

Interim Report Q2 2018

Self Storage Group ASA

 SELF STORAGE
GROUP



Contents

Highlights	2
Key Figures	2
Subsequent events	2
Financial development	3
Strategy	6
Corporate developments	8
Risks and uncertainty factors	8
Outlook	9
Financials	10
Alternative performance measures (APMs)	21



Highlights

- Revenues in Q2 2018 of NOK 58.7 million, up from NOK 51.4 million in Q2 2017
- Adjusted EBITDA in Q2 2018 of NOK 17.9 million, up from NOK 11.8 million in Q2 2017
- Current lettable area (CLA) end Q2 2018 was 112 900 m², up from 100 200 m² in Q2 2017
- Three new facilities opened during the quarter increasing number of facilities to 95
- Acquisition of two properties was completed in the quarter
- Fair value of investment properties has by end June 2018 increased to a total of NOK 451.7 million
- Average occupancy in Q2 2018 for sites with more than 12 months of operation was 85,7% with an average rent per m² of NOK 2 281 per year

Key Figures

Summary adjusted financial and operating result

KEY FIGURES (Unaudited figures in NOK million)	Q2 2018	Q2 2017	First half 2018	First half 2017	Full year 2017
Revenue	58.7	51.4	117.0	101.2	212.1
Total operating costs ¹	40.8	39.6	83.4	79.6	158.0
Adjusted EBITDA	17.9	11.8	33.6	21.6	54.2
Adjusted EBIT	15.6	9.6	28.8	19.1	46.9
Change in fair value of investment properties	2.0	1.3	2.5	13.2	29.8
Adjusted Profit before tax	16.4	10.3	29.3	30.7	73.5
Adjusted Net profit	12.6	7.6	22.5	23.0	59.7
Current lettable area (in thousands m ²)	112.9	100.2	112.9	100.2	103.7
Lettable area under development (in thousand m ²)	13.5	9.3	13.5	9.3	12.3

¹ Adjusted for non-recurring items of NOK 1.0 million in Q2 2018, NOK 2.0 million in first half 2018 and NOK 0.9 million in Q2 2017 and first half 2017.

Alternative performance measures (APMs) are described in the corresponding section in the back of the report

Subsequent events

- Building permit for a new self storage building with an estimated CLA of 1 200 m² in Moss is approved. Contingent consideration from purchase agreement with seller of Minilager Norge group of NOK 6.0 million was settled in cash on 11 July 2018
- The Group has at the date of this report a total lettable area of 126 500 m², including 13 300 m² lettable area under development

Financial development

Revenue

Revenue for Q2 2018 was NOK 58.7 million, which is NOK 7.3 million up from Q2 2017.

Revenue from acquisitions contributed with NOK 4.4 million. NOK 5.5 million of the revenue in Q2 2018 is attributable to income from ancillary services and rent income from industries other than self-storage, an increase of NOK 0.8 million from Q2 2017.

Revenue in the first half of 2018 increased to NOK 117.0 million from NOK 101.2 million a year earlier. NOK 9.0 million of the increase of NOK 15.8 million is revenue from the acquired companies Minilageret and the Minilager Norge group. Organic growth due to opening of new facilities, expansions and higher occupancy increased revenue with NOK 6.8 million from Q2 2017.

Property related expenses

Property related expenses consists of lease expenses, maintenance and other operating costs.

The City Self-Storage segment has mainly leasehold properties (93% of CLA is leasehold), while OK Minilager has a mix of freehold and leasehold properties (51% freehold). As of end June 2018, 26% of current lettable area in SSG is freehold.

Property related expenses in Q2 2018 were NOK 23.8 million. The increase of NOK 0.6 million from Q2 2017 is mainly explained by property expenses from the companies acquired after Q2 2017.

Property related expenses in the first half year of 2018 increased by NOK 1.1 million from a year earlier. NOK 1.3 million is attributed to the acquired companies. Lettable area in SSG has in the period increased with 12 700 m² and the number of facilities has increased by 15 new facilities.

Salary and other employee benefits

Salary and other employee benefits in Q2 2018 were NOK 9.9 million, an increase of NOK 1.6 million from Q2 2017. NOK 0.7 million is related to severance packages for two employees in CSS and is a non-recurring cost. The increase adjusted for non-recurring costs is NOK 0.9 million. NOK 0.4 million relates to costs from the acquired companies Minilageret AS and the Minilager Norge group. Salary and other employee benefits adjusted for severance packages have decreased by NOK 0,6 million in the CSS-segment since Q2 2017. However, the construction team has been strengthened in order to deliver on our strategy of consistent growth, and some new roles have been added to HQ during 2017 given the growth of the company. SSG also established a moving-company (City Moving) in Oslo in late 2017.

Salary and other employee benefits in the first half year of 2018 increased by NOK 2.3 million from a year earlier to NOK 19.3 million. The average number of full-time equivalents (FTEs) in the first half year of 2018 has increased by 5 from the first half year of 2017 related to the establishment of the moving company and employees from the acquired companies. There has been a reduction in the CSS-segment of 6 FTEs, but this is offset by the increase in the OKM-segment and HQ. SSG has a total of 64 FTEs as of June 2018.

Depreciation

Depreciation in Q2 2018 was NOK 2.4 million, an increase of NOK 0.1 million from Q2 2017. The depreciation is mainly related to fitout and other equipment for new facilities and expansions.

Depreciation in the first half year of 2018 increased by NOK 2.2 million from a year earlier. The increase is mainly explained by a positive one-time effect related to change in depreciation method in Q1 2017.

Other operating expenses

Other operating expenses consist of IT and related costs, sales and advertising, and other operating expenses. Other operating expenses in Q2 2018 were NOK 8.0 million, a decrease of NOK 0.9 million from Q2 2017.

The operating earnings in Q2 2018 were impacted by transaction costs related to the acquisition of the Minilager Norge group, non-recurring costs related to restructuring of property in SSG and severance packages for two CSS-employees. In total, non-recurring costs in Q2 2018 amounted to NOK 1.0 million. NOK 0.7 million is related to severance packages. Non-recurring costs in Q2 2017 were related to the IPO and amounted to NOK 0.9 million.

Other operating costs in Q2 2018 adjusted for non-recurring costs decreased by NOK 0.3 million compared with Q2 2017 to NOK 7.7 million. NOK 0.4 million of the costs in Q2 2018 relates to the acquired companies.

Other operating costs in the first half year of 2018 adjusted for non-recurring costs increased by NOK 1.2 million from a year earlier to NOK 15.7 million. There have been increased costs given the growth of the group during 2017 in addition to costs related to being a listed company.

(NOK 1 000)	Second quarter	Second quarter	First half	First half	Full year
Non-recurring items	2018	2017	2018	2017	2017
Costs related to IPO	-	920	-	920	6 947
Acquisition costs	71	-	640	-	2 503
Option to employee	-	-	-	-	1 803
Restructuring of legal structure	238	-	390	-	-
First time value-assessment of freehold portfolio	-	-	199	-	-
Severance packages	713	-	713	-	-
Total non-recurring items	1 021	920	1 942	920	11 253

Change in fair value of investment property

The fair value of investment property is based on external valuations in combination with management estimates and judgments. The value increase in P&L was NOK 2.0 million during Q2 2018 and NOK 2.5 million by first half 2018. Fair value of investment property at 30 June 2018 was NOK 451.7 million. Fair value of investment property at 30 June 2017 was NOK 288.7 million.

EBITDA and profit before tax

Adjusted EBITDA in Q2 was NOK 17.9 million, an increase of NOK 6.1 million from Q2 2017. Adjusted EBITDA at first half 2018 was NOK 33.6 million, an increase of NOK 12.0 million from first half 2017. The increase is related to both organic growth and acquisitions.

Adjusted profit before tax in Q2 2018 was NOK 16.4 million, an increase of NOK 6.1 million from Q2 2017. NOK 0.7 million of the increase is related to change in fair value of investment properties. For the first half year of 2018 adjusted profit before tax was NOK 29.3 million, a decrease of NOK 1.4 million from first half 2017. The change in fair value of investment properties was NOK 10.7 million higher in first half 2017, which impacts the comparison significantly.

Statement of financial position

Total assets were NOK 747.3 million at the end of Q2 2018, compared to NOK 685.0 million at 31 December 2017. Investment property has increased by NOK 113.1 million from 31 December 2017 to NOK 451.7 million as of 30 June 2018.

Cash and bank deposits have decreased by NOK 86.9 million to NOK 108.3 million due to the cash consideration in the acquisition of Minilager Norge group and purchase of seven investment properties.

SSG invoices the customers in advance, which reduces credit risks and provides stable working capital. Current liabilities consist of prepaid income in addition to a contingent consideration of NOK 6.0 million to the seller of Minilager Norge group (see note 5 Business combination and Subsequent events).

Total equity was NOK 566.1 million. Thus, the equity ratio was 76%. Cash minus interest-bearing debt was positive with NOK 16.4 million.

Cash flow

SSG has a strong cash flow. Net cash flow from operating activities at the end of Q2 2018 was NOK 18.7 million, compared to NOK 6.1 million at the end of Q2 2017. Net cash flow from operating activities is significantly stronger than one year earlier. The main reason is improved EBIT in addition to lower income tax paid due to utilization of tax losses carried forward. Net cash flow from investing activities was NOK -25.5 million compared to NOK -58.2 million at the end of Q2 2017, primarily related to the cash consideration in connection with acquisitions, investment properties and establishment of new facilities, which is in line with the Group's strategy. Net cash flow from financing activities was NOK -15.0 million at the end of Q2 2018, compared to NOK 0.4 million at the end of Q2 2017. A loan in the Minilager Norge group of NOK 13.6 million was repaid in Q2 2018. SSG's cash balance at the end of June 2018 was NOK 108.3 million.

Strategy

SSG engages in the business of renting out self-storage units to both private individuals and businesses. The Group is a leading provider of self-storage services with facilities in Norway, Sweden and Denmark. The business model of the Group is to operate self-storage facilities in Scandinavia with a strong focus on cost effective operations, competitive rent levels and industry leading customer service. In order to achieve this, the Group is constantly working hard in order to increase the level of automation in all parts of the value chain. The Group's vision is to be a leading and preferred self-storage provider to individuals and businesses.

Following the acquisition of City Self-Storage in September 2016, the Group is operating under two separate brands: OK Minilager and City Self-Storage. These two brands focus on different market segments and provide a strong platform serving customers with different preferences and needs.

The Group offers self-storage solutions in all Scandinavian countries, with a primary focus on the capital cities Oslo, Stockholm and Copenhagen through City Self-Storage, and a nationwide presence in Norway through OK Minilager. All City Self-Storage facilities are climate controlled, while OK Minilager offers both climate controlled and container based storage facilities.

The strategy is to develop the Group further and to expand the total lettable area by investing in new and preferably owned facilities. The Group seeks to strengthen its nationwide presence in Norway while at the same time optimising current sites in Denmark and Sweden and search for profitable expansion opportunities. Going forward, new facilities will primarily be established as owned properties to ensure long-term access to attractive locations at a lower running cost. In identifying such properties the Group will focus on factors such as location, capex and conversion time. Investment properties are gathered in the 100% owned company OK Property AS, and leased to the operating companies in the Group.



Business concepts

The Group is operating under both the OK Minilager and City Self-Storage brand and will continue to do so as the two concepts target different market segments.

OK Minilager

is a nationwide self-storage concept offered in the Norwegian market and the strategy is to continue to increase its presence in all major regions and communities in Norway. The planned expansion will mainly be composed of owned properties, including a combination of purpose-built facilities and conversion of existing buildings. At the same time OK Minilager will have a strong focus on retaining its position as the most cost-effective player in the Norwegian market by continuously looking for innovative solutions to increase the customer experience and to increase operating efficiency.

City Self-Storage

is SSG's "urban concept", targeting the population in Oslo, Stockholm and Copenhagen. The strategy is to strengthen the market position in Oslo by establishing more sites at attractive locations in the Greater Oslo area, while at the same time continuing the ongoing cost reduction initiatives and optimising the organisation. In the other Scandinavian countries, the goal is to improve operating efficiency at existing facilities through cost reductions, upgrades and increased visibility and market awareness. City Self-Storage will however act opportunistically about potential mergers and acquisitions, both with regards to single facilities and other self-storage providers with a complementary portfolio of facilities. As with OK Minilager, the goal for City Self-Storage going forward is to increase the share of owned facilities.

Competitive strengths

The Group is confident that it has multiple competitive strengths that separates SSG from other self-storage providers. These strengths have enabled the Group to achieve high historical growth and to establish a strong market position in all markets in which it operates. Through leveraging on these competitive strengths, SSG expects to continue to grow and to confirm its position as one of Scandinavia's leading self-storage providers.

Market leading position

The Group is one of the leading self-storage providers in Scandinavia with a particularly strong position in the Norwegian market. SSG has a high market share, both in the Greater Oslo area and on a countrywide basis. City Self-Storage and OK Minilager are on a stand-alone basis the two largest self-storage providers in the Norwegian market. This position has been built through careful planning and a dedicated focus on selecting the right type of facilities. SSG entered the Swedish and the Danish market through the acquisition of City Self-Storage and is today the third largest self-storage provider in Copenhagen and fourth largest self-storage provider in Stockholm measured by the total number of facilities.

Strong platform for future growth

The combination of a countrywide presence in the "early stage" Norwegian market and a strong position in the more developed markets in Stockholm and Copenhagen provides a strong foundation for future expansion and growth. The Group can act opportunistically with regards to setting up new facilities while leveraging its strong brand recognition, customer base and knowledge in the respective markets.

Track record of rapid and profitable growth

Both OK Minilager and City Self-Storage have displayed solid financial track records with increasing revenues and continuously improving EBITDA margins. The Group has an ambitious growth plan and the management team has demonstrated the ability to handle rapid growth without jeopardizing profitability.

Since being established in 2009, OK Minilager has been able to improve the EBITDA margin from 18.8% in 2009 to 48% in 2017.

The goal is to develop the Group further and to expand the total lettable area by investing in new and preferably owned facilities. The Group seeks to strengthen its nationwide presence in Norway while at the same time optimising current sites in Denmark and Sweden and search for profitable expansion opportunities. SSG has succeeded in attracting investors and raising capital, and is in a good position for executing the strategy.

Corporate developments

On 13 February 2018, the company issued 1 567 472 new shares to the selling shareholder of Minilager Norge group, as part settlement of the remaining part of the purchase price.

On 23 March 2018, the company issued 100 000 new shares to an employee pursuant to an exercise of pre-existing share options, of which costs were recorded in Q4 2017.

On 22 May 2018 the annual general meeting of Self Storage Group ASA was held. All proposals set out in the notice to the general meeting were approved. Martin Nes (chairman), Runar Vatne, Gustav Søbak, Yvonne Litsheim Sandvold and Ingrid Elvira Leisner were elected to the Board of Directors.

On 27 June 2018, the company issued 371 429 new shares to the selling shareholder of Minilageret AS, as part settlement of the remaining part of the purchase price for Minilageret AS. Minilageret AS was acquired in June 2017.

Risks and uncertainty factors

SSG is exposed to risk and uncertainty factors, which may affect some or all of the company's activities. SSG has financial risk, market risk as well as operational risk and risk related to the current and future products.

There are no significant changes in the risks and uncertainty factors compared to the descriptions in the Annual Report for 2017.

Outlook

There is a large untapped potential for self storage in Scandinavia as urbanization and smaller living spaces cause increasing need for external storage solutions. To enhance these opportunities, SSG has established a solid platform for future growth with prime locations in all Scandinavian capitals as well as cities across Norway. The Group has a proven track-record to develop and operate this attractive portfolio of self storage facilities, leveraging on a lean and operationally focused organisation to increase margins and targeting additional growth, mainly through owned properties.

The Group has built up and acquired new storage capacity and is continuously phasing the new capacity into the market. SSG is experiencing a satisfactory demand for its solutions, and is filling up new storage facilities while at the same time achieving attractive rent levels. SSG has also identified additional opportunities through already acquired development projects and low-cost expansion within existing facilities.

This foundation, a strong macro picture in all Scandinavian countries, combined with a strategy to grow the freehold portfolio in selected markets, gives SSG a solid platform for future growth and value creation.

Statement by the Board of Directors

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2018 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties' transactions.

Oslo, 14 August 2018
Board of Directors, Self Storage Group ASA

Martin Nes
Chairman

Yvonne Sandvold
Board member

Runar Vatne
Board member

Ingrid Elvira Leisner
Board member

Gustav Søbak
Board member

Fabian Søbak
CEO

Financials

Self Storage Group Condensed consolidated statement of profit or loss and other comprehensive income

(Amounts in NOK 1 000)

	Note	Unaudited For the three months ended 30 June 2018	Unaudited For the three months ended 30 June 2017	Unaudited For the six months ended 30 June 2018	Unaudited For the six months ended 30 June 2017	Audited For the twelve months ended 31 December 2017
Revenue	3	58 695	51 378	116 981	101 187	212 143
Property-related expenses	3	23 810	23 241	49 154	48 083	94 994
Salary and other employee benefits	3	9 942	8 336	19 309	17 013	36 747
Depreciation		2 372	2 223	4 758	2 562	7 261
Other operating expenses	3	8 036	8 927	16 893	15 376	37 464
Operating profit before fair value adjustments		14 535	8 651	26 867	18 153	35 677
Change in fair value of investment properties	6	2 011	1 275	2 500	13 173	29 831
Operating profit after fair value adjustments		16 545	9 926	29 366	31 326	65 508
Finance income		60	374	612	487	1 333
Finance expense		1 214	879	2 587	2 045	4 626
Profit before tax		15 391	9 421	27 391	29 768	62 215
Income tax expense		3 540	2 516	6 350	7 473	11 996
Profit for the period		11 851	6 905	21 040	22 295	50 219
Total comprehensive income for the year attributable to parent company shareholders		11 851	6 905	21 040	22 295	50 219
Total comprehensive income for the year attributable to non-controlling interests		-	-	-	-	-
Earnings per share						
Basic (NOK)	4	0.18	0.14	0.32	0.47	0.99
Diluted (NOK)	4	0.18	0.14	0.32	0.47	0.98
Other comprehensive income, net of income tax						
<i>Items that may be reclassified subsequently to profit or loss</i>						
- currency translation difference		- 142	101	- 626	588	477
Other comprehensive income for the period, net of income tax		- 142	101	- 626	588	477
Total comprehensive income for the period		11 709	7 006	20 414	22 883	50 696
Total comprehensive income for the year attributable to parent company shareholders		11 709	7 006	20 414	22 883	50 696
Total comprehensive income for the year attributable to non-controlling interests		-	-	-	-	-

Self Storage Group

Condensed consolidated statement of financial position

(Amounts in NOK 1 000)

		Unaudited	Audited
		30 June	31 December
		2018	2017
ASSETS			
Non-current assets	Note		
Investment property	6	451 737	338 631
Property, plant and equipment		64 047	52 125
Goodwill		94 950	72 272
Other intangible assets		901	493
Total non-current assets		611 635	463 521
Current assets			
Inventories		1 493	1 434
Trade and other receivables		11 985	11 455
Other current assets		13 900	13 397
Cash and bank deposits		108 324	195 224
Total current assets		135 702	221 510
TOTAL ASSETS		747 337	685 031
EQUITY AND LIABILITIES			
Equity			
Issued share capital	7	6 573	6 369
Share premium		427 931	396 416
Other reserves		- 263	363
Retained earnings		131 849	110 809
Total equity		566 090	513 957
LIABILITIES			
Non-current liabilities			
Long-term interest-bearing debt	8	87 166	89 690
Other financial liabilities		1 053	-
Deferred tax liabilities		34 063	22 289
Obligations under finance leases		223	214
Total non-current liabilities		122 505	112 193
Current liabilities			
Short-term interest-bearing debt	8	4 750	4 750
Trade and other payables		12 345	10 282
Income tax payable		519	1 699
Other taxes and withholdings		5 420	4 789
Obligations under finance leases		125	312
Other current liabilities		35 583	37 049
Total current liabilities		58 742	58 881
Total liabilities		181 247	171 074
TOTAL EQUITY AND LIABILITIES		747 337	685 031

Self Storage Group

Condensed consolidated statement of Changes in Equity

(Amounts in NOK 1 000)

	Issued Share capital	Share premium	Currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2017	395	89 863	- 114	64 903	155 047
Profit (loss) for the period				22 295	22 295
Other comprehensive income (loss) for the period net of income tax			588		588
Total comprehensive income for the period			588	22 295	22 883
Issue of ordinary shares	84	99 916		- 4 135	95 865
Balance at 30 June 2017 (Unaudited)	479	189 779	474	83 063	273 796

Balance at 1 January 2018	6 369	396 416	363	110 809	513 957
Profit (loss) for the period				21 040	21 040
Other comprehensive income (loss) for the period net of income tax			- 626		- 626
Total comprehensive income for the period			- 626	21 040	20 414
Issue of ordinary shares, net of transaction costs	204	31 515			31 719
Balance at 30 June 2018 (Unaudited)	6 573	427 931	- 263	131 849	566 090

Self Storage Group

Condensed consolidated statement of Cash flows

(Amounts in NOK 1 000)	Note	Unaudited	Unaudited	Unaudited	Unaudited	Audited
		For the three months ended 30 June 2018	For the three months ended 30 June 2017	For the six months ended 30 June 2018	For the six months ended 30 June 2017	For the year ended 31 December 2017
Cash flow from operating activities						
Profit before tax		15 390	9 430	27 391	29 768	62 215
Income tax paid		- 1 853	- 7 701	- 1 853	- 7 701	- 8 170
Adjustment for net interests paid		12	-	- 582	-	242
Depreciation		2 372	2 223	4 758	2 562	7 261
Gain/loss on disposal of property, plant and equipment		-	133	-	133	148
Change in fair value of investment property	6	- 2 010	- 1 275	- 2 500	- 13 173	- 29 831
Change in trade and other receivables		- 655	587	- 436	- 477	- 733
Change in trade and other payables		1 288	- 1 275	1 731	- 4 262	1 466
Change in other current assets		4 682	2 642	- 523	4 000	5 047
Change in other current liabilities		- 528	1 352	- 2 059	1 828	4 623
Net cash flow from operating activities		18 698	6 116	25 927	12 678	42 268
Cash flow from investing activities						
Payments for investment property		- 20 197	- 18 019	- 46 756	- 27 846	- 42 163
Payments for property, plant and equipment		- 4 468	- 2 499	- 9 323	- 4 021	- 11 471
Net cash outflow on acquisition of subsidiaries		- 806	- 37 669	- 39 454	- 46 136	- 69 760
Net cash flow from investing activities		- 25 471	- 58 187	- 95 533	- 78 003	- 123 394
Cash flow from financing activities						
Net proceeds from issue of equity instruments of the Company		-	-	-	95 865	287 416
Proceeds from borrowing		-	-	-	-	95 000
Repayment of borrowings		- 14 974	- 350	- 16 691	- 38 159	- 140 840
Net cash flow from financing activities		- 14 974	- 350	- 16 691	57 706	241 576
Net change in cash and cash equivalents		- 21 747	- 52 421	- 86 297	- 7 619	160 450
Cash and cash equivalents at beginning of the period		130 374	79 020	195 224	34 115	34 115
Effect of foreign currency rate changes on cash and cash equivalents		- 303	- 126	- 603	- 23	659
Cash and equivalents at end of the period		108 324	26 473	108 324	26 473	195 224

Note 1 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property, which is measured at fair value with gains and losses recognised in profit or loss. The interim financial statements were approved by the Board of Directors on 14 August 2018.

Note 2 Significant accounting policies

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2017, and must be read in conjunction with these. The interim financial statements are unaudited.

IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers, both implemented with effect from 1 January 2018, have no impact on the financial statement in 2018.

IFRS 16 Leases (effective from 1 January 2019)

IFRS 16 establishes significant new accounting policies for lessees. IFRS 16 eliminates the current distinction between operating and finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. When applying the new model, the Group will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term for all leases with a lease term of more than 12 months, unless the underlying asset is of low value, and recognise depreciation of the right-of-use assets separately from interest on lease liabilities in the income statement. The change will have a significant positive impact on EBITDA in the Group's consolidated income statement and increase total assets and net debt. The implementation effect in 2019 is estimated as described in the Annual report for 2017, note 3.

The Group has made the following accounting policy choices and elected to apply the following practical expedients related to the implementation of IFRS 16:

- Fixed non-lease components embedded in the lease contract will be separated and hence not recognised as lease liabilities and capitalised as right-of-use assets
- Leases with a lease term of 12 months or shorter will not be capitalised
- Low-value leases, meaning mainly office equipment, will not be capitalised
- Lease assets and lease liabilities will be presented separately in the statement of financial position
- The Group has elected to apply the modified retrospective approach for transition to IFRS 16, meaning the Group will not restate the comparatives for 2018.

Note 3 Segment information

Management has determined the operating segments based on reports reviewed by the CEO and management team and Board of Director's, and which are used to make strategic and resource allocation decisions. During the fourth quarter of 2016, after the acquisition of the City Self-Storage companies, the Group decided to report management information based on the two concepts offered by the Group, City Self-Storage (CSS) and OK Minilager (OKM). Following the establishment of OK Property AS (OKP) at the start of 2017, the Group's property business is reported in the Property segment. Other/elimination includes eliminations of intercompany transactions and the remainder of the Group's activities not attributable to the other operating segments. In the tables below, reconciliation from EBITDA to Profit before tax, is presented on an aggregated level.

The total of Sales income and Other income in the segment reporting corresponds with the line item Revenue as recognised under IFRS.

The Group's reportable segments are as follows:

OK Minilager (OKM)	Nationwide presence in Norway offering climate controlled storage units and container based storage.
City Self-Storage (CSS)	Climate controlled facilities in all Scandinavian countries, with a primary focus on the capital cities of Oslo, Stockholm and Copenhagen.
Property	The ownership and development of property. Internal lease agreements with the operating companies in the group, in addition to external lease agreements.
SSG ASA	SSG ASA includes administration and management activities.
Other/eliminations	Elimination and the remainder of the Group's activities not attributable to the operating segments described above.

* From January 2018, the investment properties are gathered in the Property segment, following the legal restructuring. The operating companies have entered into internal lease contracts with OK Property AS. This partly explains increased operating costs in the OKM segment and the increased income in Property segment compared to the first half year 2017. The internal income and expenses are eliminated on Group level.

For the three months ended 30 June 2018	CSS	OKM	Property	SSG ASA	Other/eliminations	Total
Sales income	37 876	15 269	35	-	-	53 180
Other income	4 006	846	6 770	-	- 6 107	5 515
Operating costs*	- 32 767	- 12 294	- 1 260	- 1 512	6 045	- 41 788
EBITDA	9 115	3 821	5 545	- 1 512	- 62	16 907
<i>Reconciliation to profit before tax as reported under IFRS</i>						
Depreciation						- 2 372
Change in fair value of investment property						2 011
Finance lease expense						-
Finance income						60
Finance expense						- 1 215
Profit before tax						15 391
For the three months ended 30 June 2017	CSS	OKM	Property	SSG ASA	Other/eliminations	Total
Sales income	35 504	11 164	-	-	-	46 668
Other income	4 229	524	1 218	-	- 1 261	4 710
Operating costs	- 33 393	- 6 393	- 435	- 1 421	1 138	- 40 504
EBITDA	6 340	5 295	783	- 1 421	- 123	10 874
<i>Reconciliation to profit before tax as reported under IFRS</i>						
Depreciation						- 2 223
Change in fair value of investment property						1 275
Finance lease expense						-
Finance income						374
Finance expense						- 879
Profit before tax						9 421
For the six months ended 30 June 2018	CSS	OKM	Property	SSG ASA	Other/eliminations	Total
Sales income	75 951	30 146	35	-	-	106 132
Other income	7 710	1 789	13 244	-	- 11 894	10 849
Operating costs*	- 66 565	- 24 708	- 2 119	- 3 721	11 757	- 85 356
EBITDA	17 096	7 227	11 160	- 3 721	- 137	31 625
<i>Reconciliation to profit before tax as reported under IFRS</i>						
Depreciation						- 4 758
Change in fair value of investment property						2 500
Finance lease expense						-
Finance income						612
Finance expense						- 2 588
Profit before tax						27 391

For the six months ended 30 June 2017	CSS	OKM	Property	SSG ASA	Other/eliminations	Total
Sales income	70 584	21 126	-	-	-	91 710
Other income	8 397	528	2 151	-	- 1 599	9 477
Operating costs	- 66 919	- 12 619	- 582	- 1 951	1 599	- 80 472
EBITDA	12 062	9 035	1 569	- 1 951	-	20 715
<i>Reconciliation to profit before tax as reported under IFRS</i>						
Depreciation						- 2 562
Change in fair value of investment property						13 173
Finance lease expense						-
Finance income						487
Finance expense						- 2 045
Profit before tax						29 768
For the year ended 31 December 2017	CSS	OKM	Property	SSG ASA	Other/eliminations	Total
Sales income	142 737	50 847	-	-	-	193 584
Other income	16 402	1 476	6 151	-	- 5 470	18 559
Operating costs	- 132 281	- 27 067	- 1 310	- 13 763	5 216	- 169 205
EBITDA	26 858	25 256	4 841	- 13 763	- 254	42 938
<i>Reconciliation to profit before tax as reported under IFRS</i>						
Depreciation						- 7 261
Change in fair value of investment property						29 831
Finance lease expense						-
Finance income						1 333
Finance expense						- 4 626
Profit before tax						62 215

Note 4 Earnings per share

(Amounts in NOK)

	For the three months ended 30 June 2018	For the three months ended 30 June 2017	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Profit (loss) for the period	11 851 000	6 905 000	21 040 000	22 295 000
Weighted average number of outstanding shares during the period (basic)	65 374 927	47 850 000	64 939 065	47 758 200
Weighted average number of outstanding shares during the period (diluted)	65 374 927	47 850 000	64 939 065	47 758 200
Earnings (loss) per share - basic in NOK	0.18	0.14	0.32	0.47
Earnings (loss) per share - diluted in NOK	0.18	0.14	0.32	0.47

See also note 7

Note 5 Business combination

(Amounts in NOK 1 000)

Acquisitions during the period

2018	Main business activity	Date of business combination	Proportion of voting equity acquired	Acquiring entity
Minilager Norge AS - operating company	Self-storage solutions	1 January 2018	100%	Self Storage Group
Minilager Norge AS	Self-storage solutions	1 January 2018	100%	Self Storage Group
Hatcher Norge AS	Self-storage solutions	1 January 2018	100%	Self Storage Group
Minilager Moss AS	Self-storage solutions	1 January 2018	100%	Self Storage Group

The above companies have been acquired with the purpose of continuing expansion of the group's activities, which focus on the self-storage market in Norway. Minilager Norge group was acquired on 1 January 2018 and will report as part of the City Self-Storage (CSS) operating segment.

Consideration

(Amounts in NOK 1 000)

	Minilager Norge group
Cash	10 577
Shares in Self Storage Group ASA	25 000
Contingent consideration	6 000
Total consideration	41 577

The purchase agreement of Minilager Norge group includes a contingent liability related to the terms of a building permit for the construction of a new storage building. If approved, the building will be located on a property in Moss owned by Minilager Norge group. The amount of the contingent consideration is dependent on a range of alternatives related to footprint and number of floors included in the building permit, and the permit must be approved within two years after the acquisition date. If no building permit exists two years after the acquisition date, the total consideration increases by NOK 2 million as a compensation for the value of land.

Self Storage Group has recognised a contingent consideration of NOK 6 million, as this was the most likely outcome at the balance sheet date. The liability is included in short term liabilities in the financial statement. The contingent consideration will be settled in cash.

The fair value of trade receivables in Minilager Norge group at the acquisition date is NOK 94 thousand and includes an allowance for impairment of NOK 117 thousand.

Assets and liabilities assumed in connection with the business combination of Minilager Norge group have been recognised at their estimated fair value on the date of the business combination. Fair value adjustments based on valuation from external real estate appraiser have been made to the investment properties owned by the group. No other adjustments to the carrying values of assets and liabilities have been identified. No not previously recognised intangible assets were identified. The estimates are provisional and may be subject to change during the measurement period, which is one year from the date of the acquisition.

Identifiable assets and liabilities recognised on the date of the business combination

(Amounts in NOK 1 000)	Carrying amount 1 January 2018	Fair value adjustments	Fair value 1 January 2018
Investment property	9 821	22 697	32 518
Property, plant and equipment	8 208		8 208
Trade receivables	94		94
Other current assets	30		30
Cash and cash equivalents	1 030		1 030
Deferred tax liability	- 380	- 5 220	- 5 600
Interest-bearing liabilities	- 14 239		- 14 239
Trade payables	- 313		- 313
Other current liabilities	- 1 226		- 1 226
Net assets	3 026	17 477	20 502

Goodwill

(Amounts in NOK 1000)	Minilager Norge group
Consideration	41 577
Fair value of identifiable net assets acquired	- 20 502
Goodwill	21 075

The fair value of Minilager Norge group has been subject to minor adjustments in the second quarter, due to reclassifications of the opening balance. This reduces goodwill by NOK 1.9 million to NOK 21.1 million.

Goodwill originating from the business combination is primarily related to anticipated synergies from ongoing operations and the benefit of integrating the entire business into the group. No impairment has been recognised subsequent to the business combination.

Goodwill that has arisen as part of the business acquisition is not tax deductible.

Effect on group results

From 1 January 2018 through 30 June 2018, revenues of NOK 3 627 thousand and profit after tax of NOK 1 698 thousand were recognised for the acquired companies.

Transaction costs related to the acquisition amounts to NOK 640 thousand.

Minilager Norge group has a rental agreement with the company ML Halden AS related to Sørlifeltet. The agreement includes an option to (1) acquire Sørlifeltet or the shares in ML Halden (2) option to acquire the part of Sørlifeltet which is in use for self-storage operations.

Note 6 Investment property

(Amounts in NOK 1 000)

During the six month period ended 30 June 2018, the following changes have occurred in the Group's portfolio of investment properties:

Balance as at 31 December 2017	338 630
Business combination (note 5)	32 518
Asset acquisition in OK Property AS	35 085
Company acquired as asset acquisition	31 333
Additions to existing properties	11 671
Fair value adjustments recognised in profit or loss	2 500
Balance as at 30 June 2018	451 737

Note 7 Changes in shareholders' equity

(Amounts in NOK 1 000)

On 29 September 2017, the company's shares were split in the ratio of 1:10, so that one share with nominal value of NOK 1 is replaced with 10 new shares, each with a nominal value of NOK 0.10. Earnings per share have been calculated as if the proportionate change in the number of shares outstanding had taken place at the start of the earliest period for which earnings per share is presented to ensure comparability.

On 13 February 2018, the company issued 1 567 472 new shares to the selling shareholder of Minilager Norge group, as part settlement of the remaining part of the purchase price. After registration of the new shares, the new share capital is TNOK 6 526 268 divided into 65 262 682 shares with par value NOK 0.10.

On 23 March 2018, the company issued 100 000 shares to one employee, pursuant to an exercise of pre-existing share options. After registration of the new shares, the share capital of the Company was increased to NOK 6 536 268 consisting of 65 362 682 shares each with NOK 0.10 in par value.

On 27 June 2018, the company issued 371 429 new shares to the selling shareholder of Minilageret AS, as part settlement of the remaining part of the purchase price for Minilageret AS. Minilageret AS was acquired in June 2017. After registration of the new shares, the new share capital will be NOK 6 573 411.10, divided into 65 734 111 shares with par value NOK 0.10.

Note 8 Interest bearing liabilities

(Amounts in NOK 1 000)

Interest bearing liabilities are carried at amortized cost. The carrying amounts approximate fair value as at 30 June 2018.

Following the acquisition of Minilager Norge group 1 January 2018, the Group increased its loan portfolio. In the second quarter of 2018 these loans have been settled, with the total amount of NOK 13.6 million.

As at 30 June 2018	Amounts due in		Total
	less than 1 year	1-5 years	
Debt to financial institutions	4 750	87 166	91 916
Specification of loans	2018	Currency	
Handelsbanken	72 593	NOK	
Handelsbanken	19 323	NOK	
Total bank borrowings at amortised cost	91 916		

Note 9 Subsequent events

- Building permit for a new self storage building with an estimated CLA of 1 200 m² in Moss is approved. Contingent consideration from purchase agreement of NOK 6.0 million was settled in cash on 11 July 2018
- The Group has at the date of this report a total lettable area of 126 500 m², including 13 300 m² lettable area under development

Alternative performance measures (APMs)

Self Storage Group's financial information is prepared in accordance with international financial reporting standards (IFRS). In addition, management provides alternative performance measures that are regularly reviewed by management to enhance the understanding of the Group's performance in addition to the financial information prepared in accordance with IFRS. The alternative performance measures may be presented on a basis that is different from other companies.

Operating profit before fair value adjustments

Presenting operating profit before fair value adjustments is useful to Self Storage Group as it provides a measure of profit before taking into account the movement in fair value of investment property and is useful to the Group for assessing operating performance.

SSG's financial APMs

- EBIT: Operating profit before fair value adjustments
- Adjusted EBIT: EBIT +/- identified items to be excluded from adjusted EBIT as described below
- EBITDA: EBIT + depreciation, amortization and impairments
- Adjusted EBITDA: EBITDA +/- identified items to be excluded from adjusted EBIT as described below + impairments
- Adjusted Profit before tax: Adjusted EBIT +/- change in fair value of investment properties +/- net finance
- Adjusted Net Profit : Adjusted Profit before tax +/- tax expense

Definition of APM used in Interim Report

(NOK 1 000)	Second quarter 2018	Second quarter 2017	First half 2018	First half 2017	Audited 2017
Operating profit before fair value adjustments	14 535	8 651	26 867	18 153	35 677
EBIT	14 535	8 651	26 867	18 153	35 677
Nonrecurring items	1 021	920	1 942	920	11 253
Adjusted EBIT	15 556	9 571	28 809	19 073	46 930
Change in fair value of investment properties	2 011	1 275	2 500	13 173	29 831
Adjusted Profit before tax	16 412	10 341	29 333	30 688	73 468
Tax	3 775	2 762	6 800	7 704	13 767
Adjusted Net profit	12 637	7 579	22 532	22 984	59 701
Operating profit before fair value adjustments	14 535	8 651	26 867	18 153	35 677
Depreciation	2 372	2 223	4 758	2 562	7 261
EBITDA	16 907	10 874	31 625	20 715	42 938
Nonrecurring costs	1 021	920	1 942	920	11 253
Adjusted EBITDA	17 928	11 794	33 567	21 635	54 191
Nonrecurring costs	Second quarter 2018	Second quarter 2017	First half 2018	First half 2017	Audited 2017
Costs related to IPO	-	920	-	920	6 947
Acquisition costs	71	-	640	-	2 503
Share option	-	-	-	-	1 803
Restructuring of legal structure	238	-	390	-	-
First time value assesment of freehold portfolio	-	-	199	-	-
Severance packages	713	-	713	-	-
Sum nonrecurring costs	1 021	920	1 942	920	11 253