STOR-AGE PROPERTY REIT LIMITED

CONDENSED UNAUDITED CONSOLIDATED INTERIM RESULTS

for the six months ended 30 September 2018

INCLUDED IN THIS ANNOUNCEMENT IS A DIVIDEND DECLARATION AND POSTING OF A CIRCULAR CONTAINING A DIVIDEND INVESTMENT ALTERNATIVE ELECTION

Stor-Age Property REIT Limited
Registration number: 2015/168454/06
Incorporated on 25 May 2015
Approved as a REIT by the JSE
Share code: SSS ISIN: ZAE000208963
("Stor-Age" or "the group" or "the company")

COMMENTARY

The board of directors ("the board") of Stor-Age is pleased to present the condensed unaudited consolidated interim results of the group for the six months ended 30 September 2018 ("the period").

HIGHLIGHTS

- Dividend up 9.1% to 51.30 cps
- SA rental income and net property operating income up 17.4% (like-for-like 9.4%) and 14.2% (like-for-like 9.8%)
- Strong operating performance in UK business
- Acquisition of All-Store (Cape Town) in April 2018 and development of additional GLA underway
- Completion of new Bryanston property in September 2018
- Development of Craighall (Johannesburg) underway
- Acquisition of Managed Portfolio completed post period-end – investment property valued at R5.3 billion

INTRODUCTION

Stor-Age successfully delivered a 9.1% increase in dividends per share for the period to continue its track record of consistently strong trading results, underpinned by a combination of solid organic growth in the SA and UK portfolios and the successful integration of strategic acquisitions. We remain focussed on our core objective of delivering real and sustainable growth to our shareholders.

In a still challenging operating environment, Stor-Age continues to outperform in our key focus areas, namely: occupancy and revenue growth; acquisitions and new developments; and enhancing our market-leading operating platform. The group's excellent trading performance further reflects the resilient nature of our assets and our specialist skill.

During the period we made substantial progress in two strategic initiatives – the acquisition of the Managed Portfolio, and the restructuring of our SA and UK debt facilities – which were both successfully completed shortly after the period-end. We also successfully raised R400.0 million in early October in an oversubscribed bookbuild (see Events after the Reporting Date).

GROUP SNAPSHOT

Stor-Age is the largest and most recognisable self storage property fund and brand in South Africa. The portfolio comprises 63 self storage properties across both SA (49) and the UK (14). The SA portfolio is valued at R3.8 billion[1] and the UK portfolio – under the brand Storage King – at R1.5 billion. (In the UK a further 12 properties trade under the licence of the Storage King brand and generate licence and management fee revenue. In total this represents 26 properties trading under the Storage King brand.)

DEFINITIONS

SA – South Africa
UK – United Kingdom
CPC – Certificate of Practical Completion
GLA – gross lettable area
m^2 – square metres
sqf – square foot
cps – cents per share
Managed Portfolio – a portfolio of12 properties managed and operated by Stor-Age

[1] *Including acquisition of Managed Portfolio in October 2018.*

COMMENTARY (continued)

OPERATIONAL REVIEW

- Total portfolio occupancy up 72 400m² (SA 26 000m²; UK 46 400m²)
- Closing occupancy of 83.5% (SA); 81.2% (UK)
- Closing rental of R93.5/m² (SA), up 8.7% (excl. acquisitions), and £21.46/sqf[2] (UK)
- Post-period completed acquisition of Managed Portfolio

SA

The GLA in the SA portfolio closed at 268 400m² (2017: 234 900m²), up by 33 500m² due to the acquisitions of StorTown (November 2017) and All-Store Self Storage ("All-Store") (April 2018), as well as the opening of Bryanston in September 2018 and expansion at existing stores.

The occupancy profile of the portfolio by GLA is disclosed in the following table:

	30 September 2018 GLA m²	30 September 2018 % Occupied
Gauteng	130 691	82.9
Western Cape	92 427	83.2
Eastern Cape	11 032	88.2
KwaZulu-Natal	27 604	85.4
Free State	6 679	85.0
	268 433	83.5

The 0.8% year-on-year decrease in closing occupancy, from 84.3% to 83.5%, reflects the impact of the StorTown acquisition and the inclusion of Bryanston. Occupancy in the StorTown portfolio decreased by c.500m² during an extensive refurbishment and build out at the Durban CBD property. This is scheduled for completion in December 2018.

Post conclusion of the All-Store acquisition we began development work to add an additional 1 700m² GLA. This is expected to be available in the early part of 2019 and, with the store trading at mature occupancy levels in excess of 90.0%, the lease up of the additional GLA is expected to be earnings-accretive.

The proven ability to acquire and integrate strategic acquisitions and to successfully execute asset management initiatives to enhance our properties are key competitive advantages, particularly in a tough economic environment.

There is a strong acquisition pipeline in place which remains subject to our stringent vetting criteria.

In October 2018 we completed the acquisition of the Managed Portfolio. The acquisition was in line with the Board's stated intention and eliminates the former related party relationships of executive management. Nine of the 12 properties are high quality "big-box" type stores and six have already reached mature occupancy levels. Over the 12 months to 30 September 2018, occupancy growth (12 900m²) and the increase in the average rental rate (12.8%) have been significant. Further details are set out under Events after the Reporting Date.

UK

The UK portfolio delivered a strong operational performance. Occupancy increased by 4 000m² year-on-year and like-for-like occupancy by 1 300m².

The UK self storage industry experiences a more marked degree of seasonality, with occupancy peaking in the spring and summer months. Accordingly we anticipate some occupancy loss to come through over the winter months but remain on track to meet our full year expectations.

[2] *UK rental rate quoted on an annual basis.*

Since the acquisition of Storage King in November 2017, we have progressed all focus areas and continue to leverage the SA operating infrastructure to support the UK operations in improving efficiencies and reducing costs. Over the last 12 months we have also analysed several attractive UK acquisition opportunities but we remain selective and disciplined in our investment strategy. Competition for quality assets remains fierce.

FINANCIAL RESULTS

The results for the period include the trading results for both StorTown and Storage King for the full six months, while All-Store has been included for the part-period from its acquisition date.

The table below sets out the group's underlying operating performance analysed between the SA and UK operations.

	30 September 2018			30 September 2017			variance %	
	SA R'000	UK R'000	Total R'000	SA R'000	UK R'000	Total R'000	SA	Total
Property revenue	132 813	92 956	225 769	114 710	–	114 710	15.8	96.8
Rental income	129 251	83 120	212 371	110 106	–	110 106	17.4	92.9
Ancillary income	3 562	9 836	13 398	3 604	–	3 604	(1.2)	271.8
Licence fees	–	–	–	1 000	–	1 000	(100.0)	(100.0)
Direct operating costs	(30 876)	(29 003)	(59 879)	(25 466)	–	(25 466)	(21.2)	(135.1)
Net property operating income	101 937	63 953	165 890	89 244	–	89 244	14.2	85.9

Total *property revenue* increased by 96.8% to R225.8 million (2017: R114.7 million).

Rental income for the period was R212.4 million (2017: R110.1 million), a 92.9% increase on the prior year. On a like-for-like basis (excl. Storage King and other SA acquisitions) rental income increased by 9.4%, driven by a 0.7% increase in average occupancy levels and an 8.7% increase in the average rental rate.

Total occupancy in the SA portfolio grew by 26 000m² year-on-year (organically 2 000m²; acquisitions 24 000m²). Excluding acquisitions in this time, the closing rental rate increased by 8.7% to R93.5/m².

The UK portfolio performed broadly as expected. Closing occupancy (81.2%) and the average rental rate (£21.46/sqf) increased by 3.0% and 1.6% from March 2018, respectively.

Licence fee income of R1.0 million in the prior period relates to the opening of the Randburg property in the Managed Portfolio in July 2017.

Ancillary income (net of related costs) of R13.4 million (2017: R3.6 million) reflects the positive contribution of acquisitions. Although ancillary income is a relatively small proportion of total revenue, each component makes a meaningful contribution to earnings with little capital investment. In a more challenging economic environment, the overall performance of this revenue stream plays an important role in driving overall earnings growth. Excluding a once-off sundry income amount of R0.4 million in 2017, ancillary income increased by 11.9% on the prior year.

The increase in *direct operating costs* to R59.9 million (2017: R25.5 million) reflects the impact of acquisitions. On a like-for-like basis direct operating costs increased by 7.8%, slightly above our forecast of 7.0% and mainly the result of higher municipal rates charges on certain properties. Disciplined cost control remains top of mind.

Net property operating income of R165.9 million (2017: R89.2 million) reflects both organic growth and the benefit of acquisitions. On a like-for-like basis (excluding acquisitions and non-recurring income), net property operating income increased by 9.8%. Storage King contributed R64.0 million (c.40%) to the group's total net property operating income.

The increase in *administrative expenses* from R14.1 million to R28.1 million relates mainly to the Storage King acquisition. This increase is also attributable to the underlying growth in the business, a greater investment in technology, the appointment of new non-executive directors, centralisation and automation, and the employment of additional staff.

Interest income comprises interest received on the share purchase scheme loans (R6.6 million), cross currency interest rate swaps (R14.4 million) and call and money market accounts (R1.1 million). The increase in interest income from R5.9 million to R22.1 million relates mainly to the cross currency interest rate swaps entered into pursuant to the Storage King transaction.

Interest expense of R22.0 million (2017: R11.0 million) comprises mainly interest on bank borrowings and the increase is due to the GBP-denominated debt arising from the Storage King acquisition. Further details of bank borrowings are set out in Capital Structure below.

Profit for the period of R112.2 million (2017: R136.0 million) includes a fair value adjustment to derivative financial instruments (realised and unrealised mark-to-market adjustments relating to forward exchange contracts, interest rate swaps and cross currency interest rate swaps) of R33.0 million (2017: R58.3 million positive adjustment).

CAPITAL STRUCTURE

Our financing policy is to fund our current needs through a mix of debt, equity and cash flow to enable the group to expand the portfolio and achieve our strategic growth objectives.

Details of the group's borrowing facilities at 30 September 2018 are set out below:

	SA R million	UK R million	Group R million
Total debt facilities	995.0	447.0	1 442
Undrawn debt facilities	610.6	–	610.6
Gross debt	384.4	447.0	831.4
Net debt	332.3	404.9	737.2
Investment property^	2 662	1 532	4 194
Subject to fixed rates			
– Amount	250.0	402.0	652.0
– % hedged on gross debt	65.0%	90.0%	78.4%
– % hedged on net debt	75.2%	99.3%	88.4%
Effective interest rate	9.06%	4.03%	6.35%
Gearing (LTV ratio)	12.5%	26.4%	17.6%

LTV ratio defined as the ratio of net debt as a percentage of investment property (net of finance lease obligations relating to leasehold investment property)

At 30 September 2018 the group had SA loan facilities of R995.0 million available. The respective maturities of the various facilities ranged from December 2019 to November 2022 and accrued interest at an average margin of 1.29% below prime.

The acquisition of Storage King in November 2017 was structured with an amortising £25.0 million LIBOR-linked facility. The balance at 30 September 2018 was £24.3 million/R447.0 million (31 March 2018: £24.5 million/ R406.0 million). The interest rate risk on the loan was hedged at 90.0% of the gross debt, in line with the amortisation profile, with underlying LIBOR fixed at 1.051%.

Post period-end, the group restructured both its SA and UK debt facilities. Further details are set out in Events after the Reporting Date.

^ *Investment property reflected as gross investment property of R4 387 million less finance lease obligations relating to leasehold investment property of R193 million.*

At 30 September 2018, Stor-Age's total gross borrowings amounted to R831.4 million (31 March 2018: R758.6 million) with 78.4% (31 March 2018: 82.0%) subject to fixed rates, and total undrawn borrowing facilities of R610.6 million (31 March 2018: R642.4 million).

On a net debt basis 88.4% of borrowings was subject to fixed rates (31 March 2018: 100.0%). Net debt stood at R737.2 million (31 March 2018: R619.7 million) with a gearing ratio (LTV) of 17.6% (31 March 2018: 16.1%).

The effective interest rate at 30 September 2018 was 6.35% (31 March 2018 was 6.54%).

In April 2018 the group raised R52.0 million of equity capital through the issue of ordinary shares pursuant to a vendor consideration placement for the acquisition of All-Store. Stor-Age also conserved R17.3 million cash under the Dividend Reinvestment Programme in July 2018.

Net asset value per share (net of non-controlling interest) was R11.71 (2017: R10.70) and net tangible asset value per share (net of non-controlling interest) was R11.23 (2017: R10.23).

ACQUISITIONS AND DEVELOPMENTS

As previously announced on SENS:

All-Store

On 6 April 2018 Stor-Age concluded the acquisition of All-Store, located in Cape Town's northern suburbs, for a purchase consideration of R52.0 million. The purchase consideration was settled in full by the issue of ordinary shares pursuant to a vendor consideration placement.

Bryanston and Craighall developments

The Bryanston development was completed in September 2018 at a total cost of R80.9 million with trading commencing in the latter part of the month. On full fit-out Bryanston will comprise 6 100m² GLA. The development was completed by Stor-Age Property Holdings Proprietary Limited ("SPH") under the CPC acquisition structure which results in the risk and reward of ownership passing to Stor-Age on practical completion of the development. Under these terms a development cost saving of R1.0 million accrued to Stor-Age.

The Craighall development is being completed under the same CPC acquisition structure. The development cost is R95.1 million (i.e. the maximum amount payable by Stor-Age before any potential cost saving). On completion the property will have 6 650m² GLA. The development is progressing according to schedule and is expected to be completed by June 2019.

EVENTS AFTER THE REPORTING DATE

Acquisition of Managed Portfolio

As previously announced, on 9 October 2018 Stor-Age completed the acquisition of the Managed Portfolio for an aggregate purchase consideration of R58.0 million. The 12 purpose-built self storage properties - located in Cape Town, Johannesburg, Durban, Port Elizabeth and Pretoria - were previously operated and managed by Stor-Age.

Equity raise

On 3 October 2018 Stor-Age issued 33.33 million shares at R12.00 per share for a consideration of R400.0 million ("the equity raise"). The equity raise was completed, in part, by way of vendor consideration placings and Stor-Age's existing general authority to issue shares for cash.

Restructuring of SA and UK debt facilities

Post period-end, Stor-Age completed the restructuring of its SA and UK debt facilities.

The SA loan facilities increased from R995.0 million to R1.645 billion. The respective maturities of the various facilities range from October 2019 to November 2021 with a weighted average maturity of 2.4 years. R1.125 billion of the facilities accrue interest at an average rate of 1.40% below prime and the remaining R520 million accrues interest at JIBAR plus 1.66%.

The UK loan facility increased from £24.3 million (R447.0 million) to £37.5 million (R691.0 million) with an expiry date of November 2023. The loan facility is priced at LIBOR plus 2.75% (previously LIBOR plus 3.30%) and is non-amortising (i.e. interest only).

Following the completed acquisition of the Managed Portfolio and the equity raise, and assuming the investment property values and cash balances on hand as at the date of this report, the group's gearing ratio (LTV) is 28.4%. The group's policy is to fix approximately 80.0% of its borrowings on a net basis. In line with this policy, the board commenced with a strategy of entering into interest rate swap agreements, taking account of market conditions, to hedge its interest rate exposure following the Managed Portfolio acquisition. As at the date of this report, on a net debt basis, 84.7% of borrowings was subject to fixed rates (SA 80.1%; UK 97.2%). The effective interest rate of the SA and UK borrowings is 9.15% and 3.85%, respectively.

OUTLOOK

The resilience of the Stor-Age business model continues to be tested by a harsh macro climate in SA, and we are pleased to be consistently demonstrating its strength. The SA economy remains under severe pressure and we expect the local operating environment to remain challenging. In the UK our primary focus continues on driving revenue growth, primarily through occupancy gains.

We are confident that our growth strategy and strong operating platform will continue to deliver sustainable earnings growth.

In this light the Board reaffirms the full year distribution growth to 31 March 2019 to be 9 – 10% higher than the prior year, subject to no further deterioration in the macro-economic environment. This guidance has not been reviewed or reported on by the company's auditors.

DIVIDEND DECLARATION DETAILS

DECLARATION OF A CASH DIVIDEND WITH THE OPTION TO RE-INVEST THE CASH DIVIDEND IN RETURN FOR STOR-AGE SHARES

Notice is hereby given of the declaration of the gross interim dividend (number 6) of 51.30 cents per share for the six months ended 30 September 2018 ("Cash Dividend").

Shareholders of Stor-Age ("Shareholders") will be entitled, in respect of all or part of their shareholdings, to elect to re-invest the Cash Dividend in return for Stor-Age Shares ("Share Alternative"). Those Shareholders who do not elect the Share Alternative will receive the Cash Dividend. A circular providing further information in respect of the Cash Dividend and Share Alternative ("the Circular") will be posted to Shareholders on 20 November 2018.

Certificated Shareholders who wish to elect to receive the Share Alternative must complete the Form of Election contained in the Circular.

Dematerialised Shareholders who wish to receive the Share Alternative must instruct their CSDP or Broker with regard to their election in terms of the custody agreement entered into between them and their CSDP or Broker.

The distribution of this Circular and the right to elect Shares in jurisdictions other than the Republic of South Africa may be restricted by law and failure to comply with any of these restrictions may constitute a violation of the securities laws of any such jurisdiction. The rights of Shareholders to elect Shares is not being offered, directly or indirectly, in the United States of America, the United Kingdom, Canada, Australia or Japan unless certain exemptions from the requirements of those jurisdictions are applicable.

DIVIDEND DECLARATION DETAILS (continued)

Salient dates and times	**2018**
Record date for Shareholders to be registered in the Company's Securities Register in order to be entitled to receive the Circular	Friday, 9 November
Circular and Form of Election posted to Shareholders and announced on SENS	Tuesday, 20 November
Finalisation announcement of Share Alternative issue price released on SENS ("Finalisation Announcement")	Tuesday, 27 November
Finalisation Announcement published in the press	Wednesday, 28 November
Last day to trade ("LDT") cum-dividend and Share Alternative	Tuesday, 4 December
Shares to trade ex-dividend	Wednesday, 5 December
Listing of maximum possible Share Alternative Shares commences on the JSE at 09:00	Friday, 7 December
Last day to elect to receive the Share Alternative (no late Forms of Election will be accepted) at 12:00	Friday, 7 December
Record date to determine which Shareholders may participate in the Cash Dividend/ Share Alternative ("Record Date")	Friday, 7 December
Announcement of results of the Cash Dividend/Share Alternative on SENS	Monday, 10 December
Cheques posted to Certificated Shareholders and accounts credited by CSDPs or brokers of Dematerialised Shareholders who will receive the Cash Dividend	Monday, 10 December
Share certificates posted to Certificated Shareholders and accounts credited by CSDPs or brokers of Dematerialised Shareholders who have elected the Share Alternative	Wednesday, 12 December
Adjustment to number of Shares listed on or about	Friday, 14 December

Notes:

- All times are South African times. The above dates and times are subject to change and any change will be advised on SENS and in the press.
- **Shareholders electing the Share Alternative are reminded that the new Shares will be listed on LDT+3 and that these new Shares can only be traded on LDT+3 as a result of the settlement of Shares three days after the Record Date, which differs from the conventional one day after the Record Date settlement process.**
- Shares may not be dematerialised or rematerialised between the commencement of trade on Wednesday, 5 December 2018 and the close of trade on Friday, 7 December 2018 (both days inclusive).

FRACTIONS

Fractions of Shares are not capable of being traded on the JSE. Accordingly, where a Shareholder's entitlement to Shares in relation to the Share Alternative as calculated in accordance with the Reinvestment Price gives rise to a fraction of a new Share, such fraction will be rounded down to the nearest whole number in accordance with the JSE Limited Listings Requirements and a cash payment will be made for the fraction.

TAX IMPLICATIONS

As the Company has REIT status, shareholders are advised that the dividend has been declared out of income reserves and meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act (No. 58 of 1962), as amended, ("Income Tax Act"). The dividend on the Shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

South African tax residents

The dividend received by or accrued to South African tax residents must be included in the gross income of such Shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exception, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. The dividend is exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the

DIVIDEND DECLARATION DETAILS (continued)

South African resident Shareholders provide the following forms to the CSDP or broker in respect of uncertificated shares, or to the Company, in respect of certificated shares:

a) a declaration that the dividend is exempt from dividend tax; and

b) a written undertaking to inform the CSDP, broker or the Company,

should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the Company to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

Non-resident Shareholders

Dividends received by non-resident Shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 dividends received by non-residents from a REIT were not subject to dividend withholding tax.

Since 1 January 2014, any dividend received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the Shareholder concerned. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident Shareholders is 41.04 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident Shareholder has provided the following form to their CSDP or broker in respect of uncertificated shares, or the Company, in respect of certificated shares:

a) a declaration that the dividend is subject to a reduced rate as a result of the application of DTA; and

b) a written undertaking to inform their CSDP, broker or the Company should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the Company to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

The Company's tax reference number is 9027205245.

Non-participating shares

An amalgamation and merger agreement was entered into between the Company, Castle Rock Investments and the HJS Trust prior to listing, in terms of which the Company acquired all the assets owned by Stor-Age Self Storage Proprietary Limited in terms of s44 of the Income Tax Act ("the Agreement") in consideration for the allotment of 10 000 000 ordinary shares in the Company ("Consideration Shares"), comprising 2.92% (2017: 3.44%) of the issued share capital, and the distribution of those shares to Castle Rock Investments and HJS Trust as a dividend.

DIVIDEND DECLARATION DETAILS (continued)

In terms of the Agreement, a mechanism was agreed in terms of which the Consideration Shares will not participate fully in the distribution of distributable profits earned by the Company in the ordinary course of business ("Distributable Profits"), and declared by the Company as an interim or final dividend, for the period from the listing date of the Company (16 November 2015) until 31 March 2020, on a tiered basis as follows:

	% of the Consideration Shares entitled to participate in the distribution of the Distributable Profits
16 November 2015 to 31 March 2016	0%
1 April 2016 to 31 March 2017	0%
1 April 2017 to 31 March 2018	25%
1 April 2018 to 31 March 2019	50%
1 April 2019 to 31 March 2020	75%
1 April 2020 onwards	100%

The Consideration Shares will however participate fully in any distribution of profits earned from the disposal of any properties.

The amount which would have been declared as a dividend in respect of the Consideration Shares shall be declared and paid as a dividend, pro rata, to the holders of the remaining shares in Stor-Age. As security for this arrangement, the Consideration Shares, or the relevant portion thereof, as the case may be, are held in certificated form in escrow for the period during which the distribution restrictions apply and in the event that these shares are disposed of, the shares will be transferred to another escrow arrangement and the acquirer thereof will be subject to the same restrictions regarding the distributions detailed above.

A reconciliation of the number of shares in issue and the number of shares entitled to receive the dividend, together with the resultant dividend per share, is included below:

Distributable profits (R'000)	**172 824**
Number of shares entitled to the dividend ('000)	**336 889**
Number of shares in issue as at the date of this announcement ('000)	**341 889**
Consideration Shares not entitled to the dividend ('000) (note 2)	**5 000**
Dividend per share (cents)	**51.30**

Notes:

1. Stor-Age did not undertake any disposals of any properties during the six months ended 30 September 2018 and all of the distributable profits of Stor-Age were earned in the ordinary course of business.
2. Comprises 5 000 000 Stor-Age shares, being 50% of the Consideration Shares that are excluded from participating in the Distributable Profits.
3. At the date of this announcement, Stor-Age had 341 888 938 ordinary shares in issue.

On behalf of the board.

PA Theodosiou
Chairman

GM Lucas
CEO

Cape Town
20 November 2018

BASIS OF PREPARATION

The condensed unaudited consolidated interim results for the six months ended 30 September 2018 are prepared in accordance with the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The report is prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of these condensed unaudited consolidated interim financial statements are consistent with those applied in the previous consolidated financial statements except for the adoption of IFRS 9 and IFRS 15. The implementation of these standards do not have a material impact on the group's interim results.

Any information included in this announcement that might be perceived as a forward looking statement has not been reviewed or reported on by the company's auditors in accordance with section 8.40(a) of the Listings Requirements.

The condensed unaudited consolidated interim results for the six months ended 30 September 2018 were prepared under the supervision of the Financial Director, Stephen Lucas CA(SA). These consolidated interim results have not been reviewed or audited by Stor-Age's independent external auditors.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2018

	Unaudited 30 September 2018 R'000	Unaudited 30 September 2017 R'000	Audited 31 March 2018 R'000
Assets			
Non-current assets	4 846 385	2 382 715	4 493 563
Investment properties	4 387 277	2 111 906	4 034 430
Property and equipment	5 407	2 290	4 969
Stor-Age share purchase scheme loans	184 172	125 252	166 961
Goodwill and intangible assets	148 611	83 686	144 036
Derivative assets	99 674	58 315	124 069
Deferred taxation	21 244	1 266	19 098
Current assets	116 317	31 933	90 156
Trade and other receivables	62 912	24 213	65 165
Inventories	3 141	1 808	3 168
Cash and cash equivalents	50 264	5 912	21 823
Total assets	4 962 702	2 414 648	4 583 719
Equity and liabilities			
Total equity	3 643 587	1 920 846	3 494 259
Stated capital	3 257 766	1 796 284	3 175 075
Non-distributable reserve	490 046	198 792	523 006
Accumulated loss	(137 375)	(74 230)	(108 855)
Foreign currency translation reserve	3 457	–	(120 732)
Total attributable equity to owners	3 613 894	1 920 846	3 468 494
Non-controlling interest	29 693	–	25 765
Non-current liabilities	956 218	160 207	801 598
Bank borrowings	769 028	151 921	624 985
Derivative liabilities	1 143	2 853	3 343
Finance lease obligation	186 047	5 433	173 270
Current liabilities	362 897	333 595	287 862
Bank borrowings	18 428	147 677	16 571
Trade and other payables	148 658	32 153	94 817
Provisions	15 535	20 004	16 331
Finance lease obligation	7 452	680	8 230
Dividends payable	172 824	133 081	151 913
Total equity and liabilities	4 962 702	2 414 648	4 583 719

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ended 30 September 2018

	Unaudited 6 months 30 September 2018 R'000	Unaudited 6 months 30 September 2017 R'000	Audited 12 months 31 March 2018 R'000
Property revenue	225 769	114 710	310 177
– Rental income	212 371	110 106	295 359
– Other income	13 398	4 604	14 818
Direct property costs	(59 879)	(25 466)	(76 917)
Net property operating income	165 890	89 244	233 260
Other revenue	9 017	9 315	22 053
– Management fees	9 017	9 315	22 053
Administration expenses	(28 082)	(14 058)	(36 923)
Operating profit	146 825	84 501	218 390
Transaction and advisory fees	–	–	(6 552)
Gain on bargain purchase	–	371	377
Fair value adjustment to investment properties	–	–	203 001
Fair value adjustment to derivative financial instruments	(32 960)	58 315	178 570
– Realised	5 474	–	56 321
– Unrealised	(38 434)	58 315	122 249
Depreciation and amortisation	(2 229)	(933)	(2 232)
Profit before interest and taxation	111 636	142 254	591 554
Interest income	22 125	5 942	23 601
Interest expense	(22 021)	(10 970)	(33 091)
Profit before taxation	111 740	137 226	582 064
Taxation expense	476	(1 232)	(3 839)
– Normal taxation	471	–	(3)
– Deferred taxation	5	(1 232)	(3 836)
Profit for the period	112 216	135 994	578 225
Items that may be reclassified to profit or loss			
Fair value adjustment to derivative financial instrument	–	(1 444)	–
Deferred taxation	–	404	–
Translation of foreign operations	127 022	–	(123 902)
Other comprehensive income for the period, net of taxation	127 022	(1 040)	(123 902)
Total comprehensive income for the period	239 238	134 954	454 323
Profit attributable to:			
Owners of the company	111 121	135 994	576 726
Non-controlling Interest	1 095	–	1 499
Total comprehensive income attributable to:			
Owners of the company	235 310	134 954	455 994
Non-controlling interest	3 928	–	(1 671)
Basic and diluted earnings per share (cents)	36.81	79.58	250.26

Definitions

Other income *comprises licence fee income relating to the opening of new stores in the Managed Portfolio and ancillary income such as the sale of merchandise (e.g. packaging materials and padlocks), administration fees, late fees and other sundry income.*

Direct operating costs *comprise mainly store-based staff salaries, rates, utilities, a full allocation of marketing spend and other property-related costs such as insurance, maintenance, IT and communications at a property level.*

Management fees *comprise property and asset management fees charged on the Managed Portfolio and development fees on properties being developed under the CPC structure.*

Administrative expenses *relate mainly to support function costs for IT, finance, HR, property management, professional fees and directors' remuneration.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 September 2018

	Stated capital R'000	Non-distributable reserve R'000	Accumulated loss R'000	Foreign currency translation reserve R'000	Total attributable to parent R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 April 2017	1 766 561	141 058	(17 788)	–	1 889 831	–	1 889 831
Total comprehensive income for the period	–	–	576 726	(120 732)	455 994	(1 671)	454 323
Profit for the period	–	–	576 726	–	576 726	1 499	578 225
Other comprehensive income	–	–	–	(120 732)	(120 732)	(3 170)	(123 902)
Transactions with shareholders, recognised directly in equity							
Issue of shares	1 408 514	–	–	–	1 408 514	–	1 408 514
Proceeds	1 440 643	–	–	–	1 440 643	–	1 440 643
Share issue costs	(32 129)	–	–	–	(32 129)	–	(32 129)
Transfer to non-distributable reserve	–	381 948	(381 948)	–	–	–	–
Dividends	–	–	(285 845)	–	(285 845)	–	(285 845)
Total transactions with shareholders	1 408 514	381 948	(667 793)	–	1 122 669	–	(1 122 669)
Changes in ownership interests							
Acquisition of subsidiary with non-controlling interest	–	–	–	–	–	27 436	27 436
Balance at 31 March 2018	3 175 075	523 006	(108 855)	(120 732)	3 468 494	25 765	3 494 259
Balance at 1 April 2018	3 175 075	523 006	(108 855)	(120 732)	3 468 494	25 765	3 494 259
Total comprehensive income for the period	–	–	111 121	124 189	235 310	3 928	239 238
Profit for the period	–	–	111 121	–	111 121	1 095	112 216
Other comprehensive income	–	–	–	124 189	124 189	2 833	127 022
Transactions with shareholders, recognised directly in equity							
Issue of shares	82 691	–	–	–	82 691	–	82 691
Proceeds	83 278	–	–	–	83 278	–	83 278
Share issue costs	(587)	–	–	–	(587)	–	(587)
Transfer to non-distributable reserve	–	(32 960)	32 960	–	–	–	–
Dividends	–	–	(172 601)	–	(172 601)	–	(172 601)
Total transactions with owners of the company	82 691	(32 960)	(139 641)	–	(89 910)	–	(89 910)
Balance at 30 September 2018	3 257 766	490 046	(137 375)	3 457	3 613 894	29 693	3 643 587

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 30 September 2018

	Unaudited 6 months 30 September 2018 R'000	Unaudited 6 months 30 September 2017 R'000	Audited 12 months 31 March 2018 R'000
Cash flows from operating activities			
Cash generated from operations	203 396	65 407	201 766
Interest income	13 414	5 466	19 365
Interest paid	(19 898)	(14 320)	(33 475)
Dividends paid	(151 690)	(75 290)	(209 222)
Net cash inflow/(outflow) from operating activities	45 222	(18 737)	(21 566)
Cash flows from investing activities			
Acquisition of investment properties	(175 630)	(11 460)	(204 369)
Proceeds from disposal of investment properties	–	–	5 369
(Advances)/repayments of Stor-Age share purchase scheme loans	(14 323)	228	1 594
Acquisition of property and equipment	(757)	(1 141)	(2 828)
Acquisition of intangible assets	(205)	(16)	(1 799)
Acquisition of subsidiaries, net of cash acquired and settlement of financial liabilities	–	(42 655)	(1 079 212)
Net cash outflow from investing activities	(190 915)	(55 044)	(1 281 245)
Cash flows from financing activities			
Advance/(settlement) of bank borrowings	97 951	46 926	(25 388)
Proceeds from the issue of shares	83 278	25 158	1 392 557
Share issue costs	(587)	(240)	(32 129)
Repayment of finance leases	(10 411)	(182)	(8 693)
Net cash inflow from financing activities	170 231	71 662	1 326 347
Net cash inflow/(outflow) for the period	24 538	(2 119)	23 536
Effects of movements in exchange rate changes on cash held	3 903	–	(9 744)
Cash and cash equivalents at beginning of period	21 823	8 031	8 031
Cash and cash equivalents at end of period	50 264	5 912	21 823

SEGMENTAL INFORMATION

for the period ended 30 September 2018

Segmental information is based on the geographic location of each investment property. The group trades in five of the nine provinces in South Africa and in the United Kingdom through its subsidiary Betterstore Self Storage Holdings Limited. The group is managed on a consolidated basis and inter-segmental transactions have been eliminated. The segmental information is limited to:

- On the statement of profit or loss and other comprehensive income: Rental income, other income, fair value adjustment to investment properties and direct property costs.
- On the statement of financial position: Investment property, tenant debtors and inventories.

The chief executive officer reviews the segmental information on a quarterly basis.

Statement of profit or loss and other comprehensive income extracts*

	Western Cape R'000	Gauteng R'000	Free State R'000	KwaZulu-Natal R'000	Eastern Cape R'000	Total South Africa R'000	Total United Kingdom R'000	Total as reported R'000
For the six months ended								
30 September 2018 (unaudited)								
Property revenue	57 906	56 104	1 844	13 111	3 848	132 813	92 956	225 769
– Rental income	56 543	54 262	1 772	12 933	3 741	129 251	83 120	212 371
– Other income	1 363	1 842	72	178	107	3 562	9 836	13 398
Direct property costs	(12 815)	(12 966)	(766)	(3 246)	(1 083)	(30 876)	(29 003)	(59 879)
Segment property operating income	45 091	43 138	1 078	9 865	2 765	101 937	63 953	165 890
For the six months ended								
30 September 2017 (unaudited)								
Property revenue	55 400	51 849	1 787	2 293	3 381	114 710	–	114 710
– Rental income	53 648	49 205	1 714	2 258	3 281	110 106	–	110 106
– Other income	1 752	2 644	73	35	100	4 604	–	4 604
Direct property costs	(11 024)	(12 062)	(643)	(850)	(887)	(25 466)	–	(25 466)
Segment property operating income	44 376	39 787	1 144	1 443	2 494	89 244	–	89 244
For the year ended								
31 March 2018 (audited)								
Property revenue	113 477	105 082	3 594	12 264	6 982	241 399	68 778	310 177
– Rental income	110 548	100 720	3 436	12 154	6 799	233 657	61 702	295 359
– Other income	2 929	4 362	158	110	183	7 742	7 076	14 818
Direct property costs	(21 974)	(23 463)	(1 622)	(4 000)	(2 144)	(53 203)	(23 714)	(76 917)
Segment property operating income	91 503	81 619	1 972	8 264	4 838	188 196	45 064	233 260
Fair value adjustment to investment properties	106 771	48 237	1 097	15 639	884	172 628	30 373	203 001

* *Head office costs and treasury function costs are not allocated to the operating segments.*

SEGMENTAL INFORMATION (continued)
for the period ended 30 September 2018

Statement of financial position extracts

	Western Cape R'000	Gauteng R'000	Free State R'000	KwaZulu-Natal R'000	Eastern Cape R'000	Total South Africa R'000	Total United Kingdom R'000	Unallocated R'000	Total as reported R'000
30 September 2018 (unaudited)									
Investment properties	1 222 084	1 134 500	25 700	226 471	59 092	2 667 847	1 719 430	–	4 387 277
Trade and other receivables	1 535	1 260	74	641	67	3 577	10 543	48 792	62 912
Inventories	1 120	1 070	60	200	71	2 521	620	–	3 141
30 September 2017 (unaudited)									
Investment properties	1 049 280	945 715	24 560	34 224	58 127	2 111 906	–	–	2 111 906
Trade and other receivables	754	1 186	50	31	69	2 090	–	22 123	24 213
Inventories	721	666	37	39	45	1 508	–	300	1 808
31 March 2018 (audited)									
Investment properties	1 161 948	1 026 053	25 700	216 863	59 000	2 489 564	1 544 866	–	4 034 430
Trade and other receivables	1 314	1 594	82	354	139	3 483	6 396	55 286	65 165
Inventories	1 109	1 209	74	169	85	2 646	522	–	3 168

Net asset value*

	Unaudited 30 September 2018	Unaudited 30 September 2017	Unaudited 31 March 2018
Net asset value per share (cents)	1 180.85	1 069.80	1 157.56
Net asset value per share excluding non-controlling interest (cents)	1 171.23	1 069.80	1 149.03
Tangible net asset value per share (cents)	1 132.69	1 023.19	1 109.84
Net tangible asset value per share excluding non-controlling interest (cents)	1 123.07	1 023.19	1 101.31

Key reporting ratios*

	Unaudited 30 September 2018	Unaudited 30 September 2017	Unaudited 31 March 2018
Total property cost-to-income ratio Based on total direct property costs divided by property revenue	27%	22%	25%
Administrative cost-to-income ratio Based on administration expenses divided by total revenue	12%	11%	11%

* *This information has not been audited by the group's external auditors.*

RECONCILIATION BETWEEN EARNINGS, HEADLINE EARNINGS AND DISTRIBUTABLE EARNINGS

for the period ended 30 September 2018

	Unaudited 6 months 30 September 2018 R'000	Unaudited 6 months 30 September 2017 R'000	Audited 12 months 31 March 2018 R'000
Profit for the period (attributable to shareholders of the parent)	111 121	135 994	576 726
Basic earnings	111 121	135 994	576 726
Adjusted for:			
Gain on bargain purchase	–	(371)	(377)
Fair value adjustment to investment properties	–	–	(203 001)
Fair value adjustment to investment properties (NCI)+	–	–	778
Headline earnings	111 121	135 623	374 126
Adjusted for:			
Fair value adjustment to derivative financial instruments	38 434	(58 315)	(178 570)
Fair value adjustment to derivative financial instruments (NCI)+	–	–	79
Depreciation and amortisation	2 229	933	2 232
Deferred tax	(5)	1 232	3 836
Foreign exchange gain available for distribution	5 602	–	–
IAS 17: Leases change in estimate#	(2 956)	–	–
Transaction and advisory fees	–	–	6 552
Antecedent dividend^	18 399	53 608	77 590
Distributable earnings	172 824	133 081	285 845
Total shares in issue ('000)	308 556	179 552	301 864
Weighted average shares in issue ('000)	306 913	178 385	237 950
Shares in issue entitled to dividends ('000)	336 889	283 030	298 524
Weighted average shares in issue entitled to dividends ('000)	301 913	170 885	230 450
Dividends per share (cents)	51.30	47.02	97.83
– Interim dividend (cents)	51.30	47.02	47.02
– Final dividend (cents)			50.81
Basic and diluted earnings per shares (cents)	36.81	79.58	250.26
Basic and diluted headline earnings per share (cents)	36.81	79.37	162.35

The board declared an interim dividend of 51.30 cents (2017: 47.02 cents) per share for the six months ended 30 September 2018 on 16 November 2018.

This represents growth of 9.1% over the comparative period.

+ *Non-controlling interest.*
# *Arising from lower than expected rental escalation resulting in a lower leasehold liability.*
^ *In the determination of distributable earnings, the group elects to make an adjustment for the antecedent dividend arising as a result of the issue of shares during the period for which the company did not have full access to the cash flow from such issue.*

FINANCIAL INSTRUMENT FAIR VALUE MEASUREMENTS
for the period ended 30 September 2018

The company's financial assets and liabilities are classified according to the following three-tiered fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category also includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below shows financial assets and liabilities carried at fair value, where the fair value approximates the carrying value, according to their fair value hierarchy level classification:

	Carrying value R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
30 September 2018 (unaudited)				
Assets				
Derivative assets	99 674	–	99 674	–
Liabilities				
Derivative liabilities	1 143	–	1 143	–
30 September 2017 (unaudited)				
Assets				
Derivative assets	58 315	–	58 315	–
Liabilities				
Derivative liabilities	2 853	–	2 853	–
31 March 2018 (audited)				
Liabilities				
Derivative liabilities	1 070	–	1 070	–

The following table reflects the valuation techniques used in measuring the Level 2 fair values:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable in-puts and fair value measurements
Derivative assets and liabilities: Interest rate swaps	Fair valued monthly by Nedbank Capital and the Royal Bank of Scotland using mark-to-market mid-market values. This involves, inter alia, discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract.	Not applicable	Not applicable
Derivative assets and liabilities: Cross-currency interest rate swaps	Fair valued monthly by Investec and Nedbank using mark-to-market mid-market values. This involves, inter alia, discounting the future cash flows using the basis swap curves of the respective currencies at the dates when the cash flows will take place.	Not applicable	Not applicable
Derivative assets and liabilities: Forward exchange contracts	Fair valued monthly by Investec using mark-to-market mid-market values. This fair value is determined, inter alia, using quoted forward exchange rates at the reporting date and present value calculation.	Not applicable	Not applicable

RELATED PARTY TRANSACTIONS
for the period ended 30 September 2018

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The shares of Stor-Age Property REIT are widely held.

Identity of the related parties with whom material transactions have occurred

- Subsidiaries
  - Roeland Street Investments Proprietary Limited
  - Wimbledonway Investments Proprietary Limited
  - N14 Self Storage Proprietary Limited
  - Storage RSA Investments Proprietary Limited
  - Units 1-4 Somerset West Business Park Proprietary Limited
  - Unit Self Storage Proprietary Limited
  - Stor-Age Properties KZN Proprietary Limited (previously known as Dancor Properties Proprietary Limited)
  - Stor-Age International Proprietary Limited
  - Betterstore Self Storage Holdings Limited
- Directors as listed in this announcement
- Related through common shareholding/directorships or affiliation with related parties
  - Madison Square Holdings Close Corporation
  - Roeland Street Investments 2 Proprietary Limited
  - Roeland Street Investments 3 Proprietary Limited
  - Stor-Age Property Holdings Proprietary Limited

Material related party transactions and balances

	Unaudited 6 months 30 September 2018 R'000	Unaudited 6 months 30 September 2017 R'000	Audited 12 months 31 March 2018 R'000
Related party balances			
Amounts – owing to SPH^	67 199	1 751	–
Amounts – owing by related parties	3 126	8 585	9 325
Working capital – owing by related parties	–	–	1 024
Working capital – owing to related parties	–	–	2 492
Related party transactions			
Interest received on Stor-Age share purchase scheme loans	6 605	5 022	8 739
Interest received from related party	244	–	–
Interest paid to related party	901	–	–
Construction fees paid to related party	7 435	18 193	30 163
Development fees received from related parties	932	2 351	4 953
Asset management fees received from related party	3 213	3 624	7 531
Property management fees received from related party	3 159	3 249	4 913
Licence fees received from related party	–	–	1 000
Office rental paid to related party	419	392	801
Purchase of Bryanston self-storage property^	80 946	–	–

^ Relates to the development of Bryanston under the CPC structure. The development was completed in September 2018 and acquired by Stor-Age for a consideration of R80.9 million. At 30 September 2018, R67.2 million of the purchase consideration was still owing to SPH.

ADMINISTRATION

Registered office
216 Main Road
Claremont
7807

Directors
PA Theodosiou (Chairman)#+, GM Lucas (CEO)*, SC Lucas*+, SJ Horton*, MS Moloko#, GA Blackshaw•, GBH Fox#+, KM de Kock#, P Mbikwana#

• *Non-executive*
Independent non-executive
* *Executive*
\+ *British citizen*

Company secretary
HH-O Steyn

Transfer secretaries
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self storage

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