, 2018					
At January 1	2,289,770	-	2,289,770	10,922	2,300,692
Exchange rate differences	(24,847)	-	(24,847)	(422)	(25,269)
Transfers	8,770	-	8,770	(8,770)	-
Capital expenditure	14,233	-	14,233	10,418	24,651
Acquisition of businesses	43,899	-	43,899	-	43,899
Net gain of fair value adjustment	7,790	-	7,790	(122)	7,668
At June 30, 2018	**2,339,615**	**-**	**2,339,615**	**12,026**	**2,351,641**
June 30, 2019					
At December 31, 2018	2,548,168	-	2,548,168	11,151	2,559,319
Adoption of IFRS 16	-	58,913	58,913	-	58,913
Adjustment for prepaid ROU assets	-	424	424	-	424
At January 1	**2,548,168**	**59,337**	**2,607,505**	**11,151**	**2,618,656**
Exchange rate differences	(13,261)	(295)	(13,556)	(385)	(13,941)
Remeasurement of ROU assets[1]	-	3,309	3,309	-	3,309
Transfers[2]	(4,517)	-	(4,517)	4,517	-
Capital expenditure	14,181	-	14,181	16,741	30,922
Net gain (loss) of fair value adjustment[3]	2,207	(1,109)	1,098	(1,304)	(206)
At June 30, 2019	**2,546,778**	**61,242**	**2,608,020**	**30,720**	**2,638,740**

1 These assets were recognized in exchange for an equal amount of additional lease liabilities.

2 Transfers from completed investment property to investment property under construction for the six months ended June 30, 2019 consists of the land fair value of our Croydon Purley Way (UK) facility, which burnt down in the night from December 31, 2018 to January 1, 2019. During the six months ended June 30, 2019, the Company incurred €0.7 million costs for reinstating the Croydon Purley Way land that was capitalized as investment property under construction. It is the Company's intention to rebuild this facility.

3 As of June 30, 2019, the Company measured its ROU assets in accordance with IAS 40.50 (d) to avoid double-count of any assets or liabilities that are recognized as separate assets or liabilities, resulting in a revaluation loss of €1.1 million.

4 The Company measures it investment property under construction at cost until such time as fair value becomes reliably measureable on a continuing basis. As of June 30, 2019, investment property under construction includes €1.7 million that are measured at cost and €29.0 million that are measured at fair value.

Reconciliation of completed investment property value calculated by our external valuer with value of completed investment property disclosed for financial reporting purposes:

(in € thousands)	June 30, 2019	December 31, 2018	June 30, 2018
Market value of completed investment property estimated by the external valuer	2,540,893	2,548,168	2,339,615
Addition of lease obligations recognized separately	5,885	-	-
Fair value for financial reporting purposes	**2,546,778**	**2,548,168**	**2,339,615**

Our investment property is a Level 3 fair market value measurement and for the periods concerned, there have been no transfers to or from Level 3.
Except for the valuation of the Investment Property right-of-use asset, the valuations were performed by Cushman & Wakefield Debenham Tie Leung Limited ("C&W"). The same valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13 for the six months ended June 30, 2019 and June 30, 2018 as compared to the year ended December 31, 2018.

VALUATION METHODOLOGY 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 all of the properties reflecting estimated absorption, revenue growth and expense inflation. A discounted cash flow method of valuation based on these cash flow projections has been used by C&W to arrive at its opinion of fair value for each property.
C&W has adopted different approaches for the valuation of the leasehold and freehold assets as follows:

FREEHOLD AND LONG LEASEHOLD

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

Assumptions:

A. Net operating income is based on projected revenue received less projected operating costs together with an allowance for a central administration charge (or management cost). As detailed above in this note, the valuation is made on the Special Assumption of actual allocated management costs of the Company for each individual property, rather than a market assumption. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date.
B. 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 stabilized/mature occupancy level. In the valuation the assumed stabilized occupancy level for the trading stores (both freeholds and all leaseholds) open at June 30, 2019 averages 90.13% (90.19% at December 31, 2018 and 90.37% at June 30, 2018). 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 14.19 months (8.35 months in December 2018 and 8.81 months in June 2018).
C. The capitalization rates applied to existing and future net cash flows have been estimated by reference to the available evidence of transactions in the self-storage market plus underlying yields for industrial and retail warehouse property, yields for other trading property types such as purpose-built student housing and hotels, bank base rates, ten-year money rates and inflation. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield post-administration expenses for all of the open stores (both freeholds and all leaseholds) is 5.98% (6.02% for the year ended December 31, 2018 and 6.01% for the period ended June 2018), rising to a stabilized net yield post-administration expenses of 6.69% (6.48% for the year ended December 31, 2018 and 6.79% for the six months ended June 30, 2018).
D. 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 all leaseholds) is 9.24% (9.19% for the December 2018 valuation and 9.48% for the June 2018 valuation).
E. Purchaser's costs in the range of approximately 2.0% to 13.0% have been assumed initially, reflecting the stamp duty levels anticipated in each local market, and sales plus purchaser's costs totaling approximately 4.0% to 15.0% are assumed on the notional sales in the tenth year in relation to freehold and long leasehold stores.

Short leaseholds

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 run through to the expiry of the lease.
It should be noted that the Company hold a number of short leases which have been valued on the same basis as the freehold and long leasehold assets due to their security of tenure arrangements and the potential compensation provisions in the event of the landlord wishing to take possession at expiry. The capitalization rates on these stores reflect the risk of the landlord terminating the lease at expiry.

INVESTMENT PROPERTIES UNDER CONSTRUCTION

C&W has valued the stores in development adopting the same methodology as set out above but based on 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.

Unrealized gains and (losses) for recurring fair value measurements relating to investment property and investment property under construction held at the end of the reporting period categorized within Level 3 of the fair value hierarchy are presented in the unaudited interim, condensed consolidated statement of profit or loss in line item ''valuation gain from investment property''.

SENSITIVITY OF THE VALUATION TO ASSUMPTIONS

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 capitalization rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilized 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.

For the six months ended June 30, 2019:

All other factors being equal, a one percent increase in occupancy rates (real) would lead to an increase in the valuation of our store portfolio of €37.5 million (1.5%).
All other factors being equal, one percent decrease in occupancy rates would lead to a decrease in the valuation of our store portfolio of €38.5 million (1.5%).
All other factors being equal, a 0.25% percent increase (real) in both discount and capitalization rate would lead to a decrease in the valuation of our store portfolio of €18.4 million (3.9%).
All other factors being equal, a 0.25% percent decrease (real) in both discount and capitalization rate would lead to an increase in the valuation of our store portfolio of €20.0 million (4.3%).

16. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in € thousands)	Building[1]	Equipment[1]	ROU assets[2]	Total property, plant and equipment	Intangible assets[3]
Historical cost					
At December 31, 2018	**1,351**	**5,258**	**-**	**6,609**	**12,495**
Adoption of IFRS 16	-	-	1,202	1,202	-
At January 1, 2019	**1,351**	**5,258**	**1,202**	**7,811**	**12,495**
Additions	383	174	623	1,180	882
Disposals	-	-	(14)	(14)	-
Exchange differences	(4)	(7)	(6)	(17)	-
At June 30, 2019	**1,730**	**5,425**	**1,805**	**8,960**	**13,377**
Depreciation and impairment					
At January 1, 2019	**(663)**	**(4,725)**	**-**	**(5,388)**	**(9,037)**
Depreciation and amortization charge of the year	(19)	(174)	(228)	(421)	(462)
Disposals	-	-	5	5	-
Exchange differences	1	7	1	9	-
At June 30, 2019	**(681)**	**(4,892)**	**(222)**	**(5,795)**	**(9,499)**
Net book value					
At June 30, 2019	1,049	533	1,583	3,165	3,878
At December 31, 2018	688	533	-	1,221	3,458

1 Building and equipment mainly consists of building improvements and office machinery and equipment in use in the local head offices located in the countries in which we operate.
2 Right-of-use assets mainly relates to company cars and offices we lease. These assets were recognized in exchange for an equal amount of additional lease liabilities.
3 Intangible assets mainly consist of capitalized computer software.

17. OTHER NON-CURRENT ASSETS

Other non-current assets mainly consist of indemnification assets, deposits paid to vendors and VAT recoverable after more than one year.

18. TRADE AND OTHER RECEIVABLES

(in € thousands)	June 30, 2019	December 31, 2018	June 30, 2018
Gross amount	15,982	16,795	13,202
Provision for doubtful debt	(4,523)	(4,306)	(3,633)
Trade and other receivables	**11,459**	**12,489**	**9,569**

Rent and service charge receivables are non-interest-bearing and are typically due within thirty days. The receivables are due from local retail and business tenants.

19. OTHER CURRENT ASSETS

(in € thousands)	June 30, 2019	December 31, 2018	June 30, 2018
Prepayments	6,361	3,743	8,213
Receivables from tax authorities other than VAT	638	512	615
Other current assets	1,314	1,017	1,370
Other current assets	**8,313**	**5,272**	**10,198**

20. ISSUED SHARE CAPITAL

As of December 31, 2018, the share capital of the Company of €62,542,445, net of treasury shares held of €928,225, was represented by 88,935,681 ordinary shares (inclusive 143,915 shares that are held by the Company as treasury shares) that all have been fully paid up.

Through various transactions, the Company sold in the first six months of 2019 treasury shares with carrying value of €569,625 and purchased own shares held as treasury shares for a total amount of €2,999,650 (note 21).

As of June 30, 2019, the share capital of the Company of €60,112,418, net of treasury shares held of €3,358,251, is represented by 88,935,681 ordinary shares that all have been fully paid up.

Ordinary shares have no par value. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

The authorized capital of the Company (including the issued share capital) is set at ninety-five million eight hundred thousand seven hundred twenty-nine euro and ninety-eight cent (€95,800,729.98) divided into one hundred thirty-four million two hundred thirty-six thousand eight hundred fifty-six (134,236,856) shares without nominal value.

21. TREASURY SHARES

As of December 31, 2018, the Company owned 119,771 treasury shares that are deducted from share capital for an amount of €928,225.

During the first six months of 2019, the Company sold to certain employees 73,500 treasury shares for €744,000 at a gain of €174,000 in connection with the exercise of 73,500 share options granted under the 2015, 2016 and 2017 plans.

On September 26, 2018, the general shareholders meeting of the Company authorized to put in place a share-buy-back program that is valid until the expiration date of October 15, 2019. According to the resolutions of the Board of Directors of the Company held on April 29, 2019, the maximum number of shares shall represent in aggregate a maximum purchase price of 14 (fourteen) million euros, at a price not lower than 15% below and not higher than 15% above the shares' official price reported in the trading session on the day before carrying out each individual transaction. On May 14, 2019, the Company appointed Société Générale S.A., who accepted, to purchase shares on the Company's behalf, in one or several times, on Euronext Brussels and any other available exchanges, or by blocks of shares, for a number of shares not exceeding 400,000 (four hundred thousand) shares.
In connection with this appointment, the Company acquired in the first six months of 2019 97,644 own shares at an average purchase price of €30.72 per share (or €2,999,650 in total) that are held as treasury shares.

As of June 30, 2019 the Company owns 143,915 treasury shares that are deducted from share capital for an amount of €3,358,251.

22. SHARE-BASED PAYMENT RESERVE

During the first six months of 2019, we recognized a share based compensation expense of €611,000 and deferred income tax expense of €718,000 for our equity-settled share based compensation expense in share based payment reserve, and we realized a gain of €174,000 on the sale of treasury shares.

23. DISTRIBUTABLE RESERVES

On July 6, 2018, the Company created €755,000,000 of distributable reserves through the reduction of its issued share capital.

On July 10, 2018, the Company distributed on aggregate €255,000,000 (or €3.99 per share) to its shareholders.

On April 30, 2019 the distributable reserves were reduced by €19,551,600 in connection with the distribution of a final dividend on 2018 (note 24).

24. DISTRIBUTIONS MADE

On April 30, 2019 the shareholders of the Company approved the distribution of a cash dividend for 2018 in an amount of twenty-two eurocents (€ 0.22) per ordinary share, resulting in an aggregate dividend distribution in an amount of €19,551,600 from the other available reserves. The payment of the dividend commenced on May 15, 2019.

25. NON-CONTROLLING INTERESTS

Non-controlling interests represent 5.2% ownership interests in our German subsidiaries First Shurgard Deutschland GmbH and Second Shurgard Deutschland GmbH, owning an aggregate of 11 properties. This 5.2% ownership is with our two principal shareholders Public Storage ("PS") and NYSCRF through the entity Shurgard German Holding LLC. We allocated €91,000 and €181,000 of net income to non-controlling interests during the six months ended June 30, 2019 and 2018, respectively, based upon their respective interest in the net income of the subsidiaries.

During the period commencing January 1, 2018 and ending June 30, 2019, there were no transactions with non-controlling interests.

26. INTEREST-BEARING LOANS AND BORROWINGS

(in € thousands)	Effective interest rate	Maturity	June 30, 2019	December 31, 2018	June 30, 2018
Non-current					
Senior guaranteed notes – issued July 2014	2.83%	July 24, 2021	100,000	100,000	100,000
Senior guaranteed notes – issued July 2014	3.24%	July 24, 2024	100,000	100,000	100,000
Senior guaranteed notes – issued July 2014	3.38%	July 24, 2026	100,000	100,000	100,000
Senior guaranteed notes – issued June 2015	2.67%	June 25, 2025	130,000	130,000	130,000
Senior guaranteed notes – issued June 2015	2.86%	June 25, 2027	110,000	110,000	110,000
Senior guaranteed notes – issued June 2015	3.03%	June 25, 2030	60,000	60,000	60,000
Nominal values			**600,000**	**600,000**	**600,000**
Less:					
Unamortized balance of debt issuance cost on notes issued			(2,087)	(2,291)	(2,454)
Borrowings as reported on statement of financial position			**597,913**	**597,709**	**597,546**
Weighted average cost of debt			**2.98%**	**2.98%**	**2.98%**

27. LEASE OBLIGATIONS

The Company leases various investment properties with a carrying amount of €416.7 million as of June 30, 2019.

At June 30, 2019, future minimum lease payments (including interest charges) under our finance leases totaling €628.5 million, are as follows:

(in € thousands)	June 30, 2019[2]	December 31, 2018[1]	June 30, 2018[1]
Due within one year	4,662	1,067	1,045
Due within two to five years	18,426	4,890	4,312
Thereafter	605,448	18,628	20,412
Total future lease payments	**628,536**	**24,585**	**25,769**
Amount representing interest[2]	(559,816)	(18,460)	(19,440)
Present value of minimum lease payments	**68,720**	**6,125**	**6,329**

1 For the periods ended December 31, 2018 and June 30, 2018, the amounts disclosed relate to leases that qualified as finance lease obligations under the old lease standard IAS 17 and thus exclude leases for which we recognized a liability on January 1, 2019 pursuant to the adoption of IFRS 16.
2 For the period ended June 30, 2019, the amount representing interest includes €542.3 million interest expense relating to our infinite property leases for which we considered a lease term of 999 years (see note 4 on IFRS 16 leases).

28. ANALYSIS OF MOVEMENTS IN INTEREST-BEARING LOANS AND BORROWINGS

The below tables provide an analysis of financial debt.

(in € thousands)	Interest-bearing loans and borrowings	Lease obligations[1]	Total financial debt
December 31, 2018	**597,709**	**6,125**	**603,834**
Adoption of IFRS 16	-	60,115	60,115
January 1, 2019	**597,709**	**66,240**	**663,949**
Repayments of debt	-	(1,189)	(1,189)
Interest payments	(8,831)	(795)	(9,626)
Addition of lease obligations (net) – IFRS 16	-	3,932	3,875
Non-cash movements[2]	9,035	532	9,576
June 30, 2019	**597,913**	**68,720**	**666,585**

(in € thousands)	Interest-bearing loans and borrowings	Lease obligations[1]	Total financial debt
January 1, 2018	**597,347**	**6,550**	**603,897**
Repayments of debt	-	(260)	(260)
Interest payments	(8,808)	(296)	(9,104)
Non-cash movements[2]	9,007	335	9,342
June 30, 2018	**597,546**	**6,329**	**603,875**

1 Lease amounts as of January 1, 2019, June 30, 2018 December 31, 2018 and January 1, 2018 consist of lease obligations that qualified as finance lease obligations under the old lease standard IAS17.
Lease obligations as of January 1, 2019 and June 30, 2019 includes the obligations we recognized in connection with the adoption of IFRS 16 (note 4).
2 Non-cash movements mainly consist of interest expense.

29. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist, almost exclusively, of VAT due after more than one year.

30. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

(in € thousands)	June 30, 2019	December 31, 2018	June 30, 2018
Accrued compensation and employee benefits	6,782	8,037	6,730
Accrued share-based compensation expense	297	179	6,251
Accounts payable (including accrued expenses)	38,713	26,404	35,868
Payables to affiliated companies	621	624	821
Deferred revenue – contract liabilities	24,447	24,619	23,483
Other payables[1]	5,361	5,249	5,419
Trade and other payables and deferred revenue	**76,221**	**65,112**	**78,572**

1 Other payables consists of VAT payable in less than one year and customer deposits.

31. SHARE-BASED COMPENSATION EXPENSE

We incurred €0.8 million in share-based compensation expense, including social security charges, in each of the six months ended June 30, 2019 and 2018. We had a liability for share-based compensation plans, included under trade and other payables and deferred revenue in our statements of financial position, totaling €5.9 million as at June 30, 2018. The €0.3 million liability for share based compensation as of June 30, 2019 (€0.2 million as of December 31, 2018) consists of an accrual for employers' social security share that is calculated based on the accounting principles of cash-settled awards.

As of June 30, 2019 and December 31, 2018, we had €2.6 million and €3.3 million of unrecognized share-based compensation expense, net of estimated pre-vesting forfeitures, related to unvested option awards. For the periods ended June 30, 2019 and December 31, 2018, the weighted average remaining vesting period of our share options was 1.8 years and 2.2 years, respectively. As of June 30, 2019 and December 31, 2018, we estimate that the fair value of the non-exercised awards is, respectively, €7.0 million and €7.9 million.

The following table sets forth the number of share options granted, forfeited, exercised and outstanding at June 30, 2019:

	2019	
	Number of options	Weighted average exercise price
Outstanding, January 1	1,566,271	€ 19.40
Exercised[1]	(73,500)	€ 9.95
Forfeited[2]	(47,500)	€ 22.76
Outstanding, June 30	**1,445,271**	**€ 19.76**
Exercisable, June 30	367,021	€ 11.31

1 Share options exercised in the six months ended June 30, 2019 had an aggregate intrinsic value at the date of exercise of €18.23 per option.
2 During the six months ended June 30, 2019 7,500 awards under the 2017 plan and 40,000 awards under the 2018 plan have been forfeited.

During the six months ended June 30, 2019, upon exercise of 65,000 awards under the 2015 plan, 3,500 awards under the 2016 plan and 5,000 awards under the 2017 plan, the Company realized a gain on sale of treasury shares of €173,420 that was allocated to share based payment reserve.

The following table summarizes information about our share options outstanding at June 30, 2019 under the 2015, 2016, 2017 and 2018 plans:

		As of June 30, 2019					
		Options outstanding			Options exercisable		
Year of grant	Fair value per option at June 30, 2019	Number of Options	Weighted average exercise price	Weighted average remaining contractual life	Number of Options	Weighted average exercise price	Weighted average remaining contractual life
2015	€11.19	290,000	€8.77	5.8 years	290,000	€8.77	5.8 years
2016	€3.49	37,771	€18.32	7.0 years	15,771	€18.32	7.0 years
2017	€2.35	252,500	€21.51	8.0 years	61,250	€21.51	8.0 years
2018	€3.45	865,000	€23.00	9.4 years	-	-	-
		1,445,271	**€19.76**	**8.4 years**	**367,021**	**€11.31**	**6.2 years**

We expect to repurchase shares upon the exercise of share options. Based on the number of vested and outstanding options, the Company's share price, the number of treasury shares held by the Company as of June 30, 2019 and the number of options to vest in the second half 2019, the maximum number of shares to be repurchased during the remainder of 2019 to satisfy such an exercise will be 295,356 shares (€9.4 million in total repurchase cost).

32. RELATED PARTY DISCLOSURES

Except as disclosed otherwise below, there are no material changes to the company's related parties, related party transactions (including their terms and conditions) and (future) obligations towards related parties, compared to December 31, 2018.

KEY MANAGEMENT PERSONNEL COMPENSATION

(in € thousands)	2019	2018
Short term employee benefits	1,904	1,943
Post-employment benefits	50	48
Share-based payments	548	597
Total	**2,502**	**2,588**

Key management personnel consists of the members of the executive committee.

In addition, the Company incurred in the first six months of 2019 €357,575 expense for the provision of key management personnel services by non-executive board members that were provided by separate management entities (nil during the same period last year).

TRANSACTIONS WITH OTHER RELATED PARTIES

Pursuant to a management agreement, we managed a self-storage facility owned by PS in exchange for a fee of 7.0% of revenues until we acquired the facility effective October 1, 2018. For the six months ended June 30, 2018, we earned management fees of €46,000 under this management agreement. These management fees are included in other operating revenue on our unaudited interim condensed consolidated statements of profit and loss.

During each of the six-months periods ended June 30, 2019 and 2018, we incurred royalty fees of €1.2 million due to Public Storage for the use of the "Shurgard" trade name.

33. FINANCIAL RISK MANAGEMENT

FAIR VALUE

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The effect of fair value measurement of the finance lease obligations is not material.

Set out below is a comparison of the carrying amounts and fair value of the Company's senior guaranteed notes:

(in € thousands)	June 30, 2019	December 31, 2018	June 30, 2018
Carrying value	597,913	597,709	597,546
Fair values	659,487	628,625	636,194

The fair values of our senior guaranteed notes are a Level 3 fair market value measurement and for the periods concerned, there have been no transfers to or from Level 1. The same methodology was used to estimate the fair values for all reported periods.

34. CONTINGENCIES AND COMMITMENTS

CAPITAL EXPENDITURE COMMITMENTS

As of June 30, 2019, we had €13.3 million of outstanding capital expenditure commitments under contract in regard to certain self-storage facilities under construction.

35. EVENTS AFTER THE REPORTING PERIOD

On August 12, 2019, the Board of Directors decided to transfer the registered office and principal place of business of the Company from 6 C Rue Gabriel Lippmann, L-5365 Münsbach to 11 Rue de l' Industrie, L-8399 Windhof and, in respect of the first six months of 2019, approved a gross interim dividend of €0.45 per share, which represents approximately €40 million gross interim dividend, or 78.4% of adjusted EPRA earnings for the period. The interim dividend will be payable on or around October 3, 2019 to shareholders on the register at close of business on October 2, 2019.

AUDITOR’S REPORTS

REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Shurgard Self Storage SA
11, Rue de L'Industrie
L-8399 Windhof
Grand Duchy of Luxembourg

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements of Shurgard Self Storage SA as at June 30, 2019 which comprise the interim condensed consolidated statement of financial position as at June 30, 2019 and the related interim condensed consolidated statements of profit or loss and comprehensive income (loss), changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Bruno Di Bartolomeo
Luxembourg, August 12, 2019

INDEPENDENT AUDITOR'S REPORT ON THE PROPOSED DISTRIBUTION OF AN INTERIM DIVIDEND

To the Board of Directors,

In our capacity as "réviseur d'entreprises" and in accordance with article 461-3 of the law of 10 August 1915 on commercial companies, as subsequently amended, we set out below our report on the proposed distribution of an interim dividend.

The Board of Directors is responsible for the preparation and fair presentation of the interim accounts as of 30 June 2019, which are attached on pages 29 to 33.

Our responsibility is, based on our procedures, to issue a report related to the interim dividend as proposed by the Board of Directors, and to the compliance with the conditions set out in article 461-3 of the law of 10 August 1915 on commercial companies, as subsequently amended.

We conducted our procedures in accordance with applicable professional standards as adopted, in Luxembourg, by the "Institut des Réviseurs d'Entreprises". These standards require that we plan and perform our procedures to obtain moderate assurance as to whether the interim accounts are free of material misstatement. Our procedures are limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The interim accounts show a profit for the period from 1 January 2019 to 30 June 2019 after making the necessary value adjustments and provisions. Considering the profit brought forward, the profit for the period, sums drawn from available reserves for this purpose and the transfers to be made to the legal and statutory reserves, the Company has distributable amounts which exceed the proposed maximal interim dividend of € 40.000.000.

Based on our procedures, nothing has come to our attention that causes us to believe that the Company does not have distributable amounts which exceed the proposed interim dividend.

We have also satisfied ourselves that the other conditions of article 461-3 of the law of 10 August 1915 on commercial companies, as subsequently amended, are complied with:

- The statutes authorise the Board of Directors to pay interim dividends;
- The interim accounts are prepared less than two months before the decision of the Board of Directors to distribute an interim dividend, subject to that decision to be taken before August 30, 2019.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Bruno Di Bartolomeo
Luxembourg, August 12, 2019

PUBLISHER

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