OUR PERFORMANCE

CEO'S REPORT

FINANCIAL REVIEW

OUR PERFORMANCE

CEO'S REPORT

A highly specialised, income-paying self storage REIT, Stor-Age delivered another set of excellent results through the disciplined execution of our five-year strategy, which included high-quality acquisitions and attractive dividend growth.

Growth in the local portfolio over the past 12 months was significant and in line with our strategy to cement our position within the four major South African metropoles.

Our acquisition of Unit Self Storage in Cape Town and StorTown in Durban during the year provided additional scale from a balance sheet and trading perspective, while the acquisition of Storage King marked a strategic entry point and platform growth opportunity in a growing first world market.

> "We remain sector leaders in South Africa, offering an exceptional property portfolio that is unmatched in value, lettable area, number of tenants, location and geographic footprint."

OUR PERFORMANCE

Our total shareholder distribution of R286 million translated into a dividend per share of 97.83 cents. This represents 11.1% growth compared to 88.01 cents in the prior period. Distribution growth was driven by like-for-like growth in rental income and net property operating income of 10.6% and 9.9% respectively. In addition, the acquisition of Storage King and the associated capital raise positively contributed to distribution growth.

Self storage remains a needs-driven product and an asset class with highly defensive characteristics. This is evidenced by the level of enquiries we continue to receive, reflecting demand for the product and the quality and resilience of our brand and property portfolio.

Never satisfied, we continuously seek to improve the operating standards across our portfolio. The shift to using NPS to measure customer satisfaction aligns us with a global standard against which we can benchmark customer loyalty and our standards of customer service with leading consumer-facing companies around the world. Customer service feedback further informs our training and operating standards, and supports our culture of striving for Excellence and exceeding expectations in everything we do.

GROWING OUR PROPERTY PORTFOLIO

Stor-Age seeks investment opportunities where we can achieve strong market penetration, leverage and further benefit from our economies of scale, enjoy limited competition, and produce high operating margins.

Our property growth strategy, while aggressive in its targets, is tempered with a commitment to high-quality self storage assets. We believe that by focusing on assembling a portfolio at the quality end of the spectrum, we will not compromise the sustainability of our business by chasing short-term growth targets.

Our current five-year growth plan, now in its third year, sets broad targets to 2020. More importantly, it details how and where we intend to execute high-quality acquisitions and new developments to further grow our asset base. This includes highly strategic planning and execution at both the macro and micro level.

SOUTH AFRICA

In South Africa, we are growing our property portfolio by acquiring existing self storage properties from third parties and incorporating them directly into Stor-Age, and by developing new self storage properties in prime locations. Driven by the trail of acquisitions during the year, our investment property increased by 87% to R3.85 billion.

In addition to a well-established tenant base and trading history, the acquisition of Unit Self Storage added an additional 5 400 m² of complementary GLA to the group's existing portfolio. All-Store Self Storage represented a similar acquisition opportunity in the Cape Town self storage market, adding an additional 5 500 m² GLA after year end in April 2018.

CEO'S REPORT (continued)

The acquisition of StorTown presented a strategic opportunity to grow and strengthen our offering in Durban, one of our four key target cities. We acquired a portfolio of four properties, comprising 22 400 m^2 GLA, which boast a broad geographical store offering.

There is significant opportunity in the South African market to develop high-profile properties in prime locations. However, self storage development is speculative by nature, with significant risk and cost attributable to the lengthy lease-up period until properties reach a stage of maturity. The current development of these properties within Stor-Age would therefore be dilutionary and negatively impact the group's distribution growth profile.

To mitigate this risk in the medium term and still enable us to take timeous advantage of growth opportunities within the sector, we entered into agreements with Stor-Age Property Holdings Proprietary Limited for the development of self storage properties in Bryanston and Craighall during the year. These agreements are managed in terms of a development and acquisition structure known as a Certificate of Practical Completion (CPC). This structure results in the risk and reward of ownership effectively passing to Stor-Age on "practical" completion of the development.

> "Together, these acquisitions have enlarged our high-quality and defensive portfolio of prime self storage properties in South Africa, and will contribute to creating and sustaining attractive long-term returns for our shareholders."

The CPC structure is rooted in the United States' self storage REIT "Certificate of Occupancy" deals, for which there is recent and favourable international precedent. The CPC structure reduces the development and lease-up risk for Stor-Age and provides an opportunity to develop high-profile properties in prime locations. In addition, the CPC is subject to strict independent and regulatory controls.

Ultimately, in the long-term once sufficient balance sheet scale is in place, it remains the intention of Stor-Age to assume the full development and lease-up risk for new properties.

In the interim, the CPC structure allows us to remain on track with our five-year growth strategy, further enabling us to extend our position of market leadership in South Africa.

INTERNATIONAL

Sector specialists

While each market has its own local nuances, self storage displays homogenous product characteristics across developed and developing world markets.

Since the inception of our business over a decade ago, we have spent significant time in more mature first world self storage markets, primarily the US, UK and Australia. Our primary motivation was to establish ourselves as true sector specialists and fast track our sector knowledge to capitalise on local market opportunities. As an additional benefit, we gained valuable country-specific sector insights, and established significant relationships and networks with publicly-traded and privately-operated peers.

In the instance of the UK, our relationship with key members of Storage King's senior management team dates back to 2008. As a result of this established network, the acquisition was negotiated off-market allowing for efficient due diligence.

Technology as an enabler and the trends shaping our business

At its core, self storage is a real estate business with an operational overlay that benefits from country-specific scale and the relative strength of its brand. Despite this, it primarily remains a micro-market, micro-managed and localised business trading in a defined catchment area. As evidence of this, the 2018 Self Storage Association UK Annual Industry Report found that 68% of customers travel 20 minutes or less to their self storage property.

The lifeblood of a self storage business is enquiry generation, which was traditionally generated by how visible properties were to potential users. Visibility remains critical, however a strong online presence, a contemporary web user-experience, and a highly effective multi-channel online sales platform are as important these days, if not more so.

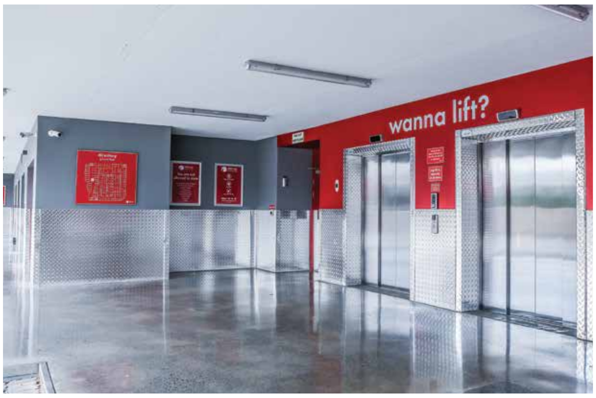
Stor-Age enjoys significant online visibility on Google and benefits from being one of the most actively followed self storage businesses on Facebook in the world. Our ability to harness the global omnipresence of platforms such as these demonstrates the strength of our in-house digital marketing capability. This capability is also a skill set with a niche sector-specific overlay that is seamlessly transportable across borders, and remains a significant strength regardless of where we operate.

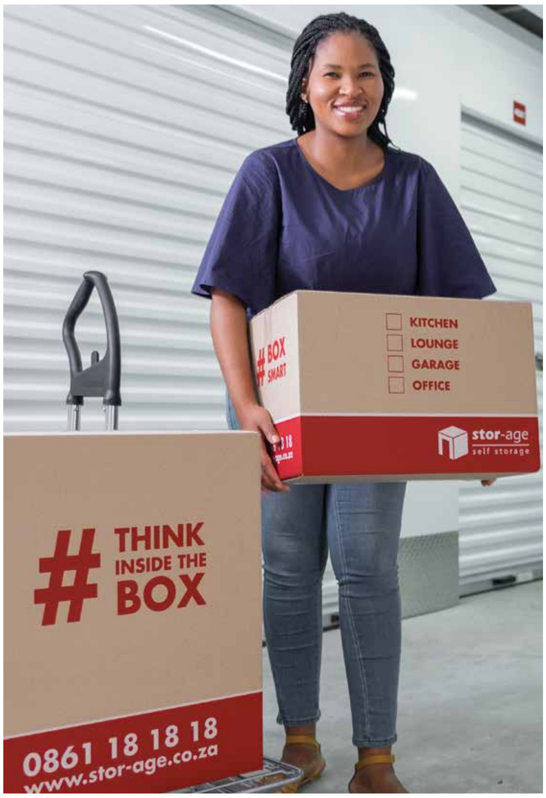
> "As true sector specialists, we've identified the opportunity to leverage modern-day technology and the increasing importance of online capability to unlock value for shareholders."

Beyond this, the current rate and pace of technological change and innovation in society is immense. As a result, how we conduct and manage our business is in a state of perpetual change, and we invest significant time and resources to ensure we are appropriately positioned.

Combined with shifting consumer and societal trends, technology is undoubtedly having an impact on the built environment. This will accelerate over the medium to long term; there is little doubt that trends in artificial intelligence, machine learning, big data and augmented reality among others will impact our sector in the years to come. Understanding these trends and their implications will ensure we are well positioned to capitalise on new opportunities as they present themselves.

While aware of the strategic need for forward looking ideas and innovative thinking, we also recognise the importance of remaining focused on the disciplined execution of our strategy to create value for shareholders, now and into the future.





> "In line with this localised approach, we will continue to trade as Storage King over the medium term as we seek to leverage local market knowledge and complement in-place management skills with a range of corporate support services."

UK market opportunity and strategy

Storage King in the UK offers scale, track record, a high quality property portfolio and a skilled and experienced operational management team.

While the UK offers attractive underlying levels of earnings growth, it remains a highly competitive market that is further impacted by the economic uncertainty created by Brexit.

To mitigate these risks we deliberately pursued a market entry opportunity with a local in-place management team with a demonstrable track record of excellent operational performance. In addition, we structured the transaction so the existing management team remained in place post-acquisition. The management team co-invested on the same terms as Stor-Age for an effective 2.6% equity interest in the UK business. This was achieved by reinvesting a significant portion of their "management carry" from the previous owners' exit.

Disciplined and intelligent execution of key strategic objectives continues to underpin the integration of the two business platforms. Working together with the UK management team, we first sought to understand the current business practices and culture before formulating a localised business plan – this plan is unpacked in more detail from page 24 of this report.

This approach safeguards our ability to achieve attractive results and deliver sustainable growth for our shareholders over the short, medium and long term.

Ultimately, our business strategy is led by our property strategy. Accordingly, we began drafting the property growth strategy for the UK upon the acquisition being made effective. This strategy aligns with our current five-year strategy, and while detailed at a geographic and property level, it will also enable us to be opportunistic and nimble in our execution.

Most importantly, Storage King has critical mass and established, scalable operations, along with a high-calibre and vastly experienced self storage operations management team. The business offers a pipeline of opportunities and an attractive level of underlying earnings growth through rental rate and occupancy increases year on year.

Going forward, we are confident the shared niche focus on self storage, in-place country-specific experience and local sector knowledge, as well as our complementary operational and management synergies, will enable us to extract maximum growth from the UK platform. We will achieve this while continuing to deliver sustainable and attractive risk-adjusted earnings growth in the medium term.

OUR PEOPLE

Backed by the strength of our brand and sophisticated operational platform, our employees are fundamental to and drive the ongoing growth and success of Stor-Age. We are fortunate to have an exceptional team of dedicated, high-calibre people who work to build on the legacy of the family business that lies at the heart of our company. Our flat, non-hierarchical structure, with fully accessible management, endeavours to reward everyone for their contribution to the growth and success of our business.

In line with our Core Value of Excellence, we set our standards exceptionally high across the business. In pursuit of Excellence, ongoing training, learning and development are at the heart of our culture.

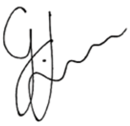
To better understand our culture, we conduct two anonymous employee surveys each year. I am pleased to report that in the current year, more than 95% of our employees indicated they are proud to be part of the Stor-Age team.

OUTLOOK

Looking back on Stor-Age's progress since its listing, we are pleased and proud of what we have achieved – particularly in a tough and unpredictable domestic environment.

The move into a growing, first-world self storage market represents a major strategic milestone for the business. We are defensively positioned across an emerging and first-world market, and our ability to take advantage of our relative market position is enhanced by the fact that we have established ourselves as dynamic sector specialists.

While there are undoubtedly challenges to be faced, we have the benefit of operating in a growth sector, a core product that continues to display its recession resilience, and a healthy, conservatively geared and hedged balance sheet. Stor-Age is well positioned to continue growing and delivering attractive returns sustainably.



Gavin Lucas
CEO
11 June 2018

FINANCIAL REVIEW

The results for the year include the trading results for the full 12 months of Storage RSA and Unit Self Storage, while StorTown and Storage King have been included for part periods from their respective acquisition dates.

FINANCIAL RESULTS

Revenue and earnings show significant increases from the previous year reflecting both organic growth and the impact of acquisitions. The total dividend for the year is 97.83 cents per share, an increase of 11.1% year-on-year. The group continued to deliver real gains in rental rates and occupancy driving sustainable earnings growth in a challenging economic environment.

The table below sets out the group's underlying operating performance of the like-for-like portfolio as well as of acquisitions for a more meaningful overview.

	31 March 2018				31 March 2017			% change	
	SA Like-for-like R'000	SA acquisitions R'000	Storage King R'000	Total R'000	SA Like-for-like R'000	SA acquisitions R'000	Total R'000	SA Like-for-like	Total
Property revenue	177 824	63 575	68 778	310 177	162 920	3 743	166 663	9.1%	86.1%
Rental income	171 525	62 132	61 702	295 359	155 128	3 673	158 801	10.6%	86.0%
Ancillary income	5 299	1 443	7 076	13 818	4 792	70	4 862	10.6%	184.2%
Licence fees	1 000	–	–	1 000	3 000	–	3 000	(66.7%)	(66.7%)
Direct operating costs	(39 895)	(13 308)	(23 714)	(76 917)	(37 404)	(944)	(38 348)	6.7%	100.6%
Net property operating income	137 929	50 267	45 064	233 260	125 516	2 799	128 315	9.9%	81.8%

Like-for-like reflects the same store portfolio trading for a full 12-month period in both the 2017 and 2018 financial years SA acquisitions include Storage RSA, Unit Self Storage and StorTown

> "Property revenue increased by 86.1% to R310.2 million and like-for-like rental income increased by 10.6%."

Rental income for the year was R295.4 million (2017: R158.8 million), an 86.0% increase on the prior year. On a like-for-like basis (i.e. excluding acquisitions) rental income increased by 10.6% from R155.1 million to R171.5 million, driven by a 1.8% increase in average occupancy levels and an 8.8% increase in the average rental rate.

Total occupancy in the South African portfolio grew by 27 200 m² over the year (organically 4 700 m²; Unit Self Storage and StorTown acquisitions 22 500 m²). The closing rental rate was R91.6/m². Excluding acquisitions in the year, the closing rental rate increased by 9.2%, reflecting our balanced approach to revenue management and occupancy growth.

The overall trading performance of Storage RSA (acquired on 28 February 2017) was in line with expectations. The integration of the business onto the Stor-Age operating platform has been largely completed.

Other income comprises licence fee income relating to the opening of new stores in the unlisted Managed Portfolio and ancillary income such as the sale of merchandise (e.g. packaging materials and padlocks), administration fees, late fees and other sundry income. Licence fee income of R1.0 million relates to the opening of the Randburg property in the unlisted Managed Portfolio in July 2017 (in the prior year, three new stores opened in this portfolio resulting

in licence fee income of R3.0 million). Ancillary income of R13.8 million (2017: R4.9 million) reflects the positive contribution of acquisitions. On a like-for-like basis, ancillary income increased by 10.6%.

Direct operating costs comprise mainly store-based staff salaries, rates, utilities, a full allocation of marketing spend and other property-related costs such as insurance, maintenance, IT and communications at a property level. These costs are generally 'embedded' or of a fixed nature and, in the like-for-like portfolio, the weightings of the various components of the cost base were broadly consistent with the prior year. The increase in direct operating costs to R76.9 million (2017: R38.3 million) reflects the impact of acquisitions. The 6.7% increase in like-for-like operating costs is broadly in line with inflationary growth.

Net property operating income of R233.3 million (2017: R128.3 million) reflects both organic growth and the benefit of acquisitions. On a like-for-like basis, excluding acquisitions and licence fee income (considered non-recurring in nature), net property operating income increased by 11.8%. Stor-Age's increased scale and revenue growth, as well as a disciplined approach to cost management, translates into real earnings growth.

Storage King contributed R45.1 million to net property operating income. On an overall basis, earnings were materially in line with the forecasts set out in the September 2017 circular relating to the acquisition. Year-on-year net self storage rental income increased by 9.0%, including organic like-for-like growth of 6.2%, supported by a closing occupancy of 78.2% and rental rate of £21.13 per square foot at year end, marginally lower than at the acquisition date. The UK self storage industry experiences a higher degree of seasonality compared to the South African market, which sees a traditionally slower trading period in the winter months. Excluding the acquisition of the Crewe property, occupancy grew organically by 900 m² over the year to March 2018.

Management fees comprise property and asset management fees charged on the unlisted Managed Portfolio and development fees on properties being developed under the CPC structure. The management fees from the unlisted Managed Portfolio increased given the three new stores that commenced trading end-2016, the opening of Randburg in July 2017 and higher occupancy levels which drove higher revenue. In addition the CPC structure resulted in development fees of R3.9 million. Read more about the CPC structure from page 30.

Administrative expenses relate mainly to support function costs for IT, finance, HR, property management, professional fees and directors' remuneration. The increase in administrative expenses from R25.0 million to R36.9 million relates mainly to the Storage King acquisition and the full year support function costs for Storage RSA. Excluding the Storage King acquisition, administrative expenses increased by 18.7%, which is partly attributable to the underlying growth in the business, a greater investment in technology, centralisation and automation, and the employment of additional staff.

FINANCIAL REVIEW (continued)

Interest income comprises interest received on the share purchase scheme loans (R10.6 million), cross currency interest rate swaps (R10.6 million) and call and money market accounts (R2.4 million). The increase in interest income from R13.0 million to R23.6 million relates mainly to the cross currency interest rate swaps entered into in November 2017 in respect of the Storage King transaction.

Interest expense comprises mainly interest on bank borrowings and the increase is due to higher average debt levels during the year and the GBP-denominated debt arising from the Storage King acquisition. Further details of bank borrowings are set out in Capital Structure below.

Profit for the year of R587.2 million includes a fair value adjustment to derivative financial instruments of R178.5 million (2017: R1.8 million expense), comprising a realised gain of R56.3 million on a forward exchange contract relating to the Storage King acquisition and unrealised mark-to-market gains of R122.2 million relating to forward exchange contracts, interest rate swaps and cross currency interest rate swaps.

CAPITAL STRUCTURE

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

The group currently has South African loan facilities of R995.0 million available. The respective maturities of the various facilities range from December 2019 to November 2022 and accrue interest at an average margin of 1.29% below prime. Further details are set out in note 14 of the annual financial statements.

Details of the group's borrowings are summarised below:

	SA R million	UK R million	Total R million
Total debt facilities	995.0	406.0	1 401.0
Undrawn debt facilities	642.4	–	642.4
Gross debt	352.6	406.0	758.6
Net debt	227.5	392.2	619.7
Investment property[1]	2 490	1 363	3 853
Subject to fixed rates			
– Amount	250.0	369.1	619.1
– % hedged on gross debt	70.9%	90.9%	81.6%
– % hedged on net debt	109.9%	94.1%	99.9%
Effective interest rate	9.10%	4.32%	6.54%
Gearing (LTV ratio)[2]	9.1%	28.8%	16.1%

1 *Investment property reflected as gross investment property of R4 034 million less finance lease obligations relating to leasehold investment property of R181 million*

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

The acquisition of Storage King was structured with a £25.0 million LIBOR-linked facility. The facility has a five-year term and amortises by £2.0 million in the first two years and by £5.3 million over the subsequent three years, to a balance of £17.9 million by December 2022. The balance at 31 March 2018 was £24.5 million (R406.0 million).

The interest rate risk on the loan is hedged at 90% of the gross debt, in line with the amortisation profile, with underlying LIBOR fixed at 1.051%.

At 31 March 2018, Stor-Age's total gross borrowings amounted to R758.6 million (2017: R256.2 million) with 82% (2017: 78%) subject to fixed rates, and total undrawn borrowing facilities of R642.4 million (2017: R393.8 million). On a net debt basis 100% of borrowings were subject to fixed rates (2017: 82%).

The effective interest rate at 31 March 2018 was 6.54% (2017: 9.36%).

In October 2017 the group raised R1.276 billion of equity capital in an oversubscribed book-build to fund the Storage King and StorTown transactions. Stor-Age also conserved R116 million cash under the Dividend Reinvestment Programme.

The conservative capital structure reflected net debt of R619.7 million at 31 March 2018 (2017: R244.6 million) and a gearing ratio (LTV) of 16.1% (2017: 11.9%).

Net asset value (net of minority interest) per share was R11.49 (2017: R10.70) and net tangible asset value per share (net of minority interest) was R11.01 (2017: R10.21).

INVESTMENT PROPERTIES

Investment property increased from R2.050 billion at 31 March 2017 to R3.853 billion at year end. The increase related mainly to the acquisitions of Storage King (R1.711 billion), StorTown (R145 million) and Unit Self Storage (R42 million). The fair value adjustment to investment properties was R203 million.

The group's policy is to have one-third of the properties externally valued by an independent valuer each year and the remaining properties valued internally by the board, using the same methodology applied by the external valuers.

Further details on the basis of valuation are set out in note 3 of the annual financial statements and a summary of the portfolio is set out on pages 162 to 163.