

Interim Report Q4 2018

Self Storage Group ASA

 SELF STORAGE
GROUP



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Highlights

Q4 2018

- Revenues in Q4 2018 of NOK 60.8 million, up from NOK 55.3 million in Q4 2017
- Adjusted EBITDA¹ in Q4 2018 of NOK 19.7 million, up from NOK 15.1 million in Q4 2017
- Change in fair value of investment properties in Q4 2018 of NOK 35.7 million
- Average occupancy in Q4 2018 for sites with more than 12 months of operation was 84,4% (84,1%) with an average rent per m² of NOK 2 348 per year (2 337 NOK)
- Acquisition of four properties in the quarter with a total potential lettable area of 3 400 m²
- Signed agreement to acquire landmark development property at Alnabru, Oslo

Full year 2018

- Revenues for full year 2018 of NOK 238.4 million, up from NOK 212.1 million in 2017
- Adjusted EBITDA for full year 2018 of NOK 75.7 million, up from NOK 54.2 million in 2017
- Change in fair value of investment properties for full year 2018 of NOK 38.2 million
- Total value of investment property of NOK 524.5 million end December 2018
- Pre-tax profit for full year 2018 of NOK 98.3 million, up from NOK 62.2 million in 2017
- Total number of facilities end of 2018 is 101, up from 84 facilities at the end of 2017
- Current lettable area end 2018 of 117 000 m², up from 103 700 m² end 2017

Key Figures

Summary adjusted financial and operating result

KEY FIGURES

(Unaudited figures in NOK million)

	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Revenue	60.8	55.3	238.4	212.1
Total operating costs ¹	41.0	40.2	162.6	158.0
Non-recurring costs	-	5.7	1.9	11.3
Adjusted EBITDA	19.7	15.1	75.7	54.2
Adjusted EBIT	17.2	12.7	65.2	46.9
Change in fair value of investment properties	35.7	15.9	38.2	29.8
Adjusted Profit before tax	52.7	28.2	100.3	73.5
Adjusted Net Profit	43.3	25.4	81.1	59.3
Current lettable area (in thousands m ²)	117.0	103.7	117.0	103.7
Lettable area under development (in thousands m ²)	13.4	12.3	13.4	12.3

¹ Adjusted for non-recurring costs

¹Non-GAAP measures are defined on page 22

Financial development

Revenue

Revenue for Q4 2018 was NOK 60.8 million, an increase of NOK 5.4 million from Q4 2017. The increase in revenue is related to growth in lettable area, and increased demand for self-storage. NOK 1.7 million of the increase is revenue from the Minilager Norge group, which was consolidated from January 2018. NOK 4.7 million of the revenue in Q4 2018 is attributable to income from ancillary services and rent income from segments other than self-storage, which is the same level as in Q4 2017.

Revenue for full year 2018 increased by NOK 26.2 million to NOK 238.4 million compared with full year 2017. NOK 12.0 million of the increase is revenue from business combinations acquired in 2018 and 2017. 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 segments other than self-storage contributed with NOK 20.1 million.

Lease expenses

Lease expenses were NOK 17.7 million for Q4 2018, down from NOK 18.0 million in Q4 2017. Lease expenses have been reduced by NOK 0.3 million since Q4 2017 due to renegotiation of certain leasehold agreements in Sweden.

Lease expenses constitute NOK 71.5 million for full year 2018. Lease expenses have in the 12 month period been reduced by NOK 1.4 million due to renegotiation of certain leasehold agreements and the closing of one facility in first quarter 2017 in Sweden.

The City Self-Storage segment has mainly leasehold properties (92% of current lettable area is leasehold), while 56% of current lettable area in OK Minilager is freehold. The share of freehold property is increasing in both segments. As of end December 2018, 30% of current lettable area in SSG is freehold. The lease obligations are mainly long term.

Property-related expenses

Property-related expenses consist of maintenance, electricity, cleaning, alarm, insurance and other operating costs related to the facilities.

Property-related expenses in Q4 2018 were NOK 6.6 million, an increase of NOK 1.1 million compared to Q4 2017. Property related expenses for full year 2018 were NOK 25.4 million, an increase of NOK 3.3 million compared to full year 2017. The increase is related to growth in number of facilities and growth in lettable area.

Lettable area in SSG has in the period increased with 13 300 m², and the number of facilities has increased by 17. Three freehold-facilities and two leasehold-facilities were opened during the quarter.

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 Q4 2018 were NOK 9.7 million, a decrease of NOK 1.6 million from Q4 2017. NOK 1.8 million of salary and other employee benefits in Q4 2017 was a non-recurring cost. Adjusted for non-recurring costs, salary and other employee benefits in Q4 2018 have increased by NOK 0.2 million compared to Q4 2017.

Salary and other employee benefits for full year 2018 were NOK 37.4 million, an increase of NOK 0.7 from full year 2017. Adjusted for non-recurring costs in 2017 and first half of 2018, salary and other employee benefits have increased by NOK 1.7 million compared to full year 2017. There have been a decrease of costs in the CSS-segment as staff has been reduced, but this is offset by an increased number of employees in the OKM-segment and HQ. The construction team has been strengthened in order to deliver on our strategy of consistent growth, and some new roles were added to HQ during 2017. SSG has a total of 64 full time equivalents (FTEs) as of December 2018.

Depreciation

Depreciation in Q4 2018 was NOK 2.6 million, an increase of NOK 0.1 million from Q4 2017. Depreciation for full year 2018 increased by NOK 3.3 million from full year 2017 to NOK 10.5 million. The depreciation is mainly related to fitout and other equipment for new facilities and expansions.

Other operating expenses

Other operating expenses consist of IT and related costs, sales and advertising, and other operating expenses. In Q4 2018 other operating expenses were NOK 7.1 million, a decrease of NOK 4.1 million from Q4 2017. There were no non-recurring costs in Q4 2018, but other operating expenses in Q4 2017 were impacted by non-recurring costs related to the IPO and the acquisition of Minilageret AS of NOK 3.9 million. Adjusted for non-recurring costs recognised in Q4 2017, other operating expenses have decreased by NOK 0.2 million. Costs have been reduced with NOK 1.4 million in CSS since Q4 2017, but this is offset by increased costs in the OKM segment and HQ related to the growth of the Group.

For the full year of 2018 other operating costs decreased by NOK 7.2 million compared to full year 2017 to NOK 30.3 million. Adjusted for non-recurring costs the increase is NOK 0.4 million. There have been increased costs given the growth of the group during 2018 in addition to costs related to being a listed company.

(NOK 1 000)	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Non-recurring costs				
Costs related to IPO	-	3 335	-	6 947
Acquisition costs	-	603	640	2 503
Option to employee	-	1 803	-	1 803
Restructuring of legal structure	-	-	390	-
First time value-assessment of freehold portfolio	-	-	199	-
Severance packages	-	-	713	-
Total non-recurring costs	-	5 741	1 942	11 253

Change in fair value of investment property

The fair value of investment property is based on external valuations. All investment properties have been valued by an external real estate appraiser company in December 2018. Change in fair value recognised in P&L in Q4 2018 was NOK 35.7 million. Change in fair value recognised in P&L in Q4 2017 was NOK 15.9 million. The increase is attributable to the entire portfolio. For the full year of 2018 the change in fair value recognised in P&L is NOK 38.2 million, an increase of NOK 8.4 million compared to full year 2017.

Fair value of investment property at 31 December 2018 was NOK 524.5 million. Fair value of investment property at 31 December 2017 was NOK 338.6 million.

EBITDA and profit before tax

EBITDA in Q4 2018 was NOK 19.7 million, an increase of NOK 10.3 million since Q4 2017. EBITDA adjusted for non-recurring costs increased by NOK 4.6 million. There were no non-recurring costs to adjust for in Q4 2018.

EBITDA for full year 2018 is NOK 73.8 million, an increase of NOK 30.8 million compared to the full year 2017. EBITDA adjusted for non-recurring costs increased by NOK 21.5 million. There were NOK 2.0 million in non-recurring costs for full year 2018, while non-recurring costs for full year 2017 were NOK 11.3 million. The increase in EBITDA is related to both organic growth and acquisitions. Revenue has increased by NOK 26.2 million, while adjusted costs have increased by NOK 4.7 million, equalizing an EBITDA-margin for the growth of 82%.

Profit before tax in Q4 2018 was NOK 52.7 million, an increase of NOK 30.2 million from Q4 2017. Profit before tax for full year 2018 was NOK 98.3 million, an increase of NOK 36.1 million from full year 2017. The increase is attributed to improved EBITDA as well as positive change in fair value of investment properties.

Statement of financial position

Total assets were NOK 850.4 million at the end of Q4 2018, compared to NOK 685.0 million at 31 December 2017. Investment property has increased with NOK 185.9 million from 31 December 2017 to NOK 524.5 million as of 31 December 2018.

Cash and bank deposits have decreased to NOK 122.2 million at the end of December 2018 from NOK 195.2 million one year earlier. The reduction in cash is related to the cash consideration in the acquisition of Minilager Norge group and purchase of eleven investment properties during 2018. SSG has a loan facility for purchase of investment properties with Handelsbanken. Interest-bearing debt amounts to NOK 129.8 million at the end of December 2018, an increase of NOK 35.3 million from a year earlier. At the end of December 2018 cash minus interest-bearing debt was negative with NOK 7.6 million.

SSG invoices the customers in advance, which reduces credit risks and provides stable working capital. Current liabilities consist mainly of prepaid income.

Total equity at the end of December 2018 was NOK 625.1 million, an increase of NOK 111.1 million from one year earlier. Loan to value is 25% as of end Q4 2018, a decrease from 28% one year earlier. The equity ratio decreased to 73% at the end of December 2018 from 75% one year earlier.

Cash flow

SSG has a strong cash flow. Net cash flow from operating activities during Q4 2018 was NOK 19.9 million, compared to NOK 10.8 million during Q4 2017. Net cash flow from operating activities is influenced by improved profit before tax, increase in trade receivables not due, increase in prepaid expenses and timing differences for payments. Net cash flow from investing activities was NOK -45.2 million compared to NOK -21.6 million at the end of Q4 2017, primarily related to the cash consideration in connection with acquisitions, investment properties and establishment of new facilities. This is in line with the Group's strategy. Net cash flow from financing activities was NOK 38.8 million at the end of Q4 2018, compared to NOK 158.5 million at the end of Q4 2017. In Q4 2018 a new loan was issued, while in Q4 2017 issued equity instruments of the Company together with repayment of loan repaid affected cash flow from investing activities.

Net cash flow from operating activities for the full year 2018 was NOK 63.7 million, compared to NOK 42.3 million in the same period in 2017. The main changes relates to improved profit before tax, 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 for the full year 2018 was NOK -157.5 million, compared to NOK -123.4 million year to date 2017. Net cash flow from financing activities was NOK 20.9 million in the full year 2018, compared to NOK 241.6 million in 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 December 2018 was NOK 122.2 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.

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 the major cities in Norway by establishing more sites at attractive locations, while at the same time continuing the ongoing cost reduction initiatives and optimising the organisation. City Self-Storage is planning to open its first facility in Stavanger in Q2 2018, and a greenfield facility in Trondheim in 2020.

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 Stockholm measured by the total number of facilities, and the third largest self-storage provider in Europe.

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.

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

During Q4 2018 the legal restructuring of the Group continued. December 2018 Minilageret AS was merged with OK Minilager AS and the moving-company City Moving was merged with City Self-Storage Norge AS.

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, 13 February 2019

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 31 December 2018	Unaudited For the three months ended 31 December 2017	Unaudited For the twelve months ended 31 December 2018	Audited For the twelve months ended 31 December 2017
Revenue	3	60 751	55 309	238 361	212 143
Lease expenses	3	17 657	18 004	71 451	72 842
Property-related expenses	3	6 559	5 459	25 425	22 152
Salary and other employee benefits	3	9 710	11 300	37 403	36 747
Depreciation		2 573	2 482	10 527	7 261
Other operating expenses	3	7 095	11 154	30 311	37 464
Operating profit before fair value adjustments		17 157	6 910	63 244	35 677
Change in fair value of investment properties	6	35 723	15 903	38 223	29 831
Operating profit after fair value adjustments		52 880	22 813	101 467	65 508
Finance income		725	948	1 511	1 333
Finance expense		952	1 318	4 632	4 626
Profit before tax		52 653	22 443	98 346	62 215
Income tax expense		9 319	2 239	18 856	11 996
Profit for the period		43 334	20 204	79 490	50 219
Total comprehensive income for the year attributable to parent company shareholders		43 334	20 204	79 490	50 219
Total comprehensive income for the year attributable to non-controlling interests		-	-	-	-
Earnings per share					
Basic (NOK)	4	0.66	0.34	1.22	0.99
Diluted (NOK)	4	0.66	0.33	1.22	0.98
Other comprehensive income, net of income tax					
<i>Items that may be reclassified subsequently to profit or loss</i>					
- currency translation difference		553	49	- 73	477
Other comprehensive income for the period, net of income tax		553	49	- 73	477
Total comprehensive income for the period		43 887	20 253	79 417	50 696
Total comprehensive income for the year attributable to parent company shareholders		43 887	20 253	79 417	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 31 December 2018	Audited 31 December 2017
ASSETS			
Non-current assets			
Investment property	Note 6	524 505	338 631
Property, plant and equipment		70 405	52 125
Goodwill		94 639	72 272
Other intangible assets		1 376	493
Total non-current assets		690 925	463 521
Current assets			
Inventories		1 270	1 434
Trade and other receivables		13 421	11 455
Other current assets		22 598	13 397
Cash and bank deposits		122 228	195 224
Total current assets		159 517	221 510
TOTAL ASSETS		850 442	685 031
EQUITY AND LIABILITIES			
Equity			
Issued share capital	7	6 573	6 369
Share premium		427 889	396 416
Other reserves		290	363
Retained earnings		190 299	110 809
Total equity		625 051	513 957
LIABILITIES			
Non-current liabilities			
Long-term interest-bearing debt	8	118 023	89 690
Other financial liabilities		873	-
Deferred tax liabilities		34 911	22 289
Obligations under finance leases		143	214
Total non-current liabilities		153 950	112 193
Current liabilities			
Short-term interest-bearing debt	8	11 750	4 750
Trade and other payables		11 404	10 282
Income tax payable		11 647	1 699
Other taxes and withholdings		5 291	4 789
Obligations under finance leases		74	312
Other current liabilities		31 275	37 049
Total current liabilities		71 441	58 881
Total liabilities		225 391	171 074
TOTAL EQUITY AND LIABILITIES		850 442	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	-	-	-	50 219	50 219
Other comprehensive income (loss) for the period net of income tax	-	-	477	-	477
Total comprehensive income for the period	-	-	477	50 219	50 696
Issue of ordinary shares, net of transaction costs	1 661	306 553	-	-	308 214
Issue of share capital - transfer from retained earnings	4 313	-	-	- 4 313	-
Balance at 31 December 2017	6 369	396 416	363	110 809	513 957
Balance at 1 January 2018	6 369	396 416	363	110 809	513 957
Profit (loss) for the period	-	-	-	79 490	79 490
Other comprehensive income (loss) for the period net of income tax	-	-	- 73	-	- 73
Total comprehensive income for the period	-	-	- 73	79 490	79 417
Issue of ordinary shares, net of transaction costs	204	31 473	-	-	31 677
Balance at 31 December 2018 (Unaudited)	6 573	427 889	290	190 299	625 051

Self Storage Group

Condensed consolidated statement of Cash flows

(Amounts in NOK 1 000)	Note	Unaudited For the three months ended 31 December 2018	Unaudited For the three months ended 31 December 2017	Unaudited For the year ended 31 December 2018	Audited For the year ended 31 December 2017
Cash flow from operating activities					
Profit before tax		52 653	22 443	98 346	62 215
Income tax paid		- 544	- 469	- 2 244	- 8 170
Adjustment for net interests paid		243	- 47	- 493	242
Depreciation		2 573	2 482	10 527	7 261
Gain/loss on disposal of property, plant and equipment		- 47	4	- 47	148
Change in fair value of investment property	6	- 35 723	- 15 903	- 38 223	- 29 831
Change in trade and other receivables		- 398	- 2 004	- 1 946	- 733
Change in trade and other payables		131	- 345	791	1 466
Change in other current assets		930	- 5	- 2 414	5 047
Change in other current liabilities		80	4 672	- 582	4 623
Net cash flow from operating activities		19 898	10 828	63 715	42 268
Cash flow from investing activities					
Payments for investment property		- 11 460	- 9 273	- 62 902	- 42 163
Payments for property, plant and equipment		- 6 280	- 4 842	- 21 648	- 11 471
Net cash outflow on acquisition of subsidiaries		- 27 503	- 7 495	- 72 957	- 69 760
Net cash flow from investing activities		- 45 243	- 21 610	- 157 507	- 123 394
Cash flow from financing activities					
Net proceeds from issue of equity instruments of the Company		-	191 551	-	287 416
Proceeds from borrowing		40 000	-	40 000	95 000
Repayment of borrowings		- 1 188	- 33 050	- 19 066	- 140 840
Net cash flow from financing activities		38 812	158 501	20 934	241 576
Net change in cash and cash equivalents		13 467	147 719	- 72 858	160 450
Cash and cash equivalents at beginning of the period		108 141	47 053	195 224	34 115
Effect of foreign currency rate changes on cash and cash equivalents		620	452	- 138	659
Cash and equivalents at end of the period		122 228	195 224	122 228	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 13 February 2019.

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 investment property and financial liabilities of approximately NOK 445 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 lease 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 31 December 2018	CSS	OKM	Property	SSG ASA	Other/eliminations	Total
Sales income	39 044	16 972	-	-	-	56 016
Other income	3 617	984	7 867	-	-7 733	4 735
Lease expenses	- 16 144	- 7 929	- 47	- 167	6 630	- 17 657
Other operating costs*	- 15 578	- 6 525	- 1 043	- 1 258	1 040	- 23 364
EBITDA	10 939	3 502	6 777	- 1 425	- 63	19 730
Reconciliation to profit before tax as reported under IFRS						
Depreciation						- 2 573
Change in fair value of investment property						35 723
Finance lease expense						-
Finance income						725
Finance expense						- 952
Profit before tax						52 658
For the three months ended 31 December 2017	CSS	OKM	Property	SSG ASA	Other/eliminations	Total
Sales income	36 157	14 541	-	-	-	50 698
Other income	3 876	395	1 907	-	- 1 567	4 611
Lease expenses	- 16 139	- 2 988	- 1	- 163	1 287	- 18 004
Other operating costs	- 17 414	- 4 211	- 530	- 5 784	26	- 27 913
EBITDA	6 480	7 737	1 376	- 5 947	- 254	9 392
Reconciliation to profit before tax as reported under IFRS						
Depreciation						- 2 482
Change in fair value of investment property						15 903
Finance lease expense						-
Finance income						948
Finance expense						- 1 318
Profit before tax						22 448
For the year ended 31 December 2018	CSS	OKM	Property	SSG ASA	Other/eliminations	Total
Sales income	154 180	64 073	-	-	-	218 253
Other income	14 249	3 424	29 903	-	- 27 468	20 108
Lease expenses	- 65 542	- 29 117	- 71	- 668	23 947	- 71 451
Other operating costs*	- 65 163	- 22 085	- 4 089	- 5 258	3 456	- 93 139
EBITDA	37 724	16 295	25 743	- 5 926	- 65	73 771
Reconciliation to profit before tax as reported under IFRS						
Depreciation						- 10 527
Change in fair value of investment property						38 223
Finance lease expense						-
Finance income						1 511
Finance expense						- 4 632
Profit before tax						98 846

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
Lease expenses	- 64 180	- 12 006	- 82	- 650	4 076	- 72 842
Other operating costs	- 68 101	- 15 061	- 1 228	- 13 113	1 140	- 96 363
EBITDA	26 858	25 256	4 841	- 13 763	- 254	42 938
Reconciliation to profit before tax as reported under IFRS						
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 31 December 2018	For the three months ended 31 December 2017	For the full year 2018	For the full year 2017
Profit (loss) for the period	43 334 000	20 204 000	79 490 000	50 219 000
Weighted average number of outstanding shares during the period (basic)	65 734 111	58 954 435	65 203 305	50 604 776
Weighted average number of outstanding shares during the period (diluted)	65 734 111	60 627 905	65 203 305	51 021 997
Earnings (loss) per share - basic in NOK	0.66	0.34	1.22	0.99
Earnings (loss) per share - diluted in NOK	0.66	0.33	1.22	0.98

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
Total consideration	41 577

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
Net assets	8 026	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

There has been no adjustments to the fair value of Minilager Norge group in the fourth 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 31 December 2018, revenues of NOK 7 040 thousand and profit after tax of NOK 2 989 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)

The portfolio of investment property was valued by an external real estate appraiser company in December 2018. The increase in fair value is attributable to the entire portfolio. During the twelve month period ended 31 December 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	42 210
Company acquired as asset acquisition	52 230
Additions to existing properties	20 694
Fair value adjustments recognised in profit or loss	38 223
Balance as at 31 December 2018	524 505

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 31 December 2018.

As at 31 December 2018	Amounts due in		Total
	less than 1 year	1-5 years	
Debt to financial institutions	11 750	118 023	129 773
Specification of loans	2018	Currency	
Handelsbanken	70 708	NOK	
Handelsbanken	18 820	NOK	
Handelsbanken	40 245	NOK	
Total bank borrowings at amortised cost	129 773	NOK	

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.

Non-recurring costs

Extraordinary costs not likely to occur in the normal course of business in Self Storage Group are defined as non-recurring costs. Examples of non-recurring costs are costs related to the IPO in 2017, acquisition costs, restructuring and severance packages. The exclusion of non-recurring costs is useful to Self Storage Group as it provides a measure for assessing underlying 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

SSG's non-financial APMs

- Current lettable area (CLA): Net area (m²) available for customers to rent for self-storage
- Total lettable area: Net area (m²) in the portfolio included area not yet lettable to self-storage

Definition of APM used in Interim Report

(NOK 1 000)	Q4 2018	Q4 2017	Full year 2018	Audited 2017
Operating profit before fair value adjustments	17 157	6 910	63 244	35 677
EBIT	17 157	6 910	63 244	35 677
Non-recurring costs	-	5 741	1 942	11 253
Adjusted EBIT	17 157	12 651	65 186	46 930
Change in fair value of investment properties	35 723	15 903	38 223	29 831
Adjusted Profit before tax	52 653	28 184	100 288	73 468
Tax	9 319	2 812	19 228	14 166
Adjusted Net profit	43 334	25 372	81 060	59 302
Operating profit before fair value adjustments	17 157	6 910	63 244	35 677
Depreciation	2 573	2 482	10 527	7 261
EBITDA	19 730	9 392	73 771	42 938
Non-recurring costs	-	5 741	1 942	11 253
Adjusted EBITDA	19 730	15 133	75 713	54 191
Nonrecurring costs	Q4 2018	Q4 2017	Full year 2018	Audited 2017
Costs related to IPO	-	3 335	-	6 947
Acquisition costs	-	603	640	2 503
Share option	-	1 803	-	1 803
Restructuring of legal structure	-	-	390	-
First time value assessment of freehold portfolio	-	-	199	-
Severance packages	-	-	713	-
Sum non-recurring costs	-	5 741	1 942	11 253