

# Interim Report Q3 2018

Self Storage Group ASA

 SELF STORAGE  
GROUP



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# Highlights

- Revenues in Q3 2018 of NOK 60.6 million, up from NOK 55.6 million in Q3 2017
- Adjusted EBITDA in Q3 2018 of NOK 22.4 million, up from NOK 17.4 million in Q3 2017
- Current lettable area (CLA) end Q3 2018 was 114 900 m<sup>2</sup>, up from 101 000 m<sup>2</sup> in Q3 2017
- Two new facilities opened during the quarter
- Total number of facilities at the end of the quarter is 96
- Signed agreements to acquire three properties with a total potential lettable area of 2 500 m<sup>2</sup>
- Fair value of investment properties end September 2018 of NOK 456.4 million
- Average occupancy in Q3 2018 for sites with more than 12 months of operation was 85,5% with an average rent per m<sup>2</sup> of NOK 2 333 per year

# Key Figures

Summary adjusted financial and operating result

## KEY FIGURES

(Unaudited figures in NOK million)

	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
Revenue	60.6	55.6	177.6	156.8	212.1
Total operating costs <sup>1</sup>	38.2	38.2	121.6	117.8	158.0
Non-recurring costs	-	4.6	1.9	5.5	11.3
Adjusted EBITDA	22.4	17.4	56.0	39.0	54.2
Adjusted EBIT	19.2	15.2	48.0	34.3	46.9
Change in fair value of investment properties	-	0.8	2.5	13.9	29.8
Adjusted Profit before tax	18.3	14.6	47.6	45.3	73.5
Adjusted Net Profit	15.1	11.3	37.7	34.2	59.7
Current lettable area (in thousands m <sup>2</sup> )	114.9	101.0	114.9	101.0	103.7
Lettable area under development (in thousands m <sup>2</sup> )	12.8	11.8	12.8	11.8	12.3

<sup>1</sup> Adjusted for non-recurring costs

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

# Subsequent events

- Signed agreements to acquire two properties with a potential lettable area of 1 600 m<sup>2</sup>
- The Group has at the date of this report a total lettable area of 130 200 m<sup>2</sup>, including 15 200 m<sup>2</sup> lettable area under development

# Financial development

## Revenue

Revenue for Q3 2018 was NOK 60.6 million, an increase of NOK 5.0 million from Q3 2017. The increase in revenue is related to growth in lettable area, and increased demand for self-storage. Revenue from the Minilager Norge group, which is consolidated from January 2018, contributed with NOK 1.7 million. NOK 4.5 million of the revenue in Q3 2018 is attributable to income from ancillary services and rent income from industries other than self-storage, which is the same level as in Q3 2017.

Revenue in the first nine months of 2018 increased by NOK 20.8 million to NOK 177.6 million compared with the same period 2017. NOK 5.3 million of the increase is revenue from the Minilager Norge group. The remaining part of the increase is related to organic growth due to opening of new facilities and expansions. Income from ancillary services and rent income from industries other than self-storage contributed with NOK 15.4 million.

## Property related expenses

Property related expenses consist of lease expenses, maintenance and other operating costs. The City Self-Storage segment has mainly leasehold properties (92% of CLA is leasehold), while OK Minilager has 53% freehold properties. The share of freehold property is increasing in both segments. As of end September 2018, 28% of current lettable area in SSG is freehold.

Property related expenses in Q3 2018 were NOK 23.5 million, an increase of NOK 0.1 million compared to Q3 2017. Lease expenses constitutes NOK 17.7 million of the property related expenses. Lease expenses has been reduced by NOK 0.4 million since Q3 2017 due to renegotiation of certain leasehold agreements in Sweden. This is offset by an increase in other property expenses from growth in lettable area.

Property related expenses in the first nine months of 2018 increased by NOK 1.2 million compared to the same period in 2017. NOK 1.0 million is attributed to acquired companies. In the period lettable area in SSG has increased with 13 300 m<sup>2</sup>, and the number of facilities has increased by 14. Two facilities were opened during the quarter and one container-facility was closed down due to expiry of a lease contract. The containers are moved to other facilities.

## Salary and other employee benefits

Salary and other employee benefits in Q3 2018 were NOK 8.4 million, a decrease of NOK 0.1 million from Q3 2017. Salary and other employee benefits have decreased in the CSS-segment by NOK 0.9 million due to reduction of staff, but this is offset by an increased number of employees in the OKM-segment and HQ compared to Q3 2017.

Salary in SSG in the third quarter is always impacted by holiday pay for full time employees in the Norwegian companies, which leads to lower salary-expenses in July. Salary and other employee benefits constituted in comparison NOK 9.9 million in Q2 2018.

Salary and other employee benefits in the first nine months of 2018 increased by NOK 2.2 million from a year earlier to NOK 27.7 million. NOK 0.7 million of the increase 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 1.5 million. NOK 0.7 million relates to costs from the acquired company Minilager Norge group. Salary and other employee benefits have decreased in the CSS-segment since Q3 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. SSG has a total of 68 full time equivalents (FTEs) as of September 2018.

## Depreciation

Depreciation in Q3 2018 was NOK 3.2 million, an increase of NOK 1.0 million from Q3 2017. The depreciation is mainly related to fitout and other equipment for new facilities and expansions.

Depreciation in the first nine months of 2018 increased by NOK 3.2 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. In Q3 2018 other operating expenses were NOK 6.3 million, a decrease of NOK 4.6 million from Q3 2017. There were no non-recurring costs in Q3 2018, but the operating earnings in Q3 2017 were impacted by non-recurring costs related to the IPO and the acquisition of Minilageret AS. Adjusted for non-recurring costs recognised in Q3 2017, other operating expenses has been reduced by NOK 0.1 million. Costs have been reduced with NOK 1.4 million in CSS since Q3 2017, but this is offset by increased costs in the OKM segment and HQ related to the growth of the Group.

In the first nine months of 2018 adjusted other operating costs increased by NOK 0.4 million from a year earlier to NOK 21.2 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)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full year 2017
<b>Non-recurring costs</b>					
Costs related to IPO	-	2 700	-	3 600	6 947
Acquisition costs	-	1 900	640	1 900	2 503
Option to employee	-	-	-	-	1 803
Restructuring of legal structure	-	-	390	-	-
First time value-assessment of freehold portfolio	-	-	199	-	-
Severance packages	-	-	713	-	-
<b>Total non-recurring costs</b>	<b>-</b>	<b>4 600</b>	<b>1 942</b>	<b>5 500</b>	<b>11 253</b>

## 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 for new properties that not yet are appraised. There was no change in fair value in P&L during Q3 2018. For the first nine months of 2018 the change in fair value recognised in P&L was NOK 2.5 million. Fair value of investment property at 30 September 2018 was NOK 456.4 million. Fair value of investment property at 31 December 2017 was NOK 338.6 million.

## EBITDA and profit before tax

EBITDA in Q3 was NOK 22.4 million, an increase of NOK 9.6 million since Q3 2017.

EBITDA adjusted for non-recurring costs increased by NOK 5.0 million.

There were no non-recurring costs to adjust for in Q3 2018.

Adjusted EBITDA for the first nine months of 2018 is NOK 56.0 million, an increase of NOK 16.9 million compared to the same period 2017. The increase is related to both organic growth and acquisitions.

Adjusted profit before tax in Q3 2018 was NOK 18.3 million, an increase of NOK 3.7 million from Q3 2017. For the first nine months of 2018 adjusted profit before tax was NOK 47.6 million, an increase of NOK 2.4 million from first nine months of 2017. The change in fair value of investment properties was NOK 11.4 million higher in the first nine months of 2017, which impacts the comparison significantly.

## Statement of financial position

Total assets were NOK 758.6 million at the end of Q3 2018, compared to NOK 685.0 million at 31 December 2017. Investment property has increased by NOK 117.8 million from 31 December 2017 to NOK 456.4 million as of 30 September 2018.

Cash and bank deposits have decreased by NOK 87.1 million from 31 december 2017 to NOK 108.1 million at the end of September 2018. The reductions in cash is related 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 mainly of prepaid income.

Total equity was NOK 581.2 million. Thus, the equity ratio was 77%. Cash minus interest-bearing debt was positive with NOK 17.4 million.

## Cash flow

SSG has a strong cash flow. Net cash flow from operating activities at the end of Q3 2018 was NOK 17.9 million, compared to NOK 18.8 million at the end of Q3 2017. Net cash flow from operating activities is influenced by increase in trade receivables not due, increase in prepaid expenses and reduced level of trade payables. Net cash flow from investing activities was NOK -16.7 million compared to NOK -23.8 million at the end of Q3 2017, related to the settlement of contingent consideration of NOK 6.0 million to the seller of Minilager Norge group, cash consideration in connection with purchase of investment properties and establishment of new facilities. This is in line with the Group's strategy. Net cash flow from financing activities was NOK -1.2 million at the end of Q3 2018, compared to NOK 25.4 million at the end of Q3 2017 where a new loan was issued og loan repaid.

Net cash flow from operating activities for the nine months ended 30 September 2018 was NOK 43.8 million, compared to NOK 31.4 million in the same periode in 2017. The main changes relates to lower income tax paid due to utilization of tax losses carried forward, change in depreciation, change in fair value of investment property, higher trade receivable not due and timing differences for payments. Net cash flow from investing activities year to date 2018 was NOK -112.3 million, compared to NOK -101.8 million year to date 2017. Net cash flow from financing activities was NOK -17.9 million in the first nine months of 2018, compared to NOK 83.1 million in the first nine months of 2017 where equity instruments of the Company were issued, a new loan was issued and loan repaid.

SSG's cash balance at the end of September 2018 was NOK 108.1 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 major cities 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 the major cities, currently serving 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 fourth largest self-storage provider in Copenhagen and third 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

Investment properties are gathered in the 100% owned company OK Property AS, and leased to the operating companies in the Group. During Q3 2018 the property companies in the Minilager Norge group were merged with OK Property.

## 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.

Oslo, 7 November 2018

Board of Directors, Self Storage Group ASA

# 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 September 2018	Unaudited For the three months ended 30 September 2017	Unaudited For the nine months ended 30 September 2018	Unaudited For the nine months ended 30 September 2017	Audited For the twelve months ended 31 December 2017
Revenue	3	60 630	55 648	177 609	156 834	212 143
Property-related expenses	3	23 544	23 448	72 697	71 531	94 994
Salary and other employee benefits	3	8 383	8 434	27 692	25 447	36 747
Depreciation		3 196	2 217	7 954	4 779	7 261
Other operating expenses	3	6 285	10 934	23 179	26 310	37 464
<b>Operating profit before fair value adjustments</b>		<b>19 222</b>	<b>10 615</b>	<b>46 087</b>	<b>28 767</b>	<b>35 677</b>
Change in fair value of investment properties	6	-	755	2 500	13 928	29 831
<b>Operating profit after fair value adjustments</b>		<b>19 222</b>	<b>11 370</b>	<b>48 587</b>	<b>42 695</b>	<b>65 508</b>
Finance income		174	- 102	786	385	1 333
Finance expense		1 093	1 263	3 680	3 308	4 626
<b>Profit before tax</b>		<b>18 303</b>	<b>10 005</b>	<b>45 693</b>	<b>39 772</b>	<b>62 215</b>
Income tax expense		3 187	2 283	9 537	9 757	11 996
<b>Profit for the period</b>		<b>15 116</b>	<b>7 722</b>	<b>36 156</b>	<b>30 015</b>	<b>50 219</b>
Total comprehensive income for the year attributable to parent company shareholders		15 116	7 722	36 156	30 015	50 219
Total comprehensive income for the year attributable to non-controlling interests		-	-	-	-	-
<b>Earnings per share</b>						
Basic (NOK)	4	0.23	0.16	0.55	0.63	0.99
Diluted (NOK)	4	0.23	0.16	0.55	0.63	0.98
<b>Other comprehensive income, net of income tax</b>						
<i>Items that may be reclassified subsequently to profit or loss</i>						
- currency translation difference		23	- 160	- 603	428	477
<b>Other comprehensive income for the period, net of income tax</b>		<b>23</b>	<b>- 160</b>	<b>- 603</b>	<b>428</b>	<b>477</b>
<b>Total comprehensive income for the period</b>		<b>15 139</b>	<b>7 562</b>	<b>35 553</b>	<b>30 443</b>	<b>50 696</b>
Total comprehensive income for the year attributable to parent company shareholders		15 139	7 562	35 553	30 443	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 30 September 2018	Audited 31 December 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	Note 6	456 423	338 631
Property, plant and equipment		66 602	52 125
Goodwill		94 932	72 272
Other intangible assets		1 201	493
<b>Total non-current assets</b>		<b>619 158</b>	<b>463 521</b>
<b>Current assets</b>			
Inventories		1 360	1 434
Trade and other receivables		13 084	11 455
Other current assets		16 859	13 397
Cash and bank deposits		108 141	195 224
<b>Total current assets</b>		<b>139 444</b>	<b>221 510</b>
<b>TOTAL ASSETS</b>		<b>758 602</b>	<b>685 031</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued share capital	7	6 573	6 369
Share premium		427 931	396 416
Other reserves		- 241	363
Retained earnings		146 966	110 809
<b>Total equity</b>		<b>581 229</b>	<b>513 957</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term interest-bearing debt	8	85 972	89 690
Other financial liabilities		896	-
Deferred tax liabilities		37 842	22 289
Obligations under finance leases		181	214
<b>Total non-current liabilities</b>		<b>124 891</b>	<b>112 193</b>
<b>Current liabilities</b>			
Short-term interest-bearing debt	8	4 750	4 750
Trade and other payables		11 274	10 282
Income tax payable		670	1 699
Other taxes and withholdings		5 633	4 789
Obligations under finance leases		77	312
Other current liabilities		30 078	37 049
<b>Total current liabilities</b>		<b>52 482</b>	<b>58 881</b>
<b>Total liabilities</b>		<b>177 373</b>	<b>171 074</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>758 602</b>	<b>685 031</b>

# 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
<b>Balance at 1 January 2017</b>	395	89 863	- 114	64 903	155 047
Profit (loss) for the period	-	-	-	30 015	30 015
Other comprehensive income (loss) for the period net of income tax	-	-	409	-	409
<b>Total comprehensive income for the period</b>	-	-	409	30 015	30 424
Issue of ordinary shares	84	99 916	-	- 4 135	95 865
Issue of share capital - transfer from retained earnings	4 313	-	-	- 4 313	-
<b>Balance at 30 September 2017 (Unaudited)</b>	<b>4 792</b>	<b>189 779</b>	<b>295</b>	<b>86 470</b>	<b>281 336</b>
<b>Balance at 1 January 2018</b>	6 369	396 416	363	110 809	513 957
Profit (loss) for the period	-	-	-	36 156	36 156
Other comprehensive income (loss) for the period net of income tax	-	-	- 603	-	- 603
<b>Total comprehensive income for the period</b>	-	-	- 603	36 156	35 553
Issue of ordinary shares, net of transaction costs	204	31 515	-	-	31 719
<b>Balance at 30 September 2018 (Unaudited)</b>	<b>6 573</b>	<b>427 931</b>	<b>- 240</b>	<b>146 965</b>	<b>581 229</b>

# Self Storage Group

## Condensed consolidated statement of Cash flows

		Unaudited	Unaudited	Unaudited	Unaudited	Audited
(Amounts in NOK 1 000)	Note	For the three months ended 30 September 2018	For the three months ended 30 September 2017	For the nine months ended 30 September 2018	For the nine months ended 30 September 2017	For the year ended 31 December 2017
<b>Cash flow from operating activities</b>						
Profit before tax		18 303	10 004	45 693	39 772	62 215
Income tax paid		153	-	- 1 700	- 7 701	- 8 170
Adjustment for net interests paid		- 154	289	- 736	289	242
Depreciation		3 196	2 217	7 954	4 779	7 261
Gain/loss on disposal of property, plant and equipment		-	11	-	144	148
Change in fair value of investment property	6	-	- 755	- 2 500	- 13 928	- 29 831
Change in trade and other receivables		- 1 112	1 748	- 1 548	1 271	- 733
Change in trade and other payables		- 1 071	6 073	660	1 811	1 466
Change in other current assets		- 2 821	1 052	- 3 344	5 052	5 047
Change in other current liabilities		1 396	- 1 877	- 662	- 49	4 623
<b>Net cash flow from operating activities</b>		<b>17 890</b>	<b>18 762</b>	<b>43 817</b>	<b>31 440</b>	<b>42 268</b>
<b>Cash flow from investing activities</b>						
Payments for investment property		- 4 686	- 5 044	- 51 442	- 32 890	- 42 163
Payments for property, plant and equipment		- 6 045	- 2 608	- 15 368	- 6 629	- 11 471
Net cash outflow on acquisition of subsidiaries		- 6 000	- 16 129	- 45 454	- 62 265	- 69 760
<b>Net cash flow from investing activities</b>		<b>- 16 731</b>	<b>- 23 781</b>	<b>- 112 264</b>	<b>- 101 784</b>	<b>- 123 394</b>
<b>Cash flow from financing activities</b>						
Net proceeds from issue of equity instruments of the Company		-	-	-	95 865	287 416
Proceeds from borrowing		-	95 000	-	95 000	95 000
Repayment of borrowings		- 1 187	- 69 631	- 17 878	- 107 790	- 140 840
<b>Net cash flow from financing activities</b>		<b>- 1 187</b>	<b>25 369</b>	<b>- 17 878</b>	<b>83 075</b>	<b>241 576</b>
Net change in cash and cash equivalents		- 28	20 350	- 86 325	12 731	160 450
Cash and cash equivalents at beginning of the period		108 324	26 473	195 224	34 115	34 115
Effect of foreign currency rate changes on cash and cash equivalents		- 155	230	- 758	207	659
<b>Cash and equivalents at end of the period</b>		<b>108 141</b>	<b>47 053</b>	<b>108 141</b>	<b>47 053</b>	<b>195 224</b>

## 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 7 November 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 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.

The change in accounting policies for lessees will have a significant positive impact on EBITDA for the Group, as lease expenses will be reduced. Depreciation and financial expenses will increase. There will be no net effect for the income statement over the lease period. Total total assets and net debt will increase. The updated implementation effect for 2019 is estimated to be:

- An increase in properties and financial liabilities of NOK 460-480 million on opening balance as of January 1, 2019
- A net effect in the income statement of NOK 7-12 million as additional costs, as a result of a decrease in external expenses of NOK 58-65 million, offset by increases in depreciations at NOK 50-55 million and financial expenses of NOK 16-18 million



## 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 nine months of year 2017. The internal income and expenses are eliminated on Group level.

For the three months ended 30 September 2018	CSS	OKM	Property	SSG ASA	Other/eliminations	Total
Sales income	39 185	16 955	- 35	-	-	56 105
Other income	2 178	651	8 792	-	- 7 096	4 525
Operating costs*	- 31 556	- 12 040	- 951	- 780	7 115	- 38 212
EBITDA	9 807	5 566	7 806	- 780	19	22 418
<i>Reconciliation to profit before tax as reported under IFRS</i>						
Depreciation						- 3 196
Change in fair value of investment property						-
Finance lease expense						-
Finance income						174
Finance expense						- 1 093
<b>Profit before tax</b>						<b>18 303</b>

For the three months ended 30 September 2017	CSS	OKM	Property	SSG ASA	Other/eliminations	Total
Sales income	35 996	15 180	-	-	-	51 176
Other income	4 129	553	2 093	-	- 2 303	4 472
Operating costs	- 31 809	- 7 249	- 197	- 5 864	2 303	- 42 816
EBITDA	8 316	8 484	1 896	- 5 864	-	12 832
<i>Reconciliation to profit before tax as reported under IFRS</i>						
Depreciation						- 2 217
Change in fair value of investment property						755
Finance lease expense						-
Finance income						- 102
Finance expense						- 1 263
<b>Profit before tax</b>						<b>10 005</b>

For the nine months ended 30 September 2018	CSS	OKM	Property	SSG ASA	Other/eliminations	Total
Sales income	115 136	47 101	-	-	-	162 237
Other income	9 888	2 440	22 036	-	- 18 992	15 372
Operating costs*	- 98 121	- 36 748	- 3 070	- 4 501	18 872	- 123 568
EBITDA	26 903	12 793	18 966	- 4 501	- 120	54 041
<i>Reconciliation to profit before tax as reported under IFRS</i>						
Depreciation						- 7 954
Change in fair value of investment property						2 500
Finance lease expense						-
Finance income						786
Finance expense						- 3 680
<b>Profit before tax</b>						<b>45 693</b>

<b>For the nine months ended 30 September 2017</b>	<b>CSS</b>	<b>OKM</b>	<b>Property</b>	<b>SSG ASA</b>	<b>Other/eliminations</b>	<b>Total</b>
Sales income	106 580	36 306	-	-	-	142 886
Other income	12 526	1 081	4 244	-	- 3 903	13 948
Operating costs	- 98 728	- 19 868	- 779	- 7 816	3 903	- 123 288
EBITDA	20 378	17 519	3 465	- 7 816	-	33 546
<i>Reconciliation to profit before tax as reported under IFRS</i>						
Depreciation						- 4 779
Change in fair value of investment property						13 928
Finance lease expense						-
Finance income						385
Finance expense						- 3 308
<b>Profit before tax</b>						<b>39 772</b>
<b>For the year ended 31 December 2017</b>	<b>CSS</b>	<b>OKM</b>	<b>Property</b>	<b>SSG ASA</b>	<b>Other/eliminations</b>	<b>Total</b>
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
<b>Profit before tax</b>						<b>62 215</b>

## Note 4 Earnings per share

(Amounts in NOK)

	<b>For the three months ended 30 September 2018</b>	<b>For the three months ended 30 September 2017</b>	<b>For the nine months ended 30 September 2018</b>	<b>For the nine months ended 30 September 2017</b>
Profit (loss) for the period	15 116 000	7 722 000	36 156 000	30 015 000
Weighted average number of outstanding shares during the period (basic)	65 734 111	47 850 000	65 203 305	47 788 007
Weighted average number of outstanding shares during the period (diluted)	65 734 111	47 850 000	65 203 305	47 788 007
Earnings (loss) per share - basic in NOK	0.23	0.16	0.55	0.63
Earnings (loss) per share - diluted in NOK	0.23	0.16	0.55	0.63

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 is reported as part of the City Self-Storage (CSS) operating segment.

### Consideration

(Amounts in NOK 1 000)

	Minilager Norge group
Cash	16 577
Shares in Self Storage Group ASA	25 000
<b>Total consideration</b>	<b>41 577</b>

The purchase agreement of Minilager Norge group included a contingent liability related to the terms of a building permit for the construction of a new storage building. The building permit was approved in July 2018, and the building will be located on a property in Moss.

Self Storage Group had recognised a contingent consideration of NOK 6 million, as this was the most likely outcome at the balance sheet date as of 30 June 2018. The liability was included in short term liabilities in the financial statement and was settled with cash in July 2018.

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.

(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
<b>Net assets</b>	<b>8 026</b>	<b>17 477</b>	<b>20 502</b>

### Goodwill

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

There has been no adjustments to the fair value of Minilager Norge group in the third quarter.

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 September 2018, revenues of NOK 5 321 thousand and profit after tax of NOK 2 483 thousand were recognised for the acquired companies.

Transaction costs related to the acquisition amounts to NOK 569 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 nine month period ended 30 September 2018, the following changes have occurred in the Group's portfolio of investment properties:

<b>Balance as at 31 December 2017</b>	<b>338 630</b>
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	16 357
Fair value adjustments recognised in profit or loss	2 500
<b>Balance as at 30 September 2018</b>	<b>456 423</b>

## 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 September 2018.

As at 30 September 2018	Amounts due in		Total
	less than 1 year	1-5 years	
Debt to financial institutions	4 750	85 972	90 722
Specification of loans	<b>2018</b>	<b>Currency</b>	
Handelsbanken	71 651	NOK	
Handelsbanken	19 071	NOK	
<b>Total bank borrowings at amortised cost</b>	<b>90 722</b>	<b>NOK</b>	

## Note 9 Subsequent events

- Signed agreements to acquire two properties with a potential lettable area of 1 600 m<sup>2</sup>
- The Group has at the date of this report a total lettable area of 130 200 m<sup>2</sup>, including 15 200 m<sup>2</sup> 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)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Audited 2017
<b>Operating profit before fair value adjustments</b>	<b>19 222</b>	<b>10 615</b>	<b>46 087</b>	<b>28 767</b>	<b>35 677</b>
EBIT	19 222	10 615	46 087	28 767	35 677
Non-recurring costs	-	4 600	1 942	5 500	11 253
Adjusted EBIT	19 222	15 215	48 029	34 267	46 930
Change in fair value of investment properties	-	755	2 500	13 928	29 831
Adjusted Profit before tax	18 303	14 605	47 635	45 272	73 468
Tax	3 187	3 333	9 942	11 106	13 767
Adjusted Net profit	15 116	11 272	37 693	34 166	59 701
<b>Operating profit before fair value adjustments</b>	<b>19 222</b>	<b>10 615</b>	<b>46 087</b>	<b>28 767</b>	<b>35 677</b>
Depreciation	3 196	2 217	7 954	4 779	7 261
EBITDA	22 418	12 832	54 041	33 546	42 938
Non-recurring costs	-	4 600	1 942	5 500	11 253
Adjusted EBITDA	22 418	17 432	55 983	39 046	54 191
<b>Nonrecurring costs</b>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>YTD 2018</b>	<b>YTD 2017</b>	<b>Audited 2017</b>
Costs related to IPO	-	2 700	-	3 600	6 947
Acquisition costs	-	1 900	640	1 900	2 503
Share option	-	-	-	-	1 803
Restructuring of legal structure	-	-	390	-	-
First time value assessment of freehold portfolio	-	-	199	-	-
Severance packages	-	-	713	-	-
Sum non-recurring costs	-	4 600	1 942	5 500	11 253