SHURGARD SELF-STORAGE

ANNUAL REPORT 2019

JANUARY 1, 2019 TO DECEMBER 31, 2019

Shurgard is the number one self-storage operator in Europe with unrivalled presence and brand. We are a pioneer in the concept of self-storage, owning and operating 238 stores in urban locations across seven countries, serving more than 160,000 customers every year. These customers are at the heart of our success and their experience drives our reputation and enables us to deliver value to our shareholders.

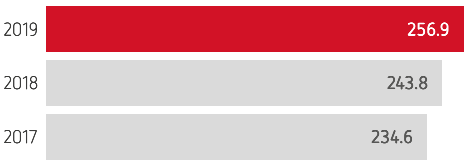
Table of contents

KEY FINANCIALS

We have reported a solid financial year in 2019, supported by the growth of our store network.

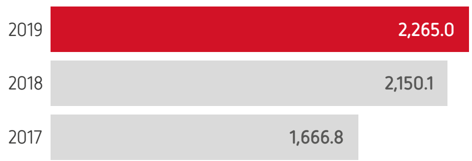
Property operating revenue[1]
€ million

+5.4%



EPRA Net Asset Value[2]
€ million

+5.3%



Income from property (NOI)[3]
€ million

+6.6%

NOI margin[3]
%

+0.7pp

EBITDA[4]
€ million

+3.2%

Adjusted EPRA earnings[5]
€ million

+8.7%

Notes

1 **Property operating revenue** represents our revenue from operating our stores, and comprises our rental revenue, insurance revenue and ancillary revenue. The 2017/2018/2019 comparison is shown at Constant Exchange Rates (CER), where 2017 and 2018 financials are recalculated using 2019 exchange rates.

2 **EPRA Net Asset Value (EPRA NAV)** reflects the fair value of net assets on an ongoing, long-term basis. EPRA NAV is calculated based on NAV adjusted for the cumulative effects of deferred taxes, but does not adjust for the fair value of our investment properties.

3 **Income from property (NOI)**, here shown at CER, is calculated as property operating revenue less real estate operating expense for the relevant period. The NOI margin is calculated as income from property (NOI) divided by property operating revenue for the relevant period.

4 **EBITDA**, here shown at CER, is calculated as earnings before interest, tax, depreciation and amortization, excluding (i) valuation gains from investment property and investment property under construction, (ii) losses or gains on disposal of investment property plant and equipment and assets held for sale, (iii) acquisition costs and dead deals, (iv) cost incurred in connection with the Shurgard IPO and (v) casualty (loss) gain. EBITDA factors in the impact of IFRS 16 in 2019.

5 **Adjusted EPRA earnings**, here shown at CER, exclude deferred tax expenses on items other than the revaluation of investment property, and significant one-off items that arise from events and transactions distinct for the Company's regular operating activities.

THE CUSTOMER JOURNEY

We recognize that each customer is an individual and we are committed to providing a personalized service to each of them. This means delivering the right service, in the right place, at the right time, for the best price.

When a baby boomer is looking to downsize but needs more time to sort through the extra furniture, Shurgard is there with storage solutions between one sqm to 30 sqm. If a Generation Xer has finally found their renovation dream, Shurgard's convenient locations provide somewhere close by to store the contents while the builders are in. When a millennial starts up a small business selling on-trend accessories, they can access their extra stock in a Shurgard storage facility anytime of day. And when someone from Generation Z moves into a room in a flatshare for the first time, they can use Shurgard's storage as a convenient and accessible extra wardrobe.

Each customer that chooses Shurgard becomes part of our success. Our income from property grew 6.1% this year and adjusted EPRA earnings rose 8.1%. This allows us to invest in new developments, technology and staff to enable us to provide the best service and most convenient locations for every customer, whatever their story.

Share of customers from each generation

>60 years

Baby boomer

Face-to-face staff always available at Shurgard

33%

40-60 years

Generation X

Shurgard is open anytime of the day

37%

20-40 years

Millennial

Easy online booking on Shurgard's website

26%

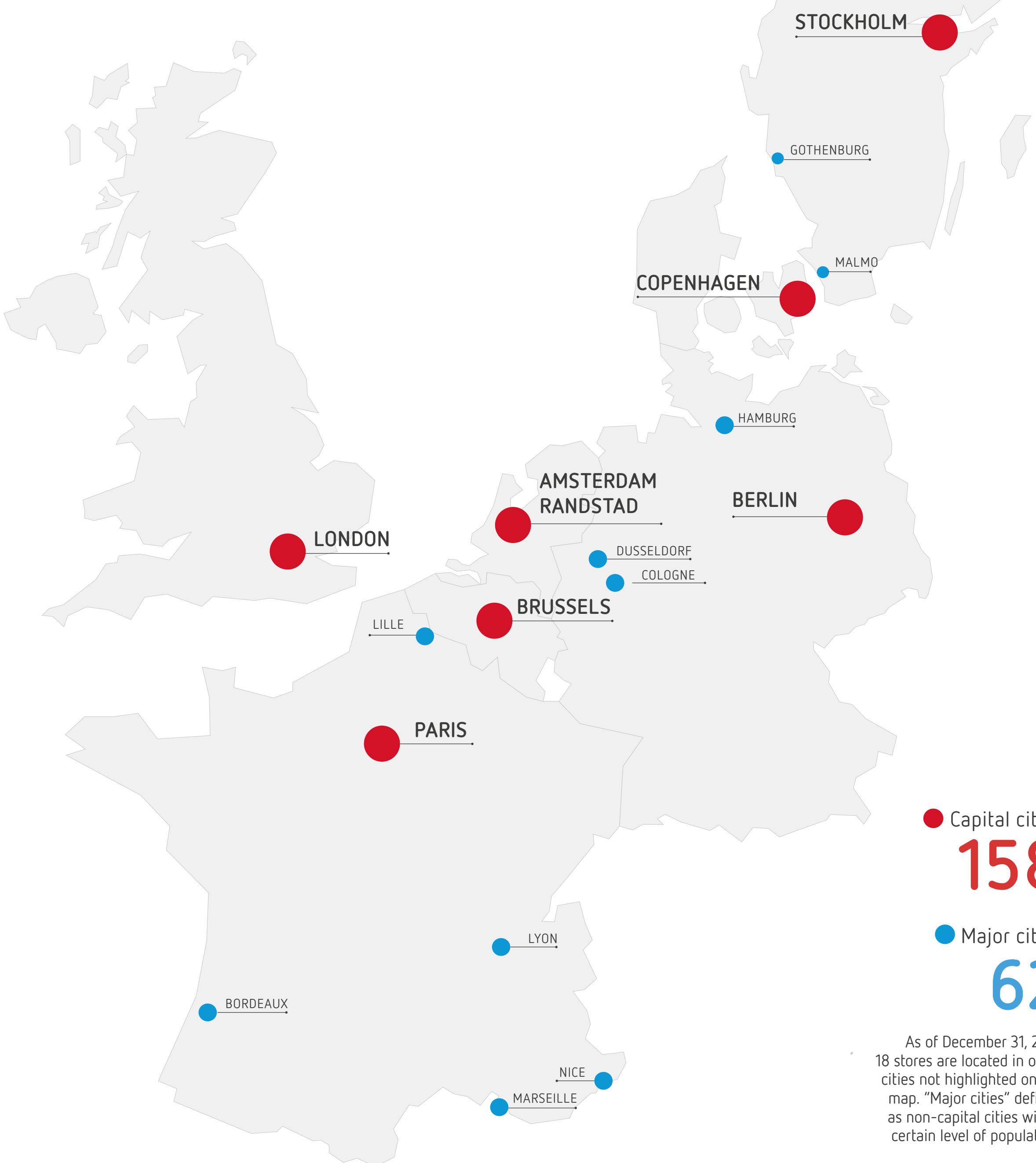
<20 years

Generation Z

Shurgard's storage provides the freedom to travel or study

4%

Our store locations



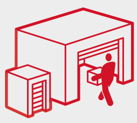
Capital cities
158

Major cities
62

As of December 31, 2019
18 stores are located in other cities not highlighted on the map. "Major cities" defined as non-capital cities with a certain level of population.

NUMBER ONE
self-storage operator in Europe with unrivalled presence and brand

over
160,000
customers



1.2 MILLION
square meters of rentable area

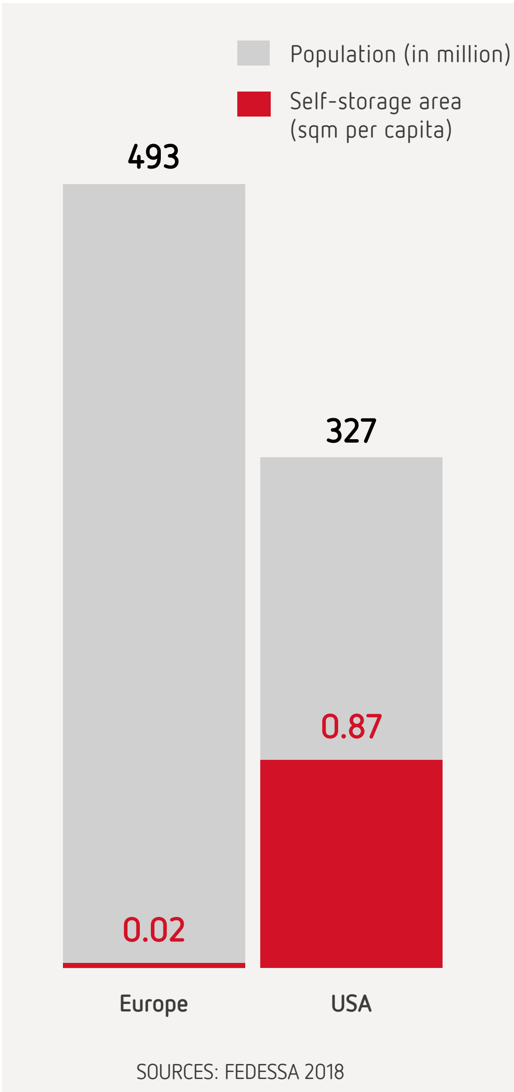
238
stores in 7 countries

OUR BUSINESS ENVIRONMENT

Self-storage market overview

Self storage is still a relatively nascent industry in the European market. Penetration and consumer awareness are very low compared to the mature self-storage market in the USA, but there are noticeable similarities in consumer behavior on both sides of the Atlantic that suggests there is still substantial room for growth in our markets.

The average amount of self-storage floor area per capita across Europe is 0.02 sqm. This compares to 0.87 sqm per capita in the much more mature US market.



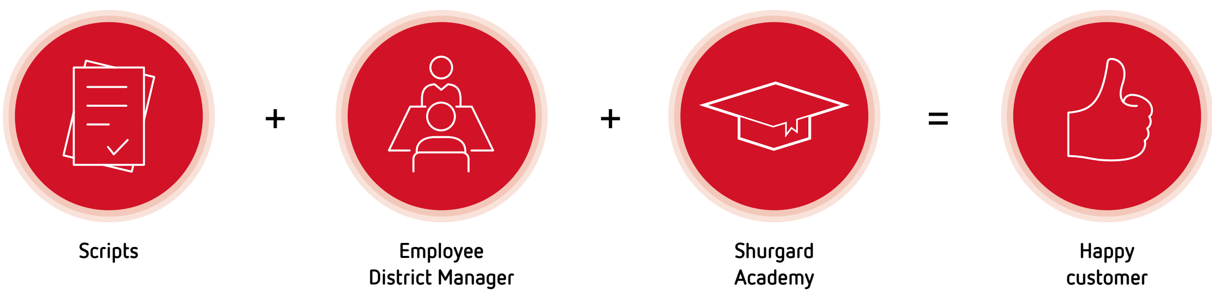
Our digital touchpoints

Digital consumers have changed the way the world does business. Potential customers can compare, book and pay for goods or services anywhere, but they still want the option of personal in-store service. Shurgard offers every touchpoint our customers choose to use, from instant mobile availability queries to social media requests and spontaneous walk-ins at our stores.

Our centralized IT and branding platform provides a consistent experience for customers and staff, while local expertise ensures that each store is optimized for the market in which it operates. This means the website will always show the best deals on offer, and the deals vary with demand and supply changes in each market, "The price you see is the price you pay!". The platform responds to the requirements of the company as well as the customer, and occupancy rates at stores open for three years ("same store" pool) have remained robust at 88.0% in 2019.

Our training platform and service protocols

Staff training and service protocols underpin our customer interactions. The Shurgard Academy provides our store employees with continuous development opportunities throughout their career, and our focus on service ensures customer satisfaction and retention. When a potential customer asks for a call-back, we respond within 20 minutes. When contracts need to be signed, our store staff provide comprehensive information and help to guide them through the process. These points of service make it easier for those new to the storage market to get moved in quickly and conveniently. As the storage market is still a relatively new industry in Europe, compared to the more mature US market, many customers are new, meaning there is substantial room to grow by attracting customers from all life stages. This in turn benefits our communities, creates value for our shareholders and delivers long-term success.



CREATING VALUE

When the customer journey is aligned with our company strategy, we create value for shareholders.

We have three key levers of growth across each of our seven markets: optimization of existing stores through better performance and through redevelopment, building and opening new stores, and targeted bolt-on acquisitions from competitors. Each is carefully planned to optimize property location, occupancy rates and rental returns. This means a convenient location for our customers, a selection of storage sizes to meet their needs, and competitive rental prices in the area. And the outcome for shareholders is a 5.4% rise in property operating revenue at constant exchange rates in 2019.

Levers of growth

21 opportunities for growth: 3 levers of growth x 7 countries

1 OPTIMIZATION

1. Efficient marketing and customer acquisition
2. Dynamic, automated pricing and occupancy management
3. Continuously optimized processes and platform
4. Expanding the footprint of owned buildings through redevelopment

Same store

+

2 NEW OPENINGS

1. Focus on attractive and cycle resilient locations in existing markets
2. Selective projects complying with strict operational and financial criteria

Development

+

3 TARGETED BOLT-ON ACQUISITIONS

1. Focus on attractive locations in existing markets
2. Benefit from Shurgard's brand strengths and marketing expertise
3. Leverage Shurgard scalable platform to optimize costs

M&A

Multiple growth opportunity

Geographic spread

Growth levers

Market opportunity

Efficient systems

Our centralized IT and marketing platform provides customers with the most convenient touchpoints for their journey, whether they are searching online, through social media or on the move. But the system also enables Shurgard to quickly integrate and optimize additional footage, generating more revenue with only marginal increases in running costs. This has helped improve margins by 0.7 percentage points (at CER) in 2019.

Sustainability

When we commit ourselves to high standards of sustainability, all our stakeholders and their communities benefit. We have signed up to the Global Real Estate Sustainability Benchmark (GRESB) standards, the leading Environmental, Social and Governance (ESG) benchmark for real estate and infrastructure investments across the world. The GRESB assessment allows Shurgard's customers and shareholders to evaluate our sustainability performance against industry standard criteria, using validated data and a consistent methodology. We are focused on ensuring we engage professionally with staff, improve the communities in which we operate, and manage the impact our stores have on the environment for the well-being of all our stakeholders.

ENERGY USE

−2.8%

MWh*

GREENHOUSE GAS EMISSIONS

−4.1%

Tonnes CO_2**

EMPLOYEE PERFORMANCE

+16.1%

Appraisal engagement %

* Total energy use at same store (degree day corrected)
** Total carbon emissions at same store

PILLARS OF ESG

Environmental credentials

As an owner and operator of real estate, Shurgard understands the impact of the built environment and the importance of sustainable properties. To provide a framework on which to build our environmental initiatives, this year we have been assessed for the GRESB. The GRESB assessment benchmarks real estate companies and assets across the world.

It considers sustainable development, energy and resource use, carbon emissions and renewable energy, alongside the social and governance apects of corporate social responsibility. Shurgard's environmental design specifications already incorporate energy-saving initiatives, and we are using the GRESB framework to ensure we work towards even greater resource management.

In the first year of assessment, Shurgard was rated second in its self-storage worldwide peer group category, and achieved a one star rating when compared across all real estate categories. This initial rating will be used as a foundation on which to build our environmental and sustainable credentials.

Social

Shurgard's storage centers are at the heart of their communities. They affect our employees, our customers and the people living nearby, and we are committed to providing the best social and community opportunities to these stakeholders.

Employees - Shurgard is passionate about creating positive workplaces characterized by optimal organizational health, and the well-being and productivity of our employees. We support their career development through the Shurgard Academy, a dedicated training program that empowers our staff to progress their careers within the business.

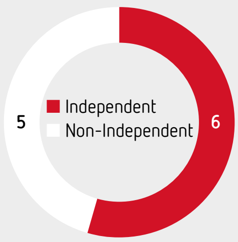
Customers - Our customers turn to us at inflection points in their lives. By providing storage for goods that might otherwise be disposed of, Shurgard is already focused on sustainable living. When they need us, we make sure their customer journey is simple, safe and accessible. They can rely on us to make sustainable choices that are good for them and for us.

Communities - All of our centres (as well as our corporate offices) have time and financial budgets to provide in-kind support and sponsorship to our community partners. We engage in local initiatives that benefit our communities and make a positive contribution, from Christmas collections to sponsored challenges.

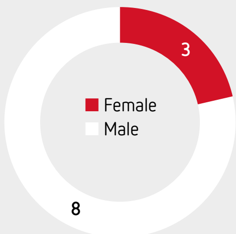
Governance

Shurgard has set up a Corporate Governance Charter that meets the specific nature, scale and complexity of the business and the environment in which we operate. The Charter came into effect when the Company listed on the Euronext Brussels stock exchange. Our governance structure is designed to foster principled actions, informed and effective decision-making, and appropriate monitoring of both compliance and performance.

Directors by type



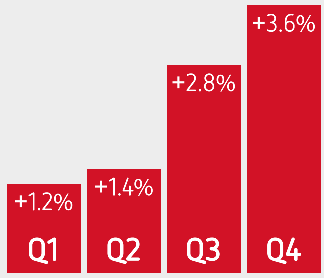
Directors by gender



Director nationalities

OPERATIONAL HIGHLIGHTS

Same store property
Operating revenue growth versus last year (at CER)



527

Employees underwent Academy training

The Shurgard Academy was launched in 2018 to enable us to attract, retain and train top talent within our stores. The Academy provides a transparent program of progression which empowers our employees to develop throughout their careers. In 2019, 527 employees underwent Academy training, representing 91% of the store workforce.

2nd

Global Real Estate Sustainability Benchmark framework in June 2019

To show our commitment to our sustainability goals, Shurgard was assessed under the GRESB framework in June 2019. The framework examines Shurgard's environmental, social and governance initiatives. We were ranked second amongst our self-storage peers and awarded a one-star rating which will form the foundation for continuous improvement of our ESG commitments.

Optimization

Shurgard concluded three redevelopments in 2019, including doubling the size of our City Airport property in London and increasing by 24% another London property in Forest Hill. Our Paris store in Sucy-en-Brie was also expanded. The total cost of the 5,173 sqm redevelopments was €10.0 million. Four more redevelopments are planned for 2020 in London, Paris and the South of France at a cost of €5.5 million.

New openings

31,345 sqm

In 2019, Shurgard signed contracts to build five new projects which will add a total of 31,345 sqm to our storage footprint. The projects, in London, Paris and Berlin, are in line with 2019 guidance, and all of them (one in London, two in Paris and two in Berlin) have already received permits with one under construction.

€25.5M

We opened two new properties in the fourth quarter of 2019 in London and Utrecht, the Netherlands. The new storage facilities cost €25.5 million and increased our storage area by 11,909 sqm. The properties will generate an expected property yield of between 8-10% at maturity.

6,945 sqm

In September 2019, Shurgard received planning permission to rebuild the Croydon Purley Way, London store that was destroyed by fire on December 31, 2018. The new 6,945 sqm store will have more than 1,100 storage units and is expected to open in the second half of 2020. We aim to achieve an "excellent" BREEAM sustainability certificate for this store.

Acquisitions

€16.7M

Total 2019 acquisitions

9,091 sqm

Total 2019 acquisitions

The first acquisition of 2019 was the ABR Self Storage facility in Rijswijk, Randstad, the Netherlands, and it was rebranded and operational from October 1. The new property will form an extension of Shurgard's existing facility in Rijswijk, adding 355 additional storage units within 1,750 sqm of storage space. The acquisition's stabilized yield is expected to be within our guidance of 8-10%. The targeted bolt-on acquisition forms part of our three pillars of growth strategy.

In November, Shurgard acquired the 3,560 sqm freehold and business activities of Inbox Storage in Gouda, Randstad, the Netherlands for € 6.1 million. The acquisition contributes to cementing our position as the largest operator there and complementing our network of storage facilities in the Randstad region.

Shurgard signed a deal with Flexistockage in October which adds four properties and 20,685 sqm to our Paris footprint. Shurgard has operated the properties since November 4, with two under management contract and the other two having been acquired early 2020. One property in Argenteuil is the biggest self-storage center in the Paris region, and Shurgard has right of first refusal should this site come up for sale in the future.

Towards the end of 2019, Shurgard acquired the Grepu Vastgoed facility in Nieuwegein for €7.4 million, reinforcing our market-leading position in the Netherlands. The new property will be an extension of our existing facility in Randstad. It adds 3,781 sqm of storage space to our portfolio with the opportunity to build-out a further 400 sqm of storage area.

CHAIRMAN'S STATEMENT

Shurgard delivered solid results in 2019, its first full year as a public company. Shurgard is managed by an independent Board of Directors and management team. It also has access to Public Storage, the largest self-storage company in the world. Regularly, the management teams meet and share "best practices" and work to leverage scale and technology.

Having a supportive and involved shareholder with the breadth of knowledge of Public Storage, and its affiliate business PS Business Parks, is a valuable advantage for Shurgard. The US self-storage market is much further along its maturity journey than Europe. Public Storage directors have the benefit of hindsight and the experience of growing with that market. They sit alongside a majority of independent directors on Shurgard's Board, providing insight that enables the Company to recognize opportunities to expand in the European market.

Shurgard is already the largest self-storage owner and operator in Europe, and new developments, acquisitions and redevelopment opportunities are increasing that lead.

2019 HIGHLIGHTS

Primarily from higher rents, Shurgard's same store revenue and NOI increased by 2.2% and 2.8% at CER, respectively.

The Company acquired three properties in the Netherlands, developed two new properties in the Netherlands and the United Kingdom, and completed three redevelopments in the UK and France, increasing the net rentable sqm by 1.8% to 1.2 million.

The Company will pay a total dividend of €0.95 per share for the year 2019.

Shurgard ended the year with cash of €199 million and commitments to acquire two properties in Paris.

OUTLOOK

Continued expansion of the development pipeline creates a headwind to earnings, as personnel are hired and newly developed properties open (they operate at a loss for the first year). Similar to Public Storage, Shurgard's development program generates substantial long term-value for shareholders.

Aside from the UK, the European self-storage market is nascent, with quality acquisition opportunities scarce. Accordingly, we plan to expand our development program in 2020.

Continued refinement of an already outstanding operating platform should again produce solid organic growth in 2020. We also have a number of programs underway with respect to the website, internet marketing and property-level technology.

CONCLUSION

Shurgard, Public Storage and PS Business Parks enter 2020 with fortress balance sheets, significant liquidity and excellent credit ratings.

They are supported by seasoned management teams with significant industry experience, high integrity and character and a commitment to a unique culture. These teams are also backed by experienced directors with knowledge of the real estate and self-storage markets at various stages of maturity.
They are all proven business models, focused on well-located properties in growing markets that generate good returns on invested capital.

Our organizations are well-positioned to create shareholder value in the next decade with multiple platforms, tremendous financial strength and exceptional leadership.

In the long term, we expect Shurgard to significantly widen its leadership position in the European self-storage industry. Shurgard has an excellent brand, quality properties, operates in growing markets and has a very capable management team. Combined with the financial strength and an exceptional business model, Shurgard should deliver solid returns to shareholders in 2020 and beyond.

Ronald L. Havner, Jr.
Chairman of the Board of Directors

CHIEF EXECUTIVE OFFICER'S STATEMENT

Last year, in 2018, we brought Shurgard to the investment community on a pledge to deliver growth using three levers that build on, and build up our portfolio of profitable self-storage properties. We focused on generating stable returns from our properties that have been open for three years, growing our footprint through new buildings and redevelopments, and seeking out established properties through dedicated M&A. I am pleased to look back on 2019 as the year we delivered on our promises, and look forward to another year of focused growth.

THREE LEVERS OF GROWTH - OUR PROPERTY PORTFOLIO

We provided guidance for same store revenue growth between 1.5% and 2.5% in 2019, and delivered within the range at 2.2%. At these properties, open for three years or more, or acquired more than one year ago, we have already implemented our standardized platform, established our local presence and built loyalty within the properties. The 2.2% growth demonstrates an improvement in most of our markets. In five countries, this is shown in positive revenue increases, and where we are working to turn around more challenging markets, the decline in revenue has stopped.

Meanwhile, we continue to add capacity to our seven-country portfolio, opening two new-built properties in the fourth quarter of last year, one in Utrecht (Randstad) in the Netherlands and the other in Herne Hill, London. In addition to entirely new-built properties, we also undertook several major redevelopments that added substantially to our storage footprint. In the UK, we doubled the size of our City Airport property in London, and increased by 24% another London property in Forest Hill. In the region around Paris, we also substantially increased the storage capacity of our Sucy-en-Brie property.

Our final lever is the considered and well-placed acquisition of properties from competitors. The self-storage market in Europe is very fractured and we are always alert to the possibility of M&A. This year, we have completed four deals which will bring seven properties into our portfolio. Three deals are for three properties in the Netherlands, and the fourth deal in Paris includes two property acquisitions and two properties under management. Our dedicated teams are always working on finding and acquiring suitable properties that fit with our growth strategy.

The total footprint increased by 21,000 sqm or 1.8% (excluding properties under management contract) to reach 1.2 million sqm at the end of 2019.

Unfortunately, on January 1, 2020, a fire at a nearby building spread to our Zoetermeer property in the Netherlands and destroyed the building. It is planned to reopen in 2021.

FINANCIAL STRENGTH

We have reported a strong financial year in 2019. Property operating revenue rose 5.0% in the year to €256.9 million (5.4% at constant exchange rates), reflecting an increased number of properties in our network, additional storage space in existing properties and the optimization of our established properties. Property operating revenue at our same stores rose 2.2% at constant exchange rates. This was achieved by a 2.5% increase in average in-place rent, while maintaining a stable occupancy level.

Property operating revenue from properties open less than three years or acquired within the year rose to €15.1 million.

Operating profit before property related adjustments rose by 7.5% because of a 6.1% increase in net income from real estate operations. Other key profit measures include profit before tax of €206.0 million, down 1.0% from the previous year, following a lesser revaluation gain in 2019 (€80.2 million) versus the previous year (2018: €94.6 million). Adjusted EPRA earnings rose 8.1% to €107.3 million.

We have proposed a final dividend of €0.50 per share for the year 2019. This amount corresponds to a dividend per share of €0.95, c. 80% of 2019 adjusted EPRA earnings, less the interim dividend of €0.45 per share that was paid on October 3, 2019.

THE CUSTOMER JOURNEY

Our customers' experience is the driving force behind our reputation, and their patronage enables us to grow the business and deliver value for shareholders. In 2019, we continued to improve the three main points of contact that our customers encounter, namely our people, over the phone or in our properties and our systems (mobile and web experience).

We make our properties safe, secure and welcoming, ensuring availability and easy access whenever they need it. We have improved our digital tools so that customers can quickly and easily find the information they need about Shurgard. This means better mobile interfaces and improved engagement on all the platforms that are becoming essential for people on the move, whether they are conducting business or have a personal need for more space. And our people are our most visible ambassadors. The Shurgard Academy has trained 527 employees in the past year, ensuring a consistent, helpful and knowledgeable contact point that drives sales and positive customer interaction. This focus has helped to improve feedback from our customers, and our Feefo[1] rating is now 4.6 on average, with country-specific properties ranging from 4.5 to 4.7.

SUSTAINABILITY

Shurgard has always recognized the importance of corporate social responsibility to our shareholders, customers, and the communities in which we operate. But we also recognize that this is an ongoing commitment. We want to ensure that we continue to improve sustainability and social responsibility, so we have opened our business to expert scrutiny. 2019 marks the first year that we have been assessed under the GRESB framework.

In this first year of participation, Shurgard is pleased to report that we have ranked second within our self-storage peer group. Overall, we achieved a one star rating, which is in comparison with global property companies, many of which have very different profiles to our own.

The rating is broken down into environmental, social and governance sections, and Shurgard achieved well on both the environmental and governance ratings. While our social rating has room for improvement, at least some of the shortfall was a lack of publicity of the social work we are already doing. Within our properties, there is a growing commitment to community engagement that is driven from within the local team. Being more proactive about promoting these social initiatives will bring our social rankings up naturally, and we will combine this with a central drive to improve community engagement.

We are pleased to have engaged the GRESB framework, and look on the 2019 benchmark year as a foundation on which to build our environmental, social and governance initiatives and improve our GRESB rating over the forthcoming years.

OUTLOOK

While working hard to build the portfolio in 2019, we have also been preparing the pipeline for new developments. We have signed deals to open five properties in 2020, two in Berlin, two in Paris and one in London. These new properties are in addition to the reopening of the new Croydon Purley Way building in London in 2020 which was destroyed by a fire at the end of 2018. In addition, we have four developments planned for 2021 in Berlin, Cologne, Paris and London for which purchase agreements have been signed. We continue to focus on high density urban locations with a varied market of customers who benefit from our convenience, value for money and safe storage of their possessions.

Our redevelopment pipeline is equally busy, with four projects planned for the forthcoming financial year. Our acquisition team are actively seeking out suitable targets, and we will continue to acquire properties at a target property NOI yield of 8-10% after the successful acquisitions of two sites in January from Flexistockage in Paris.

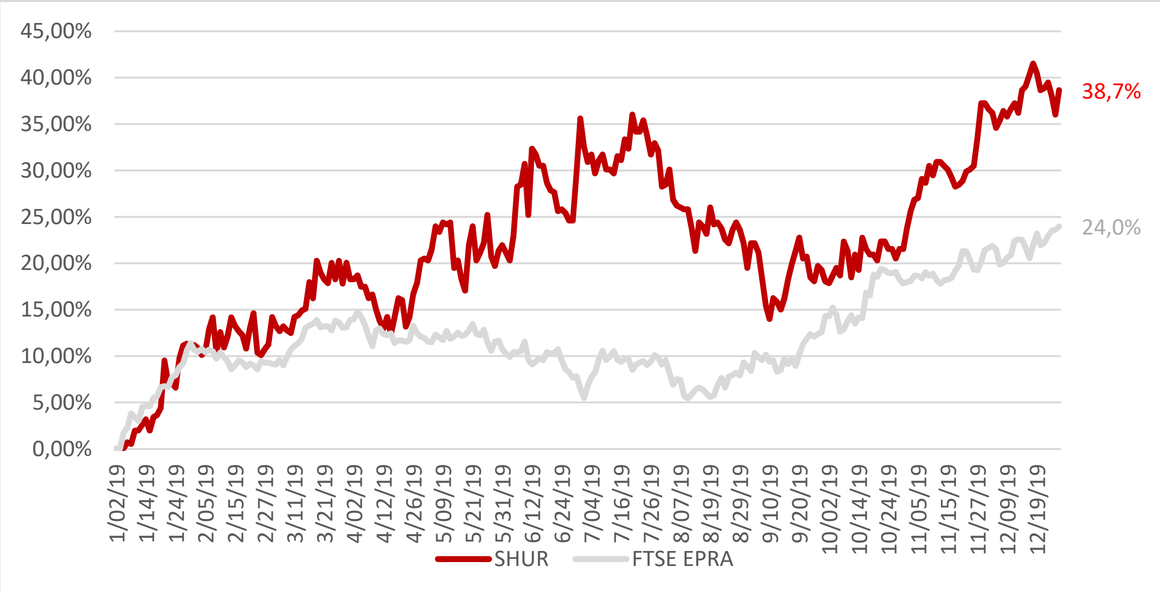
Marc Oursin

Chief Executive Officer

1. Feefo star-rating is based on the direct reviews of genuine Shurgard customers who rate the service along a five point scale (1 for very bad to 5 for excellent).

THE SHURGARD SHARE

SHARE PRICE DEVELOPMENT



BASIC SHARE DATA

ISIN / common code	LU1883301340 / 188330134
CFI code	ESVUFX
Ticker	SHUR
Stock exchange	Euronext Brussels
Shares issued	88,935,681
Shares outstanding (December 31, 2019)	88,705,160
Subscribed capital	€63,470,669.79
Share price as of December 31, 2019[1]	€34.00
52-week high / low[2]	€35.20 / €24.00
Market capitalization as of December 31, 2019	€3,024 million
Average daily trading volume	23,780 shares

1 Closing price on last trading day of the month.
2 In each case from start of trading on January 1, 2019 to December 31, 2019, based on Euronext Brussels intraday or closing price.

DIVIDEND

In respect to the first half year of 2019, as approved by our Board of Directors, the Company paid on October 3, 2019 an interim dividend of a maximum of €39.9 million or €0.45 per share ("the 2019 interim dividend"), which approximates the target pay-out ratio of 80% of adjusted EPRA earnings.

The Board of Directors has approved on February 25, 2020 a final dividend for the year 2019, of €44.35 million (taking into account the total number of outstanding shares as per December 31, 2019) or €0.50 per share, as per the target pay-out ratio of c. 80% of adjusted EPRA earnings.

This second and final dividend on 2019 results will be paid on or around May 15, 2020 to shareholders on the register at close of business on May 14, 2020.

MANAGEMENT REPORT

TABLE OF CONTENTS

KEY FINANCIALS

(in € millions, except where indicated)	Q4 2019	Q4 2018	+/- (CER)[1]	FY 2019	FY 2018	+/-	+/- (CER)[1]
Property KPIs at period end							
Number of properties	234	232		234	232	0.9%	
Net rentable sqm[2]	1,192	1,171		1,192	1,171	1.8%	
Net rented sqm[3]	1,026	1,003		1,026	1,003	2.3%	
Occupancy rate[4]	86.1%	85.6%		86.1%	85.6%	0.4pp	
Property KPIs for the period							
Average occupancy rate[5]	87.4%	86.9%	0.5pp	86.8%	86.9%	-0.1pp	
Average in-place rent (in € per sqm)[6]	219.8	215.0	2.3%	216.4	211.4	2.3%	2.7%
Average revPAM (in € per sqm)[7]	223.9	218.2	2.6%	219.5	215.3	2.0%	2.4%
Financial KPIs for the period							
Property operating revenue[8]	66.1	63.4	4.3%	256.9	244.7	5.0%	5.4%
Income from property (NOI)[9]	42.3	41.2	2.6%	163.0	153.7	6.1%	6.6%
NOI margin[10]	63.9%	65.0%	-1.0pp	63.4%	62.8%	0.6pp	0.7pp
EBITDA[11]	36.2	37.8	-4.2%	145.2	141.3	2.7%	3.2%
Adjusted EPRA earnings[12]	27.3	25.4	7.6%	107.3	99.3	8.1%	8.7%
Adjusted EPRA earnings per share (diluted) (in €[13])				1.20	1.43		
Average number of shares (in millions - diluted)				89.2	69.3		
Total dividend per share (in €)				0.95	0.22[14]		
Financial KPIs at period end							
EPRA net asset value (EPRA NAV) [15]				2,265.0	2,150.1	5.3%	
Loan to value (LTV)[16]				16.9%	13.9%	3.1pp	

1 In the constant exchange rate (CER) comparison, 2018 financials are recalculated using 2019 exchange rates.
2 Net rentable sqm is presented in thousands of sqm and calculated as the sum of unit space available for customer storage use at our properties, measured in sqm, based on our unit size categories, as of the relevant date.
3 Net rented sqm is presented in thousands of sqm and calculated as the sum of unit space rented by customers at our properties, measured in sqm, based on our unit size categories, as of the relevant date.
4 Occupancy rate is presented in percent and calculated as the net rented sqm divided by net rentable sqm as of the relevant date.
5 Average occupancy rate is presented in percent and is calculated as the average of the net rented sqm divided by the average of the net rentable sqm, each for the relevant periods.
6 Average in-place rent is presented in euro per sqm and calculated as rental revenue, on a constant exchange rate basis, divided by the average net rented sqm for the relevant period.
7 RevPAM, which stands for revenue per available sqm, is presented in euro per sqm for the relevant period and calculated as property operating revenue, divided by the average net rentable sqm for the relevant period.
8 Property operating revenue represents our revenue from operating our properties, and comprises our rental revenue, insurance revenue and ancillary revenue.
9 Income from property (NOI) is calculated as property operating revenue less real estate operating expense for the relevant period.
10 NOI margin is calculated as income from property (NOI) divided by property operating revenue for the relevant period.
11 EBITDA is calculated as earnings before interest, tax, depreciation and amortization, excluding (i) valuation gains from investment property and investment property under construction, (ii) losses or gains on disposal of investment property plant and equipment and assets held for sale, (iii) acquisition costs and dead deals, (iv) cost incurred in connection with the Shurgard IPO and (v) casualty (loss)/gain. EBITDA factors in the impact of IFRS 16 in 2019.
12 Adjusted EPRA earnings is calculated as EPRA earnings adjusted for (i) deferred tax expenses on items other than the revaluation of investment property and (ii) special items ("one-offs") that are significant and arise from events or transactions distinct from regular operating activities.
13 Adjusted EPRA earnings per share in euro (diluted) is calculated as adjusted EPRA earnings divided by the weighted average number of outstanding shares, plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (including outstanding share options) into ordinary shares.
14 The amount only represents 25% of the target pay out ratio of 80% of adjusted EPRA earnings.
15 EPRA NAV is calculated as net assets in the statement of financial position attributable to ordinary equity holders of the parent, excluding deferred taxes on fair value adjustments of investment property.
16 Net debt expressed as a percentage of the fair value of the group's investment property and investment property under construction.

PRELIMINARY REMARKS

Shurgard Self Storage S.A. (the "Company", and references to "Shurgard", "we", "us", "our" or the "Group" are to the Company together with its consolidated subsidiaries) has the form of a public limited liability company (Société Anonyme) and is governed by the laws of the Grand Duchy of Luxembourg.

Certain statements contained herein may be statements of future expectations and/or other forward-looking statements that are based on our current views and assumptions. These involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those expressed or implied in such statements. Shurgard does not intend and does not undertake any obligation to revise these forward-looking statements.

GROUP OVERVIEW

BUSINESS MODEL

We are the largest owner and operator of self-storage facilities, which we refer to as properties, in Europe in terms of number of properties and net rentable sqm.[1] We began operating in 1995 and are one of the pioneers of the self-storage concept in Europe. As of December 2019, our network of 234 properties comprised approximately 1,192,000 net rentable sqm serving about 160,000 customers in the Netherlands, France, Sweden, the United Kingdom, Belgium, Germany and Denmark.

Across this network, we have developed an integrated self-storage group with local expertise in the seven countries. We have centralized in-house capabilities to design, develop, acquire and operate properties to provide a consistent experience to residential and commercial customers.

We generate revenue through the lease of storage units and related activities, including insurance referrals and the sale of storage products and packaging. Our property operating revenue and income from property (NOI) have increased steadily in recent years. Over this time, we increased rental rates across our network and grew our portfolio through new developments, redevelopments and acquisitions. The table below shows our property operating revenue and NOI for the financial year 2019 compared to 2018.

(in € millions)	Q4 2019	Q4 2018	+/-	FY 2019	FY 2018	+/-
Property operating revenue	66.1	63.4	4.2%	256.9	244.7	5.0%
NOI	42.3	41.2	2.5%	163.0	153.7	6.1%
NOI margin	63.9%	65.0%	-1.1pp	63.4%	62.8%	0.6pp

OUR OPERATING PLATFORM

Our integrated and centralized operating platform allows us to manage many operational functions for our portfolio of properties from a central location/head office. This centralization of skills and management enables us to run a lean organization and provides significant operational leverage. The resulting economies of scale have a direct positive impact on our NOI margin, which came to 63.4% in 2019 compared to 62.8% in 2018.
The NOI margin on same store grew from 62.1% as of December 31, 2017 to 63.9% as of December 31, 2019 or +1.9pp, resulting in the Company achieving its medium-term guidance set at IPO.

Our platform approach relies on consistency in our performance measures and key support functions across the portfolio. This means managing the yield achieved from our properties through a balance of occupancy and pricing

1 FEDESSA 'European Self Storage Annual Survey' 2019.

levels. It also means we have consistency in operational and management initiatives, such as aligning sales processes, branding, shop design and supplier relations. On a granular level though, we can gather information on local conditions and monitor online traffic, conversion rates and other key metrics through our automated centralized information management systems.

We continue to target growth through further development and bolt-on acquisitions. As an increasing proportion of our sales and marketing activities migrate to online customer interactions, we believe this platform approach will play a significant role in maintaining efficient operations across our network. This belief is supported by the scalability of our information management systems and centralized platform, and the consistency of operations in each of our properties.

GROUP STRUCTURE

Shurgard Self Storage S.A. is the parent Company and principal holding Company of the Group. The Company's significant holding and operational subsidiaries are in the Netherlands, France, Sweden, the United Kingdom, Belgium, Germany and Denmark.

Name	Jurisdiction	Percentage ownership (directly or indirectly)
Shurgard Luxembourg S.à r.l.	Luxembourg	100.0%
Shurgard Holding Luxembourg S.à r.l.	Luxembourg	100.0%
Shurgard France SAS	France	100.0%
Shurgard Belgium CVA/SCA	Belgium	100.0%
Shurgard Europe VOF/SNC	Belgium	100.0%
Shurgard Germany GmbH	Germany	100.0%
First Shurgard Deutschland GmbH	Germany	94.8%
Second Shurgard Deutschland GmbH	Germany	94.8%
Shurgard Nederland B.V.	The Netherlands	100.0%
Shurgard UK Ltd.	United Kingdom	100.0%
Shurgard Denmark ApS	Denmark	100.0%
Shurgard Sweden AB	Sweden	100.0%
Shurgard Storage Centers Sweden KB	Sweden	100.0%

All the Company's subsidiaries are, directly and indirectly, wholly owned, except for First Shurgard Deutschland GmbH and Second Shurgard Deutschland GmbH. We own 94.8% of these two companies and the remaining 5.2% therein is held by our two Principal Shareholders through Shurgard German Holdings LLC.

MANAGEMENT

The Shurgard Group is managed by the Board of Directors together with the Senior Management in accordance with applicable laws and as laid out in the Company's Articles of Association. As of December 31, 2019, the Board of Directors comprised the following 11 members:

Name	Position	Age	Mandate expires
Ronald L. Havner, Jr.[1]	Chairman	62	Annual shareholders' meeting 2020
Marc Oursin	Chief Executive Officer	57	Annual shareholders' meeting 2020
Z. Jamie Behar[2]	Director	62	Annual shareholders' meeting 2020
John Carrafiell[2]	Director	54	Annual shareholders' meeting 2020
Daniel C. Staton[1]	Director	66	Annual shareholders' meeting 2020
Ian Marcus	Lead Independent Director	60	Annual shareholders' meeting 2020
Muriel De Lathouwer	Independent Director	47	Annual shareholders' meeting 2020
Olivier Faujour	Independent Director	54	Annual shareholders' meeting 2020
Frank Fiskers	Independent Director	58	Annual shareholders' meeting 2020
Padraig McCarthy	Independent Director	59	Annual shareholders' meeting 2020
Isabelle Moins	Independent Director	55	Annual shareholders' meeting 2020

1 Director elected on the designation of Public Storage.
2 Director elected on the designation of NYSCRF (New York State Common Retirement Fund).

As of December 31, 2019, the Senior Management of the Group was made up of the following five members, who hold their positions through employment contracts with entities of the Group, except for the Chief Executive Officer who has a management agreement and who is appointed and may be removed by the Board of Directors.

Name	Responsibilities	Age	Initial appointment
Marc Oursin	Chief Executive Officer	57	January 9, 2012
Jean Kreusch	Chief Financial Officer	55	November 1, 2003
Duncan Bell	VP Operations	56	April 14, 2009
Ammar Kharouf	General Counsel, VP Human Resources and Legal	49	March 17, 2014
Jean-Louis Reinalda	VP Real Estate	51	October 1, 2015

The Board of Directors has delegated the daily management of the business to the Chief Executive Officer. The CEO has the authority to represent the Board, as well as a number of ancillary specific powers. In addition, the CEO has been granted powers to approve any redevelopment or refurbishments of real estate assets.

MARKET OVERVIEW

SELF-STORAGE BASICS

Self storage is a business to consumer enterprise in a niche real estate sector that rents storage units, typically on a monthly basis, to individuals (approximately 80%) and business users (approximately 20%). Individuals primarily use self storage as a "remote attic or basement" to store household goods, while businesses usually store excess inventory or archived records. Storage units often differ in size and can range from one sqm to more than 50 sqm. One of the key drivers of self-storage adoption is population density, where space is at a premium, and householders or businesses need cost-effective storage solutions.

For individuals, the industry accommodates storage needs generated by a broad set of "life changes", e.g. death, divorce, marriage, relocation, moving and university, as well as longer-term discretionary uses. On the commercial side, self storage is used by small businesses, e-businesses and other home-based operations as well as large companies looking for overflow storage or the ability to place materials in various locations for sales people or retail distribution.

EUROPEAN SELF-STORAGE MARKET

The European self-storage market has been characterized by a period of sustained growth in recent years. It currently comprises nearly 4,920 facilities across Europe, providing over 9.9 million sqm of space.[1] In the seven countries where we operate, there are approximately 7.8 million sqm of rentable area across approximately 3,064 self-storage facilities (including UK containers).[1]

The largest self-storage market in Europe is the UK, accounting for 37.0% of total facilities. Over 80% of the facilities are located in the six most mature countries within Europe (UK, France, Spain, the Netherlands, Germany and Norway).[1] The average amount of self-storage floor area per capita across Europe is 0.02 sqm. This compares to 0.87 sqm in the much more mature US market, indicating significant further growth potential.[2] In terms of competition, the European self-storage market is still highly fragmented. The ten largest European self-storage operators account for 19.0% of all self-storage facilities and 35.4% of the total self-storage space.[1] Shurgard, as the largest operator, represents approximately 5.5% of the facilities and 11.9% of the total space.[1]

The industry growth has been driven by increases in customer demand, supported by demographic and macroeconomic trends and increasing customer awareness of self-storage. Continued development in the supply of self-storage facilities and consolidation among self-storage providers have also driven growth.

Several factors have supported demand for self storage from residential customers in recent years. These include favorable demographic and macroeconomic trends, such as population growth, urbanization, higher levels of mobility, micro-living, increasing personal wealth and ownership of more storable goods, as well as increased consumer awareness. These trends have been particularly strong in urban areas, where high density levels, elevated housing costs and the scarcity of housing and storage space are expected to support longer-term pricing rates and occupancy levels. Demand from business customers has been supported by growth of new online retailers and small businesses, which require flexible and cost-effective storage options. We expect these trends to continue to support demand for self storage in the coming years.

Supply of self-storage facilities has grown significantly in recent years, alongside increases in customer demand. This growth is also influenced by the high level of fragmentation in the European self-storage industry. As a result, the market has been characterized by periods of consolidation in recent years, which we expect to continue in the future.

1 FEDESSA 'European Self Storage Annual Survey' 2019.
2 FEDESSA 'European Self Storage Annual Survey' 2018.

GROWTH STRATEGY

Our goal is to enhance shareholder value by further strengthening our position as the leading self-storage operator in Europe, operating strategically-located properties and providing a level of customer service designed to satisfy the requirements and priorities of both residential and business customers.

We aim to expand our position in the seven countries where we operate, with a particular focus on attractive urban areas such as London, Paris and Berlin. Our growth strategy relies on our established track record of redeveloping, developing and acquiring properties. With our centralized operating platform, we will benefit from immediate operating leverage and additional economies of scale.

REDEVELOPMENT

We continuously monitor a variety of demand metrics across our existing property network. These are based on factors like occupancy rates for various unit sizes, customer visits to our website, online pricing searches, and in-store interactions with our customers. We will continue to analyze our operations for opportunities to undertake remix projects. We reorganize the units at a property to reflect customer demand in that particular market to improve occupancy levels or increase rental rates.

We also expand our existing properties when there is an increase in local demand and the returns justify the expansion of rentable area. Redevelopments may increase the rentable area of a property by at least 10%, but in many cases the rentable areas are increased by substantially more than 10%.

NEW DEVELOPMENT

The opening of new properties has proven to be an important lever of our growth. We are seeking at least five development projects per year from 2020, with our reinforced development team of 16 dedicated development and construction specialists. To do so, we focus on a set of clear selection criteria, both operational and financial, including attractive and cycle-resilient locations in our existing markets. We are targeting five property openings per year in the medium term.

ACQUISITIONS

Finally, we intend to continue to take advantage of the strong fragmentation of the self-storage market in Europe to acquire properties from competitors across the seven countries where we operate, as well as strategic acquisitions where we deem appropriate. We believe that our experience and knowledge of the markets in which we currently operate should enable us to identify opportunities with attractive potential returns. We are targeting three property acquisitions per year on average in the medium term, benefiting from immediate operating leverage and additional economies of scale. We continue to focus on urban areas that we anticipate will enjoy strong demand during all economic cycles and provide attractive growth potential.

YIELD MANAGEMENT

Our goal is to maximize revenue through increased occupancy levels and rental rates. When the occupancy rate of a property reaches approximately 92%, we generally consider it to be "stabilized" and seek to increase rental rates to drive revenue growth through best-in-class yield management. We regularly evaluate our properties' rental rates based on unit demand and unit availability. We adjust our marketing and promotional activities and change rental rates as necessary to seek to enhance revenue.

BRAND AND MARKETING

We believe that the Shurgard brand is a critical marketing tool and we use a variety of channels to increase customer awareness of our name. These include highly visible property locations, site signage and architectural features. In addition, our marketing and sales processes are supported by a number of activities on social media and other websites to improve our brand awareness and direct potential customers to our website and properties.

RESEARCH AND DEVELOPMENT

As part of our marketing activities, we regularly conduct focus group research and online surveys to identify the primary considerations in customers' self-storage choices and satisfaction. This allows us to better attract and service customers.

PROPERTY PORTFOLIO

OUR PROPERTIES

The number of properties we own and operate has grown to a network of 238 properties comprising approximately 1,213,000 net rentable sqm as of December 31, 2019. We primarily operate in urban areas across Europe, with around 92% of our properties located in capital and major cities. As of December 31, 2019, approximately 95% of our net square rentable area was in properties that we own ("freehold properties") or operate under long-term lease agreements of at least 80 years remaining life ("long leasehold properties"). The occupancy rate across all properties was at 86.8% on average over the full year 2019. The average in-place rent per sqm was at €216.5 during the year.

The following table shows our portfolio by country, as of December 31, 2019:

	Total number of properties	Net rentable sqm (in thousands)	Freehold and long leasehold[1]	Average occupancy rate[2]	Average in-place rent (in € per sqm)[3]
The Netherlands	63	306	85.0%	87.1%	182.4
France	60	295	97.0%	87.3%	233.2
Sweden	36	183	97.0%	89.8%	223.9
United Kingdom	31	167	100.0%	82.6%	268.3
Belgium	21	117	100.0%	86.7%	174.7
Germany	17	91	100.0%	85.1%	214.2
Denmark	10	53	100.0%	89.0%	239.9
Total	**238**	**1,213**	**95.0%**	**86.8%**	**216.5**

1 Average calculated as a weighted average by net rentable sqm.
2 Average occupancy rate is calculated as the average of the net rented sqm divided by the average of the net rentable sqm.
3 Average in-place rent is calculated as rental revenue divided by the average net rented sqm.

Our net rentable sqm have grown from 1,171,149 sqm as of December 31, 2018 to 1,212,864 sqm as of December 31, 2019. The biggest increase in our portfolio has come from France, where we added 7.6% (20,685) net rentable sqm with the addition of Flexistockage (four properties under management contract). By acquiring Inbox (one property), ABR self storage (one satellite property) and Grepu Vastgoed facility (one satellite property), we were able to add 3.1% (9,091) net rentable sqm in the Netherlands, in addition to the opening of Utrecht Leidsche Rijn adding 2.0% (5,923) net rentable sqm. We have further increased our portfolio by 1.8% (2,917) net rentable sqm in the UK following the opening of Herne Hill and several redevelopments (partially countered by the closing of Croydon Purley Way).

PROJECTS COMPLETED IN 2019

Property	Region	Country	Net sqm	Direct project cost/Acquisition cost[1]
Major redevelopments				
City Airport	London	UK	3,706	6,444
Sucy-en-Brie	Paris	France	662	885
Forest Hill	London	UK	805	2,692
New developments				
Utrecht Leidsche Rijn	Randstad	The Netherlands	5,923	9,536
Herne Hill	London	UK	5,986	16,011
M&A				
ABR / Rijswijk	Randstad	The Netherlands	1,750	3,187
Inbox / Gouda	Randstad	The Netherlands	3,560	6,100
Grepu / Nieuwegein	Randstad	The Netherlands	3,781	7,402
Total 2019			**26,173**	**52,257**

1 In € thousands at closing rate December 2019 and including development fees and acquisition costs but excluding absorption costs.

In 2019, we completed three major redevelopments (in the UK and France) and two openings (in the Netherlands and the UK). On top of these redevelopments, we also have completed three major remixes in Germany and Belgium which resulted in a significant increase in net rentable units. In addition, we have signed a deal in Paris which includes four properties under management totaling 20,685 net rentable sqm, of which two were acquired on January 31, 2020.

PROJECT PIPELINE 2020

Property	Region	Country	Completion date	Net sqm	Direct project cost/Acquisition cost[1]
Major redevelopments					
Nanterre La Défense	Paris	France	Q2 2020	955	2,550
Marseille Le Canet	Marseille	France	Q2 2020	670	299
Créteil	Paris	France	Q3 2020	270	441
Camden	London	UK	Q4 2020	409	2,175
New developments					
Oberschoeneweide	Berlin	Germany	Q3 2020	6,060	9,518
Reinickendorf	Berlin	Germany	Q4 2020	5,274	8,649
Corbeil	Paris	France	Q2 2020	5,691	6,603
Argenteuil	Paris	France	Q4 2020	7,458	11,632
Croydon Purley Way	London	UK	Q3 2020	6,945	10,749
Barking	London	UK	Q4 2020	6,862	12,160
M&A					
Flexistockage (two properties)	Paris	France	2020	8,554	-
Total 2020				**49,148**	91,276

1 In € thousands at closing rate December 2019 and including development fees and acquisition costs but excluding absorption costs.

PROJECT PIPELINE 2021

Property	Region	Country	Net sqm	Direct project cost[1]
Signed purchase agreements (conditional on planning consent)				
1 property	Paris	France	c. 5,000	7,400
1 property	Berlin	Germany	c. 5,000	9,100
1 property	Cologne	Germany	c. 5,000	10,400
1 property	London	UK	c. 7,000	25,500
Total 2021			**c. 22,000**	**52,400**

1 In € thousands at closing rate December 2019 and including development fees and acquisition costs but excluding absorption costs.

In Q4 2019, we were able to grow our portfolio and to build up our pipeline for the coming years, with 8.4% (or 97,400 sqm) of our net rentable sqm (up from 5.8% in Q3 2019) being acquired, developed, under construction and secured.

PROPERTY LAYOUT

Although the size of our properties varies, most consist of multi-story buildings. The rental units typically range from one to 20 sqm in size. The average unit size is approximately seven sqm, although unit sizes are typically smaller in major metropolitan areas at approximately five to six sqm. As of December 31, 2019, we had approximately 780 units at each property, and our properties had an average rentable area of over 5,000 sqm.

OPERATIONAL AND FINANCIAL REVIEW

GROUP RESULTS

(in € thousands except where indicated)	Q4 2019	Q4 2018	+/- (CER)	FY 2019	FY 2018	+/-	+/- (CER)
Real estate operating revenue	66,188	63,395	4.4%	257,058	244,844	5.0%	5.4%
Real estate operating expense	(23,820)	(22,180)	7.3%	(93,927)	(91,022)	3.2%	3.5%
Net income from real estate operations	**42,368**	**41,215**	**2.9%**	**163,131**	**153,822**	**6.1%**	**6.5%**
General, administrative and other expenses	(5,479)	(3,026)	80.6%	(16,309)	(10,947)	49.0%	48.9%
of which depreciation and amortization expense	(234)	(427)	-45.1%	(1,665)	(1,679)	-0.8%	-0.8%
Acquisition costs of business combinations	(1,446)	(2,859)	-50.9%	(1,601)	(3,010)	-46.8%	-48.2%
Cost incurred in connection with Shurgard Public offering	0	(2,188)	NA	0	(4,744)	-100.0%	NA
Royalty fee expense	(653)	(624)	4.5%	(2,536)	(2,416)	5.0%	5.4%
Operating profit before property related adjustments	**34,790**	**32,518**	**7.4%**	**142,685**	**132,705**	**7.5%**	**8.1%**
Valuation gain from investment property and investment property under construction	80,374	86,920	-7.2%	80,168	94,588	-15.2%	-15.1%
Proceeds from property insurance recovery and gain on disposal of investment property, property, plant and equipment	(1)	251	NA	2,142	1,675	27.9%	27.9%
Operating profit	**115,163**	**119,689**	**-3.4%**	**224,995**	**228,968**	**-1.7%**	**-1.3%**
Finance cost	(5,748)	(6,368)	-10.3%	(18,977)	(20,968)	-9.5%	-9.4%
Profit before tax	**109,415**	**113,321**	**-3.0%**	**206,018**	**208,000**	**-1.0%**	**-0.5%**
Income tax expense	(32,091)	(13,976)	NA	(56,023)	(36,309)	54.3%	54.7%
Attributable profit for the period	**77,324**	**99,345**	**-21.9%**	**149,995**	**171,691**	**-12.6%**	**-12.2%**
Profit attributable to non-controlling interests	(459)	(245)	87.7%	(724)	(475)	52.0%	52.0%
Profit attributable to ordinary equity holders of the parent	**76,865**	**99,100**	**-22.2%**	**149,271**	**171,216**	**-12.8%**	**-12.4%**
Earnings per share attributable to ordinary equity holders of the parent:							
Basic, profit for the period (in €)				1.68	2.48		
Diluted, profit for the period (in €)				1.67	2.47		
Adjusted EPRA earnings per share (diluted) (in €)				1.20	1.43		
Average number of shares (in millions - diluted)				89.2	69.3		

The following discussion of group revenue and expenses down to EBITDA is based on a constant exchange rate (CER) comparison, where 2018 actual exchange rate (AER) numbers are recalculated using 2019 exchange rates.

REAL ESTATE OPERATING REVENUE

Our real estate operating revenue is comprised of property operating revenue, which includes rental revenue, insurance and ancillary revenue, and other revenue (management fee revenue and partnership income from self-storage operations).

(in € thousands)	Q4 2019	Q4 2018	+/-	FY 2019	FY 2018	+/-
Rental revenue	56,703	54,240	4.5%	219,930	208,170	5.6%
Insurance revenue	6,868	6,543	5.0%	26,683	24,993	6.8%
Ancillary revenue[1]	2,503	2,595	-3.6%	10,331	10,600	-2.5%
Property operating revenue (CER)	**66,074**	**63,379**	**4.3%**	**256,944**	**243,764**	**5.4%**
Other revenue[2]	114	0	NA	114	149	-23.5%
Real estate operating revenue (CER)	**66,188**	**63,379**	**4.4%**	**257,058**	**243,913**	**5.4%**
Foreign exchange	0	17	NA	0	931	NA
Real estate operating revenue (AER)	**66,188**	**63,395**	**4.4%**	**257,058**	**244,844**	**5.0%**

1 Ancillary revenue consists of merchandise sales and other revenue from real estate operations.
2 Other revenue consists of management fee revenue and partnership income from self-storage operations.

Real estate operating revenue rose 5.4% from €243.9 million in 2018 to €257.1 million in 2019. The bulk of this revenue growth comes from an increase in storage rentals supported by the growth of our network through several redevelopments, new developments and acquisitions.

Due to the difference in performance levels of our recently developed and acquired properties on the one hand, which typically have lower occupancy levels, and for which we typically charge lower rental rates, and our stabilized properties on the other hand, which are generally characterized by higher occupancy levels and higher rental rates, we evaluate the performance of our properties in two segments: "same stores" and "non-same stores".

Rental Revenue

Rental revenue is derived from our core business of renting storage units. The key levers of rental revenue growth are more storage space (from acquisitions, new developments and redevelopments), as well as higher occupancy and higher rental rates.

In 2019, rental revenue increased by 5.6% from €208.2 million in 2018 to €219.9 million in 2019. This increase was primarily due to higher rental rates, and the continued operational 'ramp-up' of our non-same stores. While acquisitions and developments add extra rentable space to our portfolio, we are also able to increase the occupancy and rental rates as these new properties mature which we refer to as 'ramp-up'. Across our expanded network, our net rented sqm increased by 2.3% from 1,003 thousand sqm at December 31, 2018 to 1,026 thousand sqm as of December 31, 2019.

Insurance Revenue

When customers rent storage from Shurgard, they are required to have insurance for their stored goods. They can use their own insurance provider or, via Shurgard, get the necessary all-risks insurance coverage with an independent insurance company. During 2019, insurance revenue increased by 6.8% versus last year from €25.0 million in 2018 to €26.7 million in 2019. This increase was primarily due to the continued 'ramp-up' in operating performance at our non-same stores, as well as an increase in the proportion of new customers subscribing to insurance within our same store segment.

Ancillary Revenue

Ancillary revenue is derived from the sale of storage products in our properties including cardboard boxes and packing materials. It also includes other revenue from real estate operations. Ancillary revenue decreased slightly from €10.6 million in 2018 to €10.3 million in 2019 as we faced more and more "big box" retailers offering similar products.

REAL ESTATE OPERATING EXPENSE

(in € thousands)	Q4 2019	Q4 2018	+/-	FY 2019	FY 2018	+/-
Payroll expense	9,496	9,004	5.5%	37,181	35,332	5.2%
Real estate and other taxes	2,260	1,576	43.4%	13,391	11,772	13.8%
Repairs and maintenance	1,996	2,271	-12.1%	7,179	7,023	2.2%
Marketing expense	2,514	1,637	53.6%	7,904	6,225	27.0%
Utility expense	908	774	17.3%	3,682	3,475	5.9%
Other operating expenses[1]	4,148	3,718	11.6%	14,913	15,028	-0.8%
Property lease expense	87	940	-90.8%	324	3,665	-91.2%
Doubtful debt expense	1,067	1,224	-12.8%	4,106	4,077	0.7%
Cost of insurance and merchandise sales	1,345	1,048	28.3%	5,247	4,172	25.8%
Real estate operating expense (CER)	**23,820**	**22,193**	**7.3%**	**93,927**	**90,770**	**3.5%**
Foreign exchange	0	(13)	NA	0	253	NA
Real estate operating expense (AER)	**23,820**	**22,180**	**7.4%**	**93,927**	**91,022**	**3.2%**

1 Other operating expenses mainly include: travel expenses, legal and consultancy fees, insurance expenses, non-deductible VAT and information system expenses.

As our network of properties grows, so do the operating expenses required to run them. It is part of our strategy to contain these expenses. In the last quarter of 2019, we incurred some exceptional expenses in real estate and other taxes and marketing, negatively impacting our NOI margin growth versus the previous year. Real estate operating expense increased by 3.5% from €90.8 million in 2018 to €93.9 million in 2019. This increase is lower than the group revenue growth, mainly due to the impact of IFRS 16 (rental expenses classified as a liability as of 2019).

More staffing led to an increase in payroll expenses from €35.3 million in 2018 to €37.2 million in 2019 (+5.2%). Marketing expenses rose 13.8%, from €11.8 million in 2018 to €13.4 million in 2019, representing 3.1% of our property operating revenue. The increase was attributable to a rise in online marketing costs.

NET INCOME FROM REAL ESTATE OPERATIONS

Net income from real estate operations reflects the revenue received minus the expenses incurred in running our real estate operations. Net income growth reflects the strong strategic position of Shurgard's platform. We are able to leverage economies of scale as we acquire or develop properties, using our standardized IT and marketing platform to contain costs and ensure our revenues grow faster than our expenses. We also put several energy management initiatives in place during the year, which helped lower our utility costs and reduce expenses. Net income from real estate operations rose 6.5% from €153.1 million in 2018 to €163.1 million in 2019 at constant exchange rates.

The economies of scale had a direct positive impact on our income from property (NOI) margin, which rose to 63.4% in 2019 compared with 62.8% in 2018.

Segment information

The following table shows the development of our property network (same stores and non-same stores) and our property operating revenue split by the two segments on a year-on-year basis.

(at CER)	Q4 2019	Q4 2018	+/-	FY 2019	FY 2018	+/-
Same store (as of December 31)	217	217	0	217	217	0
Non-same store (as of December 31)	17	15	2	17	15	2
All properties	**234**	**232**	**2**	**234**	**232**	**2**
Same store property operating revenue (in € thousands)	62,022	59,882	3.6%	241,842	236,542	2.2%
Non-same store property operating revenue (in € thousands)	4,051	3496	15.9%	15,102	7,222	NA
All store property operating revenue (in € thousands)	**66,074**	**63,379**	**4.3%**	**256,944**	**243,764**	**5.4%**

Same stores

"Same stores" are all developed properties that have been in operation for at least three full years, and all acquired properties that we have owned for at least one full year from the start of the year. The following table shows certain performance measures across our same store portfolio.

(at CER)	Q4 2019	Q4 2018	+/-	FY 2019	FY 2018	+/-
Property KPIs at period end						
Number of properties	217	217	0	217	217	0
Net rentable sqm[1]	1,099	1,085	1.2%	1,099	1,085	1.2%
Net rented sqm[2]	963	945	2.0%	963	945	2.0%
Occupancy rate[3]	87.7%	87.0%	0.6pp	87.7%	87.0%	0.6pp
Property KPIs for the period						
Average occupancy rate[4]	88.6%	88.2%	0.4pp	88.0%	88.3%	-0.4pp
Average in-place rent (in € per sqm)[5]	220.0	214.6	2.5%	216.4	211.2	2.5%
Average revPAM (in € per sqm)[6]	226.6	220.7	2.7%	222.0	218.1	1.8%
Financial KPIs for the period						
Property operating revenue[7] (in € thousands)	62,022	59,882	3.6%	241,842	236,542	2.2%
Income from property (NOI)[8] (in € thousands)	40,027	39,882	0.4%	154,638	150,394	2.8%
NOI margin[9]	64.5%	66.6%	-2.1pp	63.9%	63.6%	0.4pp

1 Net rentable sqm for our same stores is presented in thousands of sqm and calculated as the sum of unit space available for customer storage use at our same stores, measured in sqm, based on our unit size categories, each as of the relevant date.
2 Net rented sqm for our same stores is presented in thousands of sqm and calculated as the sum of unit space rented by customers at our same stores, measured in sqm, based on our unit size categories, each as of the relevant date.
3 Occupancy rate for our same stores is presented as a percentage and calculated as the net rented sqm in our same stores divided by net rentable sqm in our same stores, each as of the relevant date.
4 Average occupancy rate for our same stores is presented as a percentage and is calculated as the average of the net rented sqm in our same stores divided by the average of the net rentable sqm in our same stores, each for the relevant period.
5 Average in-place rent for our same stores is presented in euros per sqm and calculated as rental revenue in our same stores, on a constant exchange rate basis, divided by the average net rented sqm in our same stores, each for the relevant period.
6 RevPAM, which stands for revenue per available sqm, for our same stores is presented in euros per sqm for the relevant period and calculated as property operating revenue in our same stores, on a constant exchange rate basis, divided by the average net rentable sqm, each for the relevant period.
7 Property operating revenue for our same stores represents our revenue from operating our same stores, and comprises our rental revenue, insurance revenue and ancillary revenue.
8 Income from property operations (NOI) for our same stores is calculated as property operating revenue less real estate operating expense for our same stores, each for the relevant period.
9 NOI margin for our same stores is calculated as income from property (NOI) divided by property operating revenue for our same stores, each for the relevant period.

The average occupancy rates for our same store network decreased by 0.4pp from 88.3% to 88.0% mainly due to the impact of a number of redevelopments that increased our net rentable sqm significantly. However, we have been able to increase our net rented sqm by 2.0% versus the previous year. Our occupancy rate at the end of the period increased by 0.6pp to 87.7%.

The average in-place rent per sqm for our same store facilities increased by 2.5% from €211.2 in 2018 to €216.4 in 2019.

Property operating revenue generated by our same store facilities increased by 2.2% from €236.5 million in 2018 to €241.8 million in 2019, primarily due to the increase in average in-place rental rates and 2.0% of additional sqm rented.

The income from property (NOI) for our same stores increased by 2.8% from €150.4 million in 2018 to €154.6 million in 2019. This reflects our well-managed property operating expenses which rose more slowly than revenues. Consequently, the NOI margin increased from 63.6% to 63.9%.

Non-same stores

Non-same stores are any properties that are not classified as same store for a given year. Occupancy and in-place rent can vary greatly between these properties depending on their maturity.

Non-same store property operating revenue increased from €7.2 million in 2018 to €15.1 million in 2019. This increase was due to the continued 'ramp-up' at our new properties and the addition of three non-same stores in 2019, countered by the closing of Croydon Purley Way.

OPERATIONS BY COUNTRY

Same store Property operating revenue (in € thousands)	Q4 2019	Q4 2018	+/-	FY 2019	FY 2018	+/-
The Netherlands	14,026	13,505	3.9%	54,878	53,414	2.7%
France	16,979	16,367	3.7%	65,885	64,406	2.3%
Sweden	9,540	9,261	3.0%	37,734	37,279	1.2%
United Kingdom	8,219	7,726	6.4%	31,293	29,664	5.5%
Belgium	5,283	5,204	1.5%	20,735	20,825	-0.4%
Germany	4,685	4,528	3.4%	18,264	17,735	3.0%
Denmark	3,291	3,291	0.0%	13,053	13,219	-1.3%
Total	**62,022**	**59,882**	**3.6%**	**241,842**	**236,542**	**2.2%**

Same store Average occupancy rate[1]	Q4 2019	Q4 2018	+/-	FY 2019	FY 2018	+/-
The Netherlands	87.7%	87.3%	0.3pp	87.4%	87.2%	0.1pp
France	88.6%	87.9%	0.7pp	87.3%	88.0%	-0.7pp
Sweden	91.1%	91.5%	-0.4pp	90.9%	91.6%	-0.7pp
United Kingdom	87.3%	86.9%	0.3pp	87.6%	86.2%	1.4pp
Belgium	87.9%	85.3%	2.5pp	86.7%	87.0%	-0.4pp
Germany	89.0%	90.4%	-1.5pp	88.2%	90.1%	-1.8pp
Denmark	89.6%	90.3%	-0.7pp	89.0%	91.0%	-2.0pp
Total	**88.6%**	**88.2%**	**0.4pp**	**88.0%**	**88.3%**	**-0.4pp**

Same store Average in-place rent[2]	Q4 2019	Q4 2018	+/-	FY 2019	FY 2018	+/-
The Netherlands	185.2	180.9	2.4%	182.4	179.2	1.8%
France	236.2	230.0	2.7%	232.6	225.4	3.2%
Sweden	239.3	229.8	4.2%	236.2	230.6	2.5%
United Kingdom	274.6	268.9	2.1%	266.2	258.8	2.8%
Belgium	176.3	177.5	-0.7%	174.7	174.0	0.4%
Germany	222.2	213.1	4.2%	218.0	209.6	4.0%
Denmark	241.1	238.5	1.1%	239.9	236.5	1.5%
Total	**220.0**	**214.6**	**2.5%**	**216.4**	**211.2**	**2.5%**

Same store NOI margin[3]	Q4 2019	Q4 2018	+/-	FY 2019	FY 2018	+/-
The Netherlands	66.3%	65.6%	0.7pp	66.5%	64.4%	2.1pp
France	64.1%	66.8%	-2.6pp	59.7%	60.1%	-0.4pp
Sweden	70.8%	69.0%	1.8pp	71.5%	69.8%	1.7pp
United Kingdom	55.4%	67.6%	-12.2pp	59.4%	61.6%	-2.2pp
Belgium	63.5%	67.4%	-4.0pp	61.7%	62.8%	-1.1pp
Germany	64.4%	61.9%	2.4pp	63.9%	62.2%	1.7pp
Denmark	65.6%	65.8%	-0.2pp	67.2%	67.1%	0.1pp
Total	**64.5%**	**66.6%**	**-2.1pp**	**63.9%**	**63.6%**	**0.4pp**

1 Average occupancy rate is presented as a percentage and is calculated as the average of the net rented sqm divided by the average of the net rentable sqm, each for the relevant period.

[2] Average in-place rent is presented in euros per sqm and calculated as rental revenue divided by the average net rented sqm, each for the relevant period.

[3] NOI margin is calculated as income from property (NOI) divided by property operating revenue, each for the relevant period.

In our two biggest markets, the Netherlands and France, same store revenue has increased, driven by higher in-place rent, combined with occupancy performance picking up versus the previous quarter. Same store revenue increased in Sweden (1.2%), mainly driven by improvements in in-place rent growth. Solid year-on-year growth in both occupancy and in-place rent have led to strong revenue growth in the UK (5.5%). Revenue decreased slightly in Belgium (-0.4%) mainly due to the temporary impact of unit mix changes. However, significant uplift in revenue growth is visible towards the end of the year (from -1.3% in Q1 to +1.5% in Q4). Despite the negative impact of the unit mix on rentable sqm, we managed to rent more units at the end of 2019 compared to last year. Same store revenue for Germany increased by 3.0%, as lower occupancy levels (mainly due to additional net rentable sqm) were more than offset by strong in-place rent growth. Even though occupancy decreased, fourth quarter growth in occupancy performance recovered versus the previous quarter. Denmark showed a drop in same store revenue (-1.3%) mainly due to decreasing year-on-year occupancy growth, partially compensated by an uplift in in-place rent compared to 2018. However, the performance in Denmark showed a positive trend as fourth quarter property operating revenue stabilized at last year's level.

Our fourth quarter same store NOI margins were impacted by exceptional real estate tax expenses in France and the UK and higher marketing cost across all markets.

Based on IFRIC 21 guidance, Shurgard recognizes the expenses and obligations related to real estate taxes that are due on the properties it owns or leases, if the obligation to pay this levy exists at the end of the interim reporting period. The obligating event is often the ownership of a property as of January 1 of the year. Therefore, the Company recognizes most of its yearly real estate tax expense due for the entire year in the first quarter of that year. There is an exception for real estate taxes due for its Danish and UK facilities, and certain real estate taxes due for its French facilities, for which the January 1 ownership principle does not apply. Such upfront recognition of real estate tax expenses has an unfavorable impact on our NOI margin for the first quarter of the year.

GENERAL, ADMINISTRATIVE AND OTHER EXPENSES

(in € thousands, at CER)	Q4 2019	Q4 2018	+/-	FY 2019	FY 2018	+/-
Payroll expense	2,052	1,913	7.3%	7,958	6,342	25.5%
Share-based compensation expense (income)	398	(2,218)	NA	1,500	(770)	NA
Capitalization of internal time spent on development	(427)	(548)	-21.9%	(1,897)	(1,506)	25.9%
Depreciation and amortization expense	234	427	-45.1%	1,665	1,679	-0.8%
Other general and administrative expenses[1]	3,222	3,461	-6.9%	7,083	5,210	35.9%
Total	**5,479**	**3,035**	**80.6%**	**16,309**	**10,955**	**48.9%**

1 Other general and administrative expenses mainly includes legal, consultancy and audit fees and non-deductible VAT.

General, administrative and other expenses increased by 48.9%, from €11.0 million in 2018 to €16.3 million in 2019. The increase in payroll was primarily due to an increased headcount in our real estate development team, legal and audit department. The increase in share-based compensation expense (income) stems from a change in option plan accounting at IPO, generating a gain of €2.5 million in 2018. The main reason for the increase in other general, administrative and other expenses is the cost related to being a public company, which includes directors' fees, investor relations costs and Euronext fees, and increased consulting fees related to more development. For the years ended December 31, 2019 and 2018, other general and administrative expenses includes €1.1 million and €0.7 million respectively of insurance recovery proceeds for business interruption.

We also reported a higher capitalization of internal time spent on development of investment property which, like the payroll expenses, relates to an increased headcount in the real estate development team.

ROYALTY FEE EXPENSE

We pay our shareholder Public Storage a royalty fee equal to 1.0% of revenues in exchange for the rights to use the "Shurgard" trade name and other services. In 2019, we incurred royalty fees of €2.5 million.

OPERATING PROFIT BEFORE PROPERTY RELATED ADJUSTMENTS

Based on the increased net income from real estate operations, the operating profit before property related adjustments increased by 7.5%, from €132.7 million in 2018 to €142.7 million in 2019. This is a reflection of the operational strength of the business before non-cash and exceptional items.

EBITDA

(in € thousands)	Q4 2019	Q4 2018	+/-	FY 2019	FY 2018	+/-
Operating profit before property related adjustments	**34,790**	32,518	**7.0%**	**142,685**	132,705	**7.5%**
Depreciation and amortization expense	234	427	-45.1%	1,665	1,679	-0.8%
Acquisition costs of business combinations	1,446	2,859	-49.4%	1,601	3,010	-46.8%
Casualty (loss)/gain excluding property insurance recovery proceeds	(282)	(161)	75.3%	(783)	(818)	-4.4%
Cost incurred in connection with Shurgard Public offering	0	2,188	NA	0	4,744	NA
EBITDA (AER)	**36,188**	37,830	**-4.3%**	**145,168**	141,319	**2.7%**
Foreign exchange	0	(38)	NA	0	(676)	NA
EBITDA (CER)	**36,188**	37,792	**-4.2%**	**145,168**	140,643	**3.2%**

We consider EBITDA to be a useful indicator of our operating performance. It is calculated as earnings before interest, tax, depreciation and amortization, excluding valuation gains from investment property and investment property under construction, losses or gains on disposal of investment property plant and equipment and assets held for sale, acquisition costs and dead deals, casualty (loss)/gain and costs incurred in connection with the Shurgard IPO.

At constant exchange rates, EBITDA rose 3.2% from €140.6 million in 2018 to €145.2 million in 2019 mainly due to an increase in property operating revenue of 5.4%.

VALUATION GAINS FROM INVESTMENT PROPERTY, INVESTMENT PROPERTY UNDER CONSTRUCTION AND RIGHT-OF-USE INVESTMENT PROPERTY

The Company opted to fair value its investment properties in accordance with IAS40 and IFRS 13 on a semi-annual basis. Changes in the value of our real estate from period to period, whether caused by macroeconomic conditions or otherwise, are recorded in our consolidated statement of profit and loss as "valuation gain or loss from investment property, investment property under construction (''IPUC''), and right-of-use investment property (''ROU IP'')". Although these revaluation gains and losses are non-cash items, they do have an impact on our operating profits.

The Company recognized a valuation gain from investment property, investment property under construction and ROU IP of €80.2 million for the year ended December 31, 2019, which compares to a valuation gain of €94.6 million for the year ended December 31, 2018. The valuation assumptions made by external valuers Cushman & Wakefield include predicted occupancy levels, rental rates, expenses and other factors that, depending on each assumption, can cause substantial fluctuations in valuation gains each year.

The €80.2 million net valuation gain we realized in 2019 consists of a €89.5 million revaluation gain on our completed investment properties, partially offset by a €6.6 million valuation loss in relation to our investment property under construction (IPUC) and completed investment properties, and a €2.7 million revaluation loss on the ROU IP we recognized in connection with the new IFRS standard on leases IFRS 16 (''IFRS 16''). The €82.9 million net revaluation gain on our IP and IPUC, and the €66.3 million ROU IP we recognized as of December 31, 2019 pursuant to our adoption on January 1, 2019 of IFRS 16, contributed, along with acquisitions, capital expenditure and favorable exchange rate fluctuations, to the increased valuation by €247.6 million to €2,806.9 million of our investment property, IPUC and ROU IP.

The valuation gain on completed investment property of €89.5 million represents the difference between the fair value of our properties as of December 31, 2019 and their value as of December 31, 2018, net of capital expenditure and exchange rate fluctuations.

The €6.6 million valuation loss of IPUC for the year ended December 31, 2019 results mainly from a set of assumptions on future cash flows and discount rates which have negatively influenced the valuation of IPUC's due to trading uncertainty. Certainty will be improved once the properties are developed and trading has commenced at which time a higher degree of certainty can be established around actual demonstrated operating cashflows. In addition to that, changes in scope of the projects or in anticipated construction costs have also influenced the valuation.

The valuation loss on ROU IP assets of €2.2 million was primarily due to the alignment of the ROU IP with the carrying value of the corresponding lease liabilities in accordance with guidance.

OPERATING PROFIT

Operating profit decreased by 1.7% from €229.0 million in 2018 to €225.0 million in 2019, mostly due to lower gains on valuation from investment property and investment property under construction in 2019 (€80.2 million) compared to 2018 (€94.6 million), partially compensated by an improvement in net income from real estate operations.

FINANCE COSTS

(in € thousands)	**FY 2019**	FY 2018	**+/-**
Total interest expense	19,016	19,146	-0.7%
Foreign exchange (loss)/gain	(39)	1,822	NA%
Finance cost	**18,977**	**20,968**	**-9.5%**

Finance costs decreased by 9.5% (or €2.0 million) from €21.0 million in 2018 to €19.0 million in 2019. This was mainly due to a €1.9 million increased foreign exchange transaction result, €0.9 million interest refund following a tax reassessment in Germany, and €0.5 million in increased capitalization of interest. These favorable effects were partially offset by a €1.4 million interest expense we incurred as a result of the adoption of the new IFRS 16 lease standard.

INCOME TAX EXPENSE

(in € thousands)	**FY 2019**	FY 2018	**+/-**
Current tax expense	18,010	19,420	-7.3%
Deferred tax expense	38,013	16,889	NA
Income tax expense	**56,023**	**36,309**	**54.3%**
Effective tax rate[1]	**14.4%**	**16.4%**	**2.0pp**

1 Effective tax rate is current tax expenses divided by adjusted EPRA earnings before tax.

Current tax expenses decreased by 7.3% from €19.4 million in 2018 to €18.0 million in 2019, mainly following an exceptional €1.2 million recognition of tax benefits in Germany.

Deferred tax expenses in 2019 amounted to €38.0 million versus the €16.9 million in 2019. Deferred tax expenses were impacted mainly by an increase in deferred tax liabilities as a result of an increase in investment property values and the 2020 Dutch Tax Plan.

Our effective tax rate in 2019 is 14.4%, compared with 16.4% in 2018, based on the current tax expense divided by the adjusted EPRA earnings before tax for the relevant period. Based on current tax laws, we anticipate this effective tax rate to stabilize between 18.0% and 20.0% in the medium term.

ATTRIBUTABLE PROFIT AND ATTRIBUTABLE PROFIT PER SHARE

For the year ended 2019, €149.3 million (2018: €171.2 million) was attributable to the shareholders of Shurgard Self Storage S.A., and €0.7 million (2018: €0.5 million) was attributable to non-controlling interests. Based on the average number of shares (2019: 88.8 million), this translates into earnings per share (basic) of €1.68.

EPRA KPIs

(in € thousands, except where indicated)	FY 2019	FY 2018	+/-
EPRA earnings	91,445	104,691	-12.7%
Adjusted EPRA earnings	107,340	99,289	8.1%
EPRA net asset value (NAV)	2,264,985	2,150,135	5.3%
EPRA triple net asset value (NNNAV)	2,234,538	2,135,922	4.6%
Capital Expenditure	82,470	186,371	-55.7%
EPRA Vacancy Rate	13.9%	14.4%	-0.4pp

We have identified certain non-GAAP and non-IFRS measures that we believe give a good reflection of the performance of our underlying business. They are based on definitions by EPRA best practices guidelines dated November 2016. They include EPRA earnings, adjusted EPRA earnings, EPRA NAV, EPRA NNNAV, capital expenditure and EPRA vacancy rate.

EPRA EARNINGS

(in € thousands, except for EPRA EPS)	FY 2019	FY 2018	+/-
Profit attributable to ordinary equity holders of the parent	**149,271**	**171,216**	**-12.8%**
Adjustments:			
Gain on revaluation of investment properties	(80,168)	(94,588)	-15.2%
Acquisition costs of business combinations	1,601	3,010	-46.8%
Gain on disposal of property, plant and equipment	(5)	(1)	NA
Tax on profits on disposals	0	0	NA
Current and deferred tax in respect of EPRA adjustments	20,321	24,760	-17.9%
Non-controlling interests in respect of the above	425	294	44.3%
EPRA earnings	**91,445**	**104,691**	**-12.7%**
EPRA earnings per share (EPS) (basic) (in €)	1.03	1.52	
EPRA earnings per share (EPS) (diluted) (in €)	1.02	1.51	

EPRA earnings exclude acquisition costs which can fluctuate depending on the number and size of acquisitions, the gains or losses on the revaluation of investment property, and other asset sales which are not part of the operational running of the business.

ADJUSTED EPRA EARNINGS

(in € thousands, except for adjusted EPRA EPS)	FY 2019	FY 2018	+/-
EPRA earnings	**91,445**	**104,691**	**-12.7%**
Company specific adjustments:			
Deferred tax expense on items other than the revaluation of investment property	17,661	(7,945)	NA
Net impact of tax assessments	(865)	0	NA
Interest refund regarding exceptional tax refunds	(909)	0	NA
Insurance recovery on burnt down property to be rebuilt [1]	(554)	0	NA
Current income tax adjustments in respect of the above	434	297	45.9%
Non-controlling interests in respect of the above	128	0	NA
Cost incurred in connection with Shurgard Public offering	0	4,744	NA
Gain on conversion of share option plans	0	(2,498)	NA
Adjusted EPRA earnings	**107,340**	**99,289**	**8.1%**
Adjusted EPRA earnings per share (diluted) (in €)	1.20	1.43	

1 The Company only considers insurance recovery proceeds from properties that have been entirely demolished in connection with fire or other incidents.

Adjusted EPRA earnings exclude deferred tax expenses on items other than the revaluation of investment property, and significant one-off items that arise from events and transactions distinct from the Company's regular operating activities. In 2019, adjusted EPRA earnings were €107.3 million, 8.1% higher than the €99.3 million in 2018.

RECONCILIATION OF EBITDA TO ADJUSTED EPRA EARNINGS

(in € thousands, at CER)	FY 2019	FY 2018	+/-
EBITDA	**145,168**	140,643	**3.2%**
Net attributable profit adjustments:			
Casualty (loss)/gain	2,920	2,492	17.1%
Depreciation and amortization expense	(1,665)	(1,679)	-0.8%
Finance cost	(18,977)	(20,955)	-9.4%
Current tax	(18,010)	(19,281)	-6.6%
Minority interest, net of EPRA adjustments	231	42	NA
EPRA adjustments:			
Gain on conversion of share option plans	0	(2,498)	NA
Exceptional income tax refund	(1,240)	0	NA
Exceptional value added taxes (vat) refund	(895)	0	NA
Interest refund regarding exceptional tax refunds	(909)	0	NA
Insurance recovery on burnt down property to be rebuilt	(554)	0	NA
Adjustments in connection with tax audit	1,271	0	NA
Adjusted EPRA earnings	**107,340**	**98,765**	**8.7%**

Adjusted EPRA earnings increased by 8.7% at CER mainly due to an increase in EBITDA of 3.2%.

EPRA NET ASSET VALUE PER SHARE AND EPRA TRIPLE NET ASSET VALUE PER SHARE

(in € thousands, except for NAV & NNNAV per share)	FY 2019	FY 2018	+/-
NAV attributable to ordinary equity holders of the parent (diluted)	**1,889,968**	1,794,996	**5.3%**
Additions to NAV:			
Deferred taxes on fair value adjustments of investment property	375,017	355,139	5.6%
EPRA NAV	**2,264,985**	**2,150,135**	**5.3%**
EPRA NAV per share (diluted) (in €)	25.41	24.12	5.3%
Reductions to EPRA NAV:			
Carrying value senior guaranteed notes lower than fair value	(65,052)	(30,916)	NA
Deferred tax expense other than on the revaluation of investment property	34,605	16,703	NA
EPRA NNNAV	**2,234,538**	**2,135,922**	**4.6%**
EPRA NNNAV per share (diluted) (in €)	25.06	23.96	4.6%

This metric reflects the fair value of net assets on an ongoing, long-term basis. EPRA net asset value is calculated based on net asset value adjusted for the cumulative effects of deferred taxes.

As of December 31, 2019, the EPRA net asset value was at €2.3 billion, 5.3% higher than the year before, which was €2.2 billion as of December 31, 2018. The EPRA net asset value per share (diluted) was €25.4 as of December 31, 2019.

The objective of the EPRA triple net asset value measure is to report net asset value including fair value adjustments in respect of all material balance sheet items which are not reported at their fair value as part of the EPRA net asset value.

As of December 31, 2019, the EPRA triple net asset value was at €2.2 billion, 4.6% higher than the year before, which was €2.1 billion as of December 31, 2018. The EPRA triple net asset value per share (diluted) was €25.1 as of December 31, 2019.

CAPITAL EXPENDITURE

(in € thousands)	FY 2019	FY 2018	+/-
Acquisitions	16,021	141,277	-88.7%
Development	48,087	16,481	NA
Completed properties	18,362	28,613	-35.8%
Other	0	0	NA
Capital Expenditure	**82,470**	**186,371**	**-55.7%**

Capex disclosed in the table are categorized according to the EPRA recommendations and consists of the items "Acquisition of businesses" and "Capital expenditure" presented in Note 15. Investment property and investment property under construction.

In the "acquisitions" category, the previous year was largely characterized by the acquisition of Pelican (five stores), ABC (three stores) and Kensington (one store).
Development significantly increased due to the opening of two stores in 2019 and the openings in the pipeline for 2020 and 2021.

EPRA VACANCY RATE

(in € thousands, except where indicated, at CER)	FY 2019	FY 2018	+/-
Estimated rental revenue of vacant space	35,572	34,934	1.8%
Estimated rental revenue of the whole portfolio	255,502	243,105	5.1%
EPRA Vacancy Rate	**13.9%**	**14.4%**	-0.4pp

The EPRA vacancy rate presents how much of the full potential rental revenue is not received because of vacancy.
The EPRA vacancy rate is calculated by dividing the estimated rental revenue of vacant space by the estimated rental revenue of the whole property portfolio if all properties were fully rented, both based on the rental revenue of the full year and the occupancy rate at period end.
The EPRA vacancy rate came to 13.9% at the end of year 2019 showing an improvement compared to 14.4% in 2018. A part of the vacancy rate can be attributable to new stores opened and major redevelopments that are still renting up.

LIQUIDITY

Our primary cash requirements are for operating expenses, debt servicing, improvements to existing properties, developments and acquisitions of new properties, and for the payment of dividends. These requirements have been funded by operating cash flows, the issuance of equity and borrowings, including the U.S. Private Placement Notes, the 2018 syndicated revolving credit facility and the proceeds of the October 2018 equity issuance. We expect to continue to fund these requirements with operating cash flow, our existing cash position and future borrowings under our current bank credit facility or other borrowings.

Our loan to value ratio at December 31, 2019 was 16.9%, compared to 13.9% at December 31, 2018. This increase was due to a proportionally higher increase in net debt than in market value, mainly due to the €52.3 million decrease in cash. In the medium term, we are targeting a loan to value ratio within the range of 25% and 35%.

We maintain cash and cash equivalent balances at banking institutions in certain of the countries where we operate. In Sweden, the United Kingdom and Denmark, these balances are held in local currencies. It is our policy that investments of surplus funds are made only with approved counterparties with a minimum credit rating of A.

CASH FLOW OVERVIEW

(in € thousands)	FY 2019	FY 2018	+/-
Cash flows from operating activities	121,559	120,593	0.7%
Cash flows from investing activities	(81,894)	(175,364)	-53.3%
Cash flows from financing activities	(91,869)	280,879	NA
Net increase in cash and cash equivalents	(52,204)	226,108	NA
Effect of exchange rate fluctuations	(144)	1,169	NA
Cash and cash equivalents at January 1	250,922	23,645	NA
Cash and cash equivalents at period end	198,574	250,922	-20.9%

Cash flows from operating activities

Operating cash inflow increased 0.7% from €120.6 million in the year ended December 31, 2018 to €121.6 million in the year ended December 31, 2019. This was mainly due to an €11.3 million increase in cash flows from operations, partially offset by €9.8 million of increased income tax payments and €0.5 million of unfavorable movements in working capital.

The unfavorable trend in working capital movements consisted of €10.8 million of increased movements in trade receivables, and other current and non-current assets movements, partially offset by €10.3 million of increased movements in accrued expenses, VAT payable and accounts payable.

Cash flows from investing activities

Our cash outflow from investing activities decreased by €93.5 million, from €175.4 million in the year ended December 31, 2018 to €81.9 million in the year ended December 31, 2019. The decrease was primarily due to €114.7 million decreased cash spending on acquisitions in 2019.

Cash outflows in relation to capital expenditure on investment property under construction and completed investment property increased from €44.9 million in 2018 to €65.7 million in 2019. We have periodic fluctuations in construction expenditure depending on the current stage of development projects. During the first half of 2019, insurance recovery proceeds on property damage and payments for intangible assets increased by €0.1 million and €0.2 million respectively, compared to the first half of 2018. Capital expenditure on property, plant and equipment increased by €0.1 million.

In 2019, we opened two new properties (two in 2018) and acquired three new properties (nine in 2018). Since construction of new properties can take from nine to 12 months, with purchase of the site occurring before that period, cash expenditure during a particular period does not always correspond directly to the number of new properties opened during that period.

Cash flows from financing activities

Our cash outflow from financing activities during the year ended December 31, 2019 was €91.9 million, which compares to a net cash inflow of €280.9 million during the year ended December 31, 2018.
The increase in net cash outflow of €372.8 was mainly the result of the €555.3 million net proceeds of equity issuance we had in 2018 not reoccurring in 2019, €12.5 million spent in 2019 for the purchase of own shares (nil in 2018), €2.7 million of increased repayments of principal amount of lease obligations, €1.2 million of increased interest payments, partially offset by €195.5 million in decreased distributions to shareholders of the Company, €0.5 million in decreased payments for financing costs and the €2.9 million proceeds from the sale of own shares held as treasury shares.

FINANCIAL POSITION

TOTAL ASSETS

During the year ended December 31, 2019, the Company's total assets increased by 7.2% from €2,836 million on December 31, 2018 to €3,040 million on December 31, 2019. This is mainly due to the increase in the value of our investment property and property plant and equipment (partially due to the effect of the adoption of IFRS 16), and investment property under construction. As of December 31, 2019, approximately 92.7% of the Company's total assets consisted of non-current assets, of which 92.3% is investment property (including ROU IP) and IPUC.

Investment Property

Investment property (including IPUC but excluding IP ROU assets recognized under IFRS 16) increased by 7.1% (or €182 million) in the year ended December 31, 2019 from €2,559 million on December 31, 2018 to €2,741 million on December 31, 2019, mainly due to €66.5 million capital expenditure, predominantly for our developments and redevelopments, €16.0 million expenditure on acquisitions and €15.9 million of favorable exchange rate fluctuations on our property developments and redevelopments. In addition, the Company recognized €82.9 million of favorable fair value revaluation income on its investment property and investment property under construction. The number of properties we own and operate remained stable and consists of a network of 238 properties (232 properties at the end of 2018).

Cash and cash equivalents

The Company had cash and cash equivalents of €198.6 million as of December 31, 2019 compared to €250.9 million cash and cash equivalents as of December 31, 2018, a decrease of €52.3 million.

CAPITAL RESOURCES AND FINANCING STRUCTURE

Shurgard's financial resources comprise the Company's total equity as well as certain debt financing instruments.

The Company's total equity increased by 0.1 million from €1,799 million on December 31, 2018 to €1,894 million on December 31, 2019, mainly due to €150.0 million net profit realized during the period and €15.1 million revaluation gain on consolidation of our Swedish, Danish and British operations because of favorable currency movements. This was partially offset by the €59.5 million dividend distribution in 2019 regarding the Company's 2018 and first six months of 2019 results, and the €12.5 million paid for the acquisition of own shares held as treasury shares and the decrease in share-based compensation reserves by €3.7 million. As of December 31, 2019, the equity ratio was 62.3% (December 31, 2018: 63.4%).

Shurgard has issued six series of senior guaranteed notes in the years 2014 and 2015 with a total nominal volume of €600 million and maturities varying between 2021 and 2030. Effective interest rates vary from 2.7% to 3.4%.

On September 26, 2018 and effective October 16, 2018, the Company entered into a €250 million syndicated revolving loan facility with BNP Paribas Fortis bank, Société Générale bank and HSBC bank (with BNP Paribas Fortis bank as agent). The facility matures on October 16, 2023, bearing interest of Euribor plus a margin varying between 0.45%

and 0.95% per annum (currently 0.45%) dependent on the most recent loan-to-value ratio. There are no mandatory repayments of principal debt due for this facility before its maturity, and a commitment fee equal to 35.0% of the applicable margin per annum applies to undrawn amounts and is currently at 0.16%. The facility is subject to certain customary covenants. As of December 31, 2019 and December 31, 2018, the Company had no outstanding borrowings under this facility.

DIVIDEND

It is the Company's objective to pay dividends in May and October of each year based on our results for the previous financial year or the previous six-month period. Subject to the availability of distributable reserves, we currently intend to declare and distribute a semi-annual interim dividend based on a target pay-out ratio of 80% of adjusted EPRA earnings (see above for details of EPRA KPIs). The amount of any interim or final dividends and the determination of whether to pay dividends in any year may be affected by a number of factors, including our earnings, business prospects and financial performance, the condition of the market, the general economic climate and other factors considered important by the Board of Directors.

In respect to the first half year of 2019, as approved by our Board of Directors, the Company paid on October 3, 2019 an interim dividend of a maximum of €39.9 million or €0.45 per share (''the 2019 interim dividend''), which approximates the target pay-out ratio of 80% of adjusted EPRA earnings.

The Board of Directors has approved on February 25, 2020 a final dividend for the year 2019, of €44.35 million (taking into account the total number of outstanding shares as per December 31, 2019) or €0.50 per share, as per the target pay-out ratio of c. 80% of adjusted EPRA earnings.
This second and final dividend on 2019 results will be paid on or around May 15, 2020 to shareholders on the register at close of business on May 14, 2020.

EMPLOYEES

Our employees play a crucial role in the success of our organization by providing our customers with outstanding levels of service and support. We facilitate this by ensuring our people are well trained and motivated, with clear career progression, and feel safe and supported at work.

The following table shows the number of full-time equivalent employees by category of activity as of December 31, 2018 and 2019:

	2019	2018	**+/-**
Store personnel	555	556	-1
Operational management	46	47	-1
Support functions	100	93	7
Total	**701**	**696**	**5**

RISKS

Shurgard is exposed to a number of risks that are described in detail in the "Principal Risks and Uncertainties" section of this management report.

EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 41 in the Notes to the Consolidated Financial Statements.

OUTLOOK

We remain comfortable with our full year guidance. We are still targeting 1.5%-2.5% annual same store revenue growth in the medium term and 4.0% to 6.0% growth for all store revenue. We will continue to grow same store NOI margin over time (NOI margin on same store grew from 62.1% as of December 31, 2017 to 63.9% as of December 31, 2019 or + 1.9pp).

Our new developments in the UK, France and Germany remain on track to open next year and we have four redevelopment projects planned for 2020. Our strategic focus for the last year has been on increasing the expertise needed to expand our pipeline. As our team of property experts grows, we plan to build five new developments per year and target three acquisitions from competitors per year.

NON-FINANCIAL INFORMATION – SUSTAINABILITY REPORT

INTRODUCTION

Shurgard has established sustainable and responsible policies and procedures to the benefit of the natural environment and the long-term economic value for our customers, shareholders and employees. In doing so, we follow principles of sound environmental and social sustainability and good governance (ESG). This is reflected in our dynamic management approach to operating our storage centers and the close engagement with our teams.

Shurgard's approach to sustainability aligns its management of ESG issues across the life cycle of our storage properties. Our properties are designed to be resilient thereby minimizing their environmental footprint and exposure to climate-related risks. Once established, there is minimum need for major refurbishment due to longevity of materials used in their construction. In addition, the use of flexible systems allows for easy and cost-effective reconfiguration of storage units to suit an individual customer's needs.

Shurgard's approach forms the basis from which sustainability commitments and targets are formed and how achievement is measured. Shurgard actively seeks to provide a flexible environment which can respond to the needs of our customers, as those needs evolve. Our storage properties assist in accommodating the changing needs of the communities which these assets service – providing short to long-term storage solutions for our domestic customers during life changes such as moving house, births, deaths and marriages – times when a sense of community is particularly valuable. For business users, who make up around 20% of our customers, Shurgard offers adaptable solutions providing for more efficient and lower cost business outcomes, thereby helping to minimize businesses' carbon footprint.

Shurgard strives, where possible, to be a positive force in the development of strong integrated local communities. We support a range of not-for-profit organizations, charities and community groups across Europe. Shurgard also has a strong focus on the people who work in and utilize our properties, and on maximizing their health and well-being by providing safe, productive and positive environments.

Our sustainability and governance framework exists to provide an ESG strategy which drives our actions and strives to create outcomes that are manifested in the day-to-day operation of our business. Material issues are identified by our program of ongoing proactive engagement with stakeholders in the business and these issues are managed appropriately. One such example is the continuing evolution of our ESG risk matrix and management's commitment to minimize risk across all functions of the business. An ESG statement detailing the ESG annual goals for the Group is edited every year and made public on Shurgard's corporate website. Our policies are reviewed at ESG Committee and Board level and these policies are communicated throughout the organization via our internal communications platform, called "Our Place".

Our approach is designed to manage any potentially significant ESG impacts that Shurgard causes, contributes to, or that may be linked to through our service delivery or as a result of relationships with others, including our suppliers and communities. We continue to advance our improvement programs which are intended to, where possible, achieve a meaningful reduction in our carbon emissions, improve recycling initiatives and encourage greater staff engagement and diversity.

At Shurgard, we operate in an environment where ESG is part of our everyday business operation. Our ESG initiatives help drive positive corporate governance and performance. This positively impacts on the deployment of our capital within a framework which is focused on providing a stable and growing return to investors while carefully managing organizational risk, with ESG factors being top of mind. Our ESG Committee, led by our CEO Marc Oursin, acts to support this.

Our 2019 ESG performance reported here builds on 2018, particularly in the areas of energy efficiency and our continuing efforts to contribute positively to our surrounding communities. Employee engagement remains an important concern and focus for Shurgard, and this year's results must be considered a benchmark for future performance. We look forward to continuing our work in this space and moving forward with a number of ESG initiatives throughout 2020 and into the future. Follow our progress online at https://corporate.shurgard.eu/corporate-responsibility. We welcome feedback and comments.

ABOUT THIS REPORT

Shurgard presents the Sustainability Report annually, as part of the Annual Report. In this document, we account for our sources of the data, assumptions and conversion factors used in the context of our sustainability reporting. Shurgard used herein two recognized international standards to report on ESG: Global Real Estate Sustainability Benchmark (GRESB) and European Public Real-Estate Association Sustainability Best Practices Recommendations (EPRA sBPR). No significant changes occurred in Shurgard's organization or chain of suppliers during 2019.

BOARD STATEMENT ON ESG RELEVANCE AND MATERIALITY

At Shurgard, we endeavor to understand the long-term sustainability of an investment and the factors that could cause it to change. We believe that ESG issues can influence investment risk and return and, therefore, incorporate ESG risk considerations into our fundamental investment analysis. Our ESG analysis serves to complement our ultimate objective of delivering superior long-term returns to our investors.

In order to successfully integrate sustainability into our corporate strategy, Shurgard identifies internal and external stakeholders, conducts high-quality dialogues and ascertains what is meaningful and material. Through this assessment we balance stakeholder expectations, identify risks and opportunities and develop relationships, trust, people and communities.

Our key stakeholders have been identified and prioritized according to the level of sustainability impact we believe our operations have on their day-to-day activities, and, in turn, their sustainability impact on our day-to-day activities. These impacts span our identified material ESG sustainability risks.

Our key stakeholder groups are:

- Employees
- Customers
- Investors
- Suppliers
- Community
- Government and Regulators

As part of our Environmental Management System, Shurgard uses a materiality assessment as a strategic business tool, with implications beyond sustainability reporting. This assessment applies a sustainability lens to business risk, opportunity, trend-spotting and risk management processes. The assessment identifies, refines and assesses numerous ESG factors that can affect our business and/or our stakeholders.

In general, our material topics do not change significantly from one year to the next, so we do not perform detailed reassessments at defined regular intervals. Instead, streamlined interim updates capture new issues or changing topics. This ongoing assessment process captures emerging risks, opportunities and stakeholder views across the business. We ensure that our materiality process is integral to the wider business strategy by involving colleagues across the business to ensure emerging risks or opportunities are not missed. We monitor evolving external aspects by working with third parties, but also by reviewing feedback from surveys, our own ESG education, and insights generated from our social media platforms.

The Board of Directors is responsible for considering how sustainability topics interrelate with our business strategy, and also to develop sustainability materiality processes that link with the wider risk management process. By assessing and understanding the range of ESG factors, together with many other investment criteria, we believe we will be better positioned to deliver consistent, superior long-term investment returns for our investors.

ENVIRONMENT

ENVIRONMENTAL PERFORMANCE

Improving our environmental performance is a key focus area

As an owner and operator of real estate, we understand the impacts of our built environment and the importance of addressing these in a sustainable manner. Storage assets generally present lower environmental impacts with minimal utility use given the nature of the business. It should also be noted that our industry provides solutions that enable our customers to prevent disposal through storage. Despite this, we are continuously exploring and, where feasible, implementing solutions designed to mitigate climate change risk, reduce our carbon emissions and limit the overall impact on the environment.

A key driver of the establishment of the Shurgard ESG strategy is the desire to improve the sustainability of our storage portfolio. Our approach identifies opportunities for efficiencies in energy and water consumption and strengthening climate resilience across the portfolio. Any efficiency projects undertaken are assessed on the basis of return on investment for both the environment and our investors.

When undertaking design work for our storage centers, we recognize the crucial importance of appropriate built asset design. Where possible we seek passive design solutions that aim to reduce heating, cooling, lighting and ventilation energy use. Our external design and material specifications aim to incorporate the benefits of thermal mass and reduce cooling energy use. We also utilize a range of technologies to minimize heat transfer (particularly in climate and/or humidity-controlled storage). Where we are required to remediate land or contaminated sites, we seek expert advice and endeavor to conduct works in a sustainable manner.

Natural hazards including inclement weather may impact our operations and our real estate assets. Comprehensive business continuity and disaster recovery plans detail our management and operational approach in hazardous situations. Should rectification works be required, where necessary we seek expert advice and where possible we seek to conduct works in a sustainable manner.

OUR OBJECTIVES

- Develop action plans for an optimized management of energy and water across all buildings;
- Reduce energy consumption and carbon emissions by 10% by 2023 (based on 2017 base year) on a like-for-like properties basis;
- Reduce water consumption by 5% by 2023 (against a base of 2017) on a like-for-like properties basis;
- Introduce programs to track waste management.

KEY 2019 ACHIEVEMENTS

- We reduced like-for-like electricity consumption across our portfolio by 5.1%, when compared against 2018;
- Our like-for-like carbon emissions (scope 1 and 2) reduced by 4.1%, when compared against 2018;
- We operated an electric car shuttle service at our Brussels office alongside two electric car charging stations and bicycles for the benefit of our employees;
- During demolition works, materials have been reused elsewhere. This includes steel from a dismantled warehouse in the London area, crushed slab re-used for gravel in concrete also in the London area, and a demolished steel frame building for recycling in Paris;
- A whole steel framed building has been de-constructed in Berlin in order to be re-built on another site, removing the need for all new building materials.

FUTURE ACTIONS

- Evaluate the feasibility of other low-carbon or renewable energy solutions and green energy tariffs;
- Explore opportunities to reduce single use plastics;
- Procure only 'green' cleaning materials.

ENERGY

Shurgard seeks to maximize energy efficiency

This table shows energy usage as total and like-for-like figures for all Shurgard properties. Applicable properties refers to the number of properties within our organizational boundaries for this indicator. The degree day corrected energy use is normalized. In order to produce the report in a timely fashion, the data is actual to September 30, 2019, with estimates for the remainder of the year being formulated from replicates of October 1, 2018 to December 31, 2018. Life-for-like properties include all operational buildings where data is available for two full years. Shurgard reports the Company's sustainability indicators based on EPRA sBPR, third version September 2017.

The table indicates a solid reduction of 2.8% in total energy use across our properties (degree day corrected to take changes in weather conditions into account). This is attributable to energy efficiency initiatives across the portfolio.

ENERGY				ABSOLUTE MEASURES (Abs) - PROPERTIES		LIKE-FOR-LIKE (LFL) - PROPERTIES		
EPRA Code	Units of Measure	Indicator		2018	2019	2018	2019	% Change
Elec-Abs Elec-LfL	MWh	Electricity	Total Procured Electricity	21,826	21,725	21,068	19,995	-5.1%
of applicable properties[1]				225 of 226	230 of 231	217 of 217	217 of 217	
DH&C-Abs DH&C-LfL	MWh	District Heating & Cooling	Total Procured Heating & Cooling	3,549	2,807	3,385	2,644	-21.9%
of applicable properties				33 of 33	33 of 33	30 of 30	30 of 30	
Fuels-Abs Fuels-LfL	MWh	Fuels[2]	Total Procured Fuels	10,943	11,114	10,909	11,113	1.9%
of applicable properties				129 of 129	129 of 129	119 of 119	119 of 119	
	MWh	Energy	Total Energy Use	36,318	35,645	35,362	33,751	-4.6%
			Total energy use (Degree day corrected)	36,318	36,262	35,362	34,362	-2.8%
Energy-Int	MWh/m² /year - GIA	Energy Intensity		0.031	0.031	0.051	0.047	-8.4%

1 Number of properties as of September 30, 2019 or September 30, 2018.
2 Typically gas use for heating or hot water.

GREENHOUSE GAS EMISSIONS

Shurgard reduces GHG emissions through energy management

The table below shows greenhouse gas emissions at Shurgard properties from gas (Scope 1) and from electricity (Scope 2) in absolute and LfL. Carbon emissions have reduced in the reporting period by 4.1%. This is attributable to energy efficiency initiatives across the portfolio.

GREENHOUSE GAS				ABSOLUTE MEASURES (Abs) - PROPERTIES		LIKE-FOR-LIKE (LFL) - PROPERTIES		
EPRA Code	Units of Measure	Indicator		2018	2019	2018	2019	% Change
GHG-Dir-Abs GHG-Dir-LfL	Tonnes CO2e	Direct	Scope 1	2,629	2,656	2,621	2,655	1.3%
GHG-Indir-Abs GHG-Indir-LfL	Tonnes CO2e	Indirect	Scope 2	5,209	4,806	5,059	4,713	-6.8%
	Tonnes CO2e	Total Carbon Emissions		7,839	7,461	7,680	7,368	-4.1%
GHG-Int	Kg CO2e/m²/year - GIA	GHG Intensity		6.70	6.37	11.341	10.141	-10.6%

WATER

Shurgard measures and conserves water

The table below shows water usage at Shurgard properties. Applicable properties refer to the number of the properties within our organizational boundaries for this indicator. While water consumption has increased, data reporting has improved.

WATER - PROPERTIES			ABSOLUTE MEASURES (Abs) - PROPERTIES		LIKE-FOR-LIKE (LFL) - PROPERTIES		
EPRA Code	Units of Measure	Indicator	2018	2019	2018	2019	% Change
Water-Abs Water-LfL	m3	Municipal water	32,321	32,472	29,201	329,900	2.4%
Water-Int	m3/m²/year - GIA	Building water Intensity	0.0276	0.0277	0.0270	0.0276	2.4%
of applicable properties		Water disclosure coverage	224 of 226	229 of 231	216 of 216	216 of 216	

WASTE

Shurgard targets waste management excellence

The table shows generated waste at Shurgard properties. Applicable properties refers to the number of the properties within our organizational boundaries for this indicator.

WASTE - PROPERTIES			ABSOLUTE MEASURES (Abs) - PROPERTIES		LIKE-FOR-LIKE (LFL) - PROPERTIES		
EPRA Code	Units of Measure	Indicator	2018	2019	2018	2019	% Change
Waste-Abs Waste-LfL	tonnes	Hazardous Waste[1]	0.7	1.8	0.7	1.7	148.4%
		Landfilled Waste[2]	8.8	3.5	8.8	3.5	-60.5%
		Recycled Waste[3]	1,281.8	1,192.2	1,274.3	1,180.7	-7.3%
		Incinerated Waste[4]	1,469.5	1,785.7	1,438.8	1,583.1	10.0%
		Total waste[5]	2,760.8	2,983.3	2,722.6	2,769.0	1.7%
of applicable properties		Waste disclosure coverage	226 of 226	231 of 231	220 of 220	220 of 220	

1. Hazardous waste are wastes with properties that make it an oxidizing agent, flammable, irritant, harmful, toxic, cariogenic, corrosive, infectious, mutagenic or ecotoxic. This does not necessarily mean it is an immediate risk to human health, although some can be. At Shurgard, examples of typical hazardous waste streams include redundant lightbulbs, paint and other construction remnants.
2. This contains streams that cannot be recycled. In this context, the commercial waste from Shurgard will mostly be inert waste for construction and refurbishment. Also landfilled waste rates will be higher depending on recycling provision in that locality.
3. Recycling is the process of converting waste materials into new materials and objects. Waste recycled from Shurgard sites will include paper and cardboard, plastic, metals and timber.
4. Incineration is the burning of waste in a specially designed combustion chamber. Portions of all waste streams from Shurgard may be ultimately incinerated; this is dependent on the procedures of the waste providers in the locality.
5. Total culmination of all waste streams.

CASE STUDY

In 2019, our head office in Luxembourg moved into 'Solarwind' in Ecopark Windhof. The building uses, for the very first time in the world, a triple environmental certification. It meets the highest standards in sustainable development and eco-citizenship.

Multi-function roof terrace

Bike storage, locker facilities and showers

Wellness center

Gym

Daycare

Lounge

Restaurant

Driving range

Urban wind turbines

Photovoltaic and thermal solar panels

Biomass boiler

Geothermal

Green electricity

Rainwater collection

GREEN CERTIFIED BUILDINGS

Shurgard pursues green-building certifications for all of our properties

Shurgard encourages the achievement and maintenance of green building certifications to protect value and to stay ahead of regulations. We have a dedicated team who is responsible for achieving and maintaining green building certifications with the support of our ESG Committee. The Committee initiates feasibility studies and provides support to the property teams to meet certification requirements and performance objectives. BREEAM is the preferred certification of choice. BREEAM (Building Research Establishment Environmental Method) is a sustainability assessment method that is used to assess the environmental performance of buildings.

KEY 2019 ACHIEVEMENTS

- Awarded BREEAM Excellent at our Herne Hill property;
- In September 2019, Shurgard Park Royal achieved BREEAM Outstanding.

FUTURE ACTIONS

- Increase green building certification coverage;
- Report on the % coverage of BREEAM certification across the portfolio.

The table shows the number of sustainability certified buildings. Applicable properties refers to the floor area of the properties within our organizational boundaries for this indicator. This number has increased by 400%, which reflects our commitment to certification. Alongside the Excellent and Outstanding classifications reported above, three of our buildings achieved a BREEAM rating of Very Good, and a further 15 achieved a Good BREEAM certification.

SUSTAINABILITY CERTIFIED BUILDINGS		Total sustainability certified assets		
EPRA Code	**Indicator**	2018	**2019**	**% Change**
Cert-tot	**Number of certified assets**	5	25	400%
	Certified area (m²)	46,987 m²	211,967 m²	350%
	Certified area, share of total portfolio (%)	2.7%	12.0%	345%

ENVIRONMENTAL MANAGEMENT SYSTEM

Better risk control and asset decisions through management systems

We believe that using an Environmental Management System (EMS) supports better results. Shurgard's EMS has been established to align with the International Standards Organization (ISO) 14001 standard, which is an internationally recognized approach to environmental management. The key elements of our strategy include:

1. Plan: The results of our materiality review, together with asset level risk and opportunity analysis, are used to develop control procedures, objectives and targets, with the overall objective of achieving continual improvement.
2. Implement: We implement improvement programs in conjunction with our local partners and suppliers.
3. Monitor and Measure: We use a variety of approaches to monitor and measure ESG performance. Performance is tracked on a regular basis.
4. Review: We complete regular progress reviews. This is a vital element of our approach and is designed to help ensure our approach is refined and improved. A further in depth annual review is also completed. We also use external methodologies, including GRESB, to benchmark our performance externally.
5. Reporting: We commit to reporting progress on an annual basis.

OUR OBJECTIVES

- Develop an EMS with gradual alignment to ISO 14001;
- Develop a framework to assess sustainability risks at all assets – to address all key issues including energy, water, waste and flood risk.

KEY 2019 ACHIEVEMENTS

- Evaluated our risks and control measures to maintain performance;
- Our contracts with our key suppliers have been revised to include environmental management controls.

FUTURE ACTION

- Assess our suppliers to measure compliance with regulatory requirements.

SOCIAL

COMMUNITY ENHANCEMENT

Enhancing communities through engagement and giving

At Shurgard, to help enable meaningful action, we define community as our immediate neighbors and those in the local catchment areas surrounding our properties. We support and empower our community partners by focusing on building positive and lasting relationships and maintaining a sustainable operation. We believe that having an open and transparent dialogue with our local communities enables us to create a harmonious environment for our neighbors, customers and staff alike.

Compliance with local laws and regulations is paramount to the progress of our development projects, the sustainability of our operations and harmonious community environments. Hence, we consult our local councils, governments and regulators where necessary to verify that our obligations are met and that we are making a constructive contribution to the areas in which we operate.

All of our facilities (as well as our corporate offices) have time and financial budgets to provide in-kind support and sponsorship to our community partners, and this financial year they have continued to utilize these budgets to provide a positive contribution. In 2019 Shurgard spent €19,025 on community and charitable support, and we have committed a further €45,200 to good causes in 2020.

The effectiveness of our community engagement is continuously being reviewed and adjusted to ensure that we sufficiently address community interest and opportunities.

OUR OBJECTIVE

- Establish a community and charitable engagement policy.

KEY 2019 ACHIEVEMENTS

- Free unit rentals across Sweden and Denmark for Team Rynkeby, a Nordic charity cycling team. In 2019, Team Rynkeby donated €10.6 million to organizations that help children with critical illnesses;
- In March 2019, our Romford center donated cardboard boxes for a YMCA charity sleep-out;
- During our recent Herne Hill development, Shurgard supported ten local members of the community to gain construction qualifications and related work placements on site. Artwork from the local community was also displayed on the construction hoardings;
- In December 2019, our London Development team donated items to the local homeless, including sleeping bags and mats;
- Free unit rentals in 19 Dutch properties as well as hosting collection points for baby items for redistribution where required (https://stichtingbabyspullen.nl/);
- We made a donation to a charity to benefit the community of Croydon Purley Way.

FUTURE ACTIONS

- Installation of community noticeboards across UK properties for the benefit of free advertisements for local events and businesses;
- Continue to work in all of our countries to establish meaningful relationships with local charities and organizations.

EMPLOYEE ENGAGEMENT

Engaged employees are our competitive advantage

We operate a highly centralized business model, with effective controls and frameworks to empower our workforce. We place a high degree of trust and authority in our center teams and operational management to run each property and region with support and oversight from our head office. Shurgard is passionate about creating excellent workplaces characterized by optimal organizational health, wellbeing and productivity of our employees. We pride ourselves on our core values of teamwork, care and excellence. Our policies and programs are designed to make employee working life productive and rewarding. We foster an open, supportive, diverse and inclusive culture. We regularly monitor and evaluate our performance in this regard.

Shurgard launched a Company survey for all employees, as we believe that feedback enables us to strive to improve employees' well-being and thus the Company's performance. The results showed that:

- 92% of our employees have a clear understanding of what is expected of them;
- 82% of our employees feel that they are treated with respect at work;
- 80% of our employees believe that their manager encourages collaboration on their team.

KEY 2019 ACHIEVEMENT

- 67% of employees (484) participated in the Company survey.

FUTURE ACTION

- Implement action plans following the results of the Company survey.

New Hires and Turnover

			2018		2019	
EPRA Code	Units of Measure	Indicator	Number	Rate	Number	Rate
Emp-Turnover	Total number and rate	New employee hires	293	40.0%	312	43.0%
		Employee turnover	251	34.0%	300	41.0%

EMPLOYEE DEVELOPMENT

Shurgard supports skills development and lifelong learning

We believe the quality of customers' interaction with our employees is critical to our long-term continued success. Accordingly, we emphasize customer service and teamwork in our employee training programs. Each in-store employee is required to complete a rigorous three-month training program that builds on the foundation to assist our customers with their storage needs. European Support Center employees are also engaged in an extensive induction program which lasts several weeks. We offer a continuous feedback program to help employees improve their performance. We invest in a wide range of training to grow both professional skills as well as soft skills, such as communication, problem-solving and time management.

The Shurgard Academy was launched in 2018 to enable us to attract, retain and train top talents within our stores. The Academy provides a transparent program of progression which empowers our employees to develop throughout their careers. The Academy ensures a structured process of career progression, from Junior Assistant Store Manager to Senior Store Manager and District Trainer.

OUR OBJECTIVES

- Keep rolling-out the Shurgard Academy program;
- Develop further sustainability training programs for our employees.

KEY 2019 ACHIEVEMENT

- In 2019, 527 employees underwent Academy training, representing 91.0% of the store workforce.

FUTURE ACTION

- Develop further sustainability training programs for our employees.

Employee Training, Development and Performance

EPRA Code	Units of Measure	Indicator		2018	2019
Emp-Training	Average number of hours	Employee training and development	Average hours of training undertaken by employees in the reporting period	44,146	42,266[1]
Emp-Dev	% of total workforce	Employee performance appraisals	% of total employees who received regular performance and career development reviews during the reporting period	75.2%	87.3%[2]

1 Small decrease due to a slight decrease in the number of employees and of employees who had previously completed training.
2 Employees undertaking their six week induction training do not undergo performance appraisals.

DIVERSITY & INCLUSION

Shurgard reflects and welcomes the diverse communities we serve

Shurgard is committed to an inclusive workplace that embraces and promotes human rights, diversity and equal opportunity. The success of Shurgard relies on its ability to attract, engage and retain the best staff available. For this to occur, we understand that our recruitment and promotion methods must be fair, efficient and effective. We value, respect and leverage the unique contributions of people with diverse backgrounds and perspectives to enhance our understanding of the needs of our customers. We believe that this encourages innovative solutions and exceptional customer service to an equally diverse community. Our commitment to creating and ensuring a diverse work environment contributes to Shurgard's corporate objectives and embeds the importance and value of diversity within the culture of our organization.

Shurgard aims to create an inclusive environment that supports people and removes artificial barriers from the workplace. Shurgard is committed to maintaining a workplace that is free from discrimination and human rights violations. Recruitment, selection and promotion of individuals into specific positions or for development opportunities are determined on personal/professional merit. All employees are subject to the same rules and conditions of employment without regard for any individual differences. Shurgard established reporting procedures about any harassment, discrimination and human rights violations that ensure protection of the whistleblower. All employees are informed about these procedures. Training for all staff on sexual harassment and discrimination occurs at induction and is refreshed on a regular basis.

OUR OBJECTIVE

- Continue to empower gender equality.

KEY 2019 ACHIEVEMENT

- Integrated ESG criteria into our procurement process.

FUTURE ACTIONS

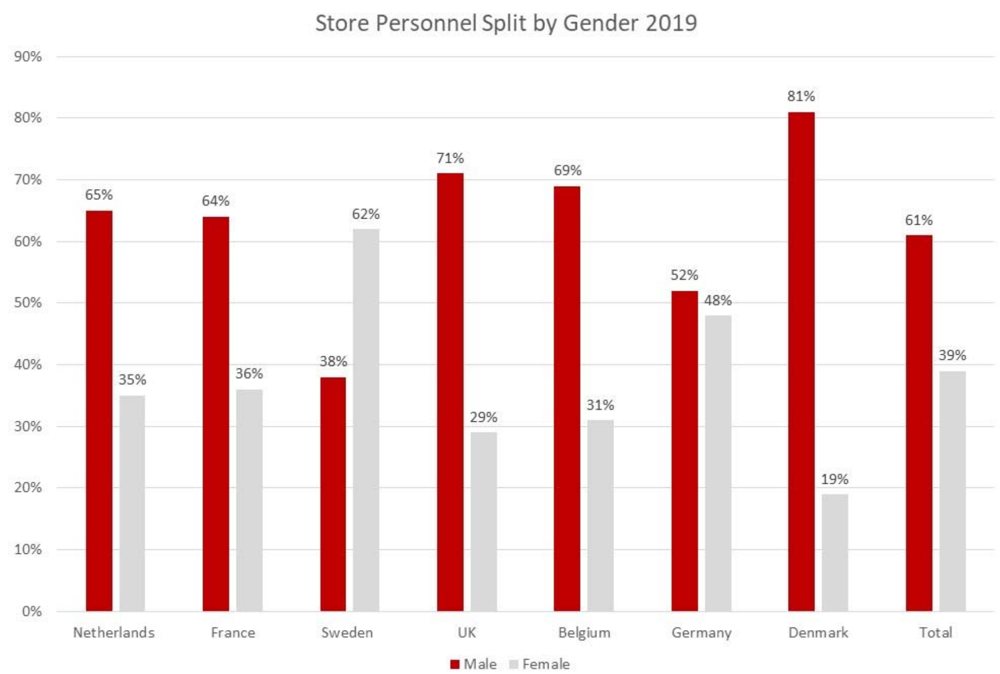
- Continue to strive for equality and diversity;
- Create a diversity and inclusion policy;
- Integrate more specific diversity factors into our procurement process.

Employee Gender Diversity			2018		2019	
EPRA Code	Units of Measure	Indicator	Female	Male	Female	Male
Diversity-Emp	% of male & female employees	Employees on the organization's Board of Directors	27.3%	72.7%	27.3%	72.7%
		Employees in the organization's Senior Management	0.0%	100.0%	0.0%	100.0%
		Employees in the organization engaged as Senior Managers	32.0%	68.0%	37.0%	63.0%
		All other employees	39.0%	61.0%	39.0%	61.0%

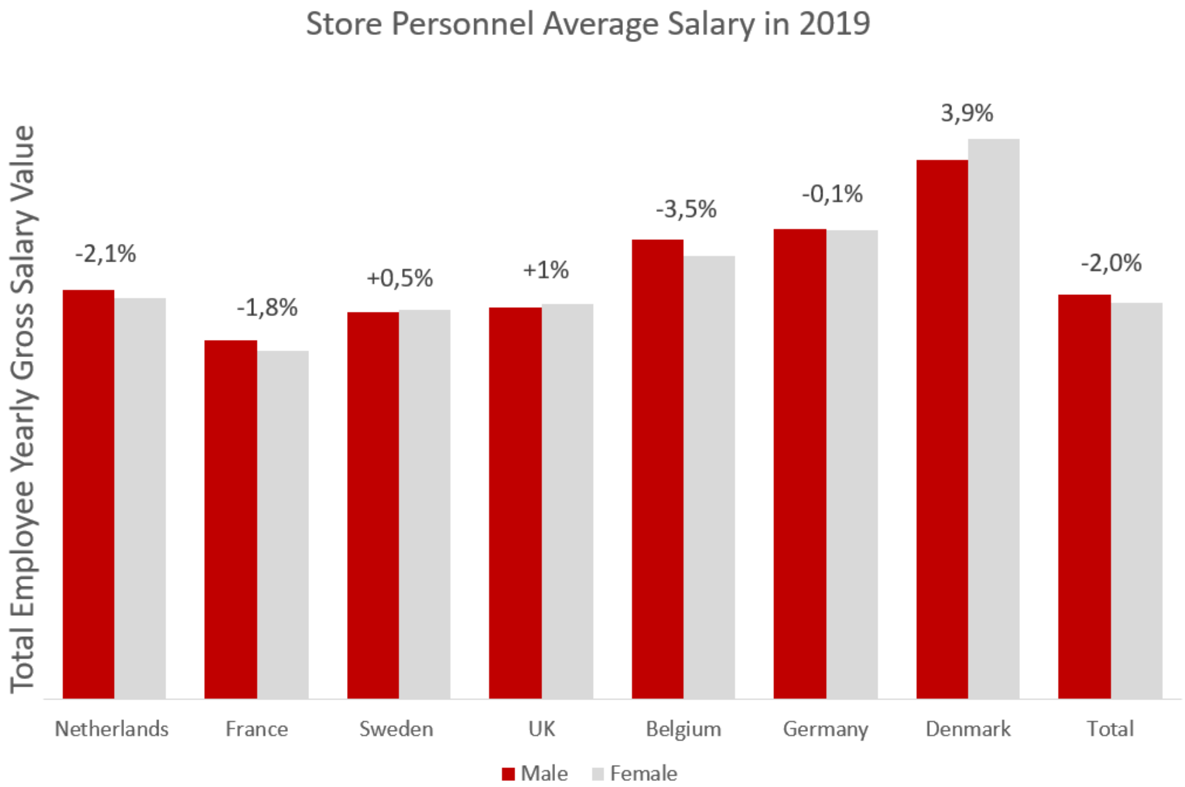
Employee Gender Pay Ratio in stores

EPRA Code	Units of Measure	Indicator	2018	2019
			Mean	Mean
Diversity-Pay	Gender Pay Ratio (%)	Gender Pay Gap	0.3%	-2.0%

Within our stores, we foster an inclusive culture which engages with all potential candidates. The outcome of this culture is a good gender balance in our stores, which employ 80% of the total Shurgard personnel. Within stores across our seven operating countries, the gender split is 61.0% male and 39.0% female. In 2018, the gender split was 62.0% male and 38.0% and female.



The gender split for our European Support Center employees is 52.0% male and 48.0% female in 2019 and was 55.0% male and 45.0% female in 2018.



The gender pay difference for store personnel is marginal across our different operating countries. The total difference is 2.0% (in favor of male personnel) across all geographies which reflects a range between -3.9% and 1.0%. The slight decrease compared to 2018 is mainly due to a higher turnover in the female staff with more years of seniority.

WORKPLACE HEALTH & SAFETY

Shurgard is committed to zero harm

The safety of our staff and our customers is our chief priority. Safe practices are inherent in our systems, our operating procedures, and most importantly in the way we think and act. Shurgard is committed to providing a safe environment for our staff and customers. We regularly monitor, assess, evaluate and we continuously improve our approach to workplace health & safety. A workplace health & safety organizational induction is provided to all new team members and contractors upon initial employment or engagement with Shurgard.

Regular periodic training is conducted with all team members, in addition to instances of changes to workplace or operations; plant or equipment; legislation, policies, work processes or processes, and generally as required. Furthermore, task-specific training is conducted to provide knowledge of health & safety issues and safe working practices relevant to work activities, workplaces or equipment. Training is hands-on and interactive, to ensure complete understanding of procedures. Records of training conducted and participation and acknowledgment of training by team members are kept in an online learning management system or filed with the human resources department. An improvement in our work accidents frequency rate is testament to the systems, processes, initiatives and buy in from all staff.

The Shurgard Group has an internal audit department fully dedicated to assessing all assets, including health & safety criteria. They manage every year to assess more than a third of the properties and all of our districts, to ensure that all applicable health & safety rules are respected. Shurgard is fully committed to providing safe storage facilities to our customers and our staff.

KEY 2019 ACHIEVEMENT

- 83 properties, in 33 districts, in our seven active countries have been audited on health & safety criteria.

FUTURE ACTIONS

- In 2020 implement a new check list for the internal audit of properties, including more health & safety criteria;
- Continue to enhance the safety culture at Shurgard.

Asset Health & Safety assessments and compliance

EPRA Code	Units of Measure	Indicator		2018	2019
H&S-Assets	% of assets	Asset health & safety assessments	% of assets for which H&S impacts are assessed or reviewed	37%	35.5%
H&S-Comp	Total number	Asset health & safety compliance	Number of incidents of non-compliance with regulations and/or voluntary standards	N/A	N/A

Employee health & safety

EPRA Code	Units of Measure	Indicator	2018	2019
H&S-Emp	Per 100,000 hours worked	Injury rate	0.003%	0.002%
		Lost day rate	0.093%	0.037%
	Days per employee	Absentee rate	4.1%	4.2%
	Total number	Fatalities	0%	0%

CUSTOMER ENGAGEMENT

Shurgard puts service excellence first

Delivering excellent customer service is central to the Shurgard ethos and we view it as a key competitive advantage. We are committed to understanding our customers' needs, providing tailored storage solutions and delivering on our brand promise. Our focus on customer engagement and insights informs our customer experience strategy which aims to deliver superior experiences and in turn, drive retention and referrals.

Our policies and procedures are designed to protect the health, safety and privacy of our customers. We monitor and assess these programs which are updated regularly based on our learnings.

Around 80% of the Shurgard customer base are residential customers whose storage needs range from short term due to moving house, renovating or simply needing more room, through to long-term needs for collectibles or hobbies. The remainder of the Shurgard customer base are businesses, from online retailers or local businesses through to multi-national companies requiring a distribution network.

We define four overarching demand drivers for self storage: demographic, socioeconomic, housing markets and business markets. Changes in these drivers and market conditions influence the demand for self storage and in turn our operating business.

Demographic Drivers	Socioeconomic drivers	Housing market drivers	Business market drivers
Marriage/Moving in together	Urbanization	Housing construction	Growth in online retailing
Divorce	Ageing population	Renovations	Optimizing existing office/warehouse space
Birth/Growing families	Change of life events	Housing sale activity	On-premise storage costs
Death/estate management	Long-term travel	Rental market volumes	Decentralization of stock and point of sale distribution network
	Expat and grey nomad lifestyle		

KEY 2019 ACHIEVEMENTS

- In the Feefo Trusted Awards 2020 (appertaining to 2019), for the Netherlands, we won a Gold Trusted Award. For all other markets, we won Platinum Trusted Awards, recognition for receiving a Gold Trusted Service Award for three consecutive years;
- Over the past year, over 5,000 reviews have been collected using Feefo, the online review platform which guarantees genuine feedback. Across Europe, we score an average of 4.6 out of 5 stars;
- Since 2013, over 2,300 independent customer reviews have been collected on TrustPilot with more than 81% rating their experience 'great' and 'excellent';
- In the UK, we have dedicated units on the ground floor for customers with limited accessibility.

FUTURE ACTION

- Continue to seek customer feedback through Feefo and seek improvement opportunities at each property.

SUSTAINABLE PROCUREMENT

Shurgard is committed to sourcing sustainable goods and services

We commit to working with appointed partners, suppliers and contractors to improve environmental performance through our supply chain and ensure that they are free from slavery or human trafficking.

To drive positive change, we ask our suppliers strategic questions and evaluate different options using a wider variety of criteria. Sustainable procurement means going beyond price, quality, and value to also incorporate environmental, social (especially human rights, anti-slavery and human trafficking) and governance considerations into our supply-chain decisions and purchases. Our sustainable procurement strategy contributes to local communities and, by buying locally, helps reduce negative social, environmental and health impacts, by notably promoting high labor standards and local job creation.

As part of our sustainable procurement strategy, Shurgard:

- Considers environmental, social and economic life-cycle factors when purchasing goods and services;
- Aims to suggest more and more sustainable merchandise to our customers;
- Provides our employees and suppliers with knowledge and resources about sustainable procurement principles;
- Reviews human rights and modern slavery risks throughout the supply chain.

We continually look for opportunities to increase dialogue and improve understanding, both internally and externally, on sustainable sourcing. Strategies include addressing sustainability-specific requirements in our standard procurement agreements and our partners are required to confirm that they comply with such requirements. Within all our contracts we have clauses to mitigate bribery and corruption, offenses to human rights and modern slavery. During the construction phase, we randomly conduct environmental and social audits on site.

OUR OBJECTIVE

- Continue to develop supply chain engagement frameworks.

KEY 2019 ACHIEVEMENTS

- In 2019, we established our anti-slavery, human trafficking and child labor statement; publicly available at https://corporate.shurgard.eu/corporate-responsibility/policy;
- Flyers are printed on recycled paper and storage boxes sold are made from Forest Stewardship Council (FSC) accredited cardboard;
- The bubble wrap sold in our properties has been certified under European Union REACH regulation.

FUTURE ACTIONS

- Our ongoing commitment is to continue to require our supply chain to confirm their approach on anti-bribery and corruption, modern slavery and diversity and inclusion. We will keep performance of our key supplies (identified by turnover) under annual review;
- Bubble wrap procured from 2020 will be made from recycled plastic;
- From 2020, we will change the plastic bag, handed to new clients for contract and other documents, to a paper envelope;
- From the first quarter of 2020, the mattress protectors we sell will be environmentally certified.

INVESTOR ENGAGEMENT

Feedback focuses Shurgard on the right priorities

GRESB is the Global Real Estate Sustainability Benchmark. It is an investor driven scheme that benchmarks environmental, social and governance performance of real estate entities (https://gresb.com/). The GRESB benchmark informs our investor community of our ESG performance, our approach to such, risk management protocols and a range of other indicators to verify that our business is 'sustainable'.

Our executive team runs a program of face-to-face investor engagement activities including annual and quarterly reporting cycles and attend investor events across Europe.

OUR OBJECTIVE

- Participate in GRESB and work to improve scores year-on-year.

KEY 2019 ACHIEVEMENT

- Awarded a Green Star in GRESB 2019 results, a score of 60 out of 100; 2nd out of our peer group.

FUTURE ACTION

- Aim for year-on-year GRESB score improvement.

ANTI-CORRUPTION AND ANTI-BRIBERY

Shurgard complies with the anti-corruption and anti-bribery laws of the countries in which it does business. Employees undergo training to ensure they are compliant.

We do not direclty or indirectly offer or give anything of value to any government official, including employees of state-owned enterprises, to influence any act or decision that may help us get or retain business or to direct business to anyone.

Shurgard also requires that any agents we engage to conduct business on our behalf are reputable and that they comply with these guidelines.

GOVERNANCE

A principles foundation for long-term success

Shurgard believes that, in the achievement of our long-term objectives, it is imperative to act with probity, transparency and accountability. By doing so, we believe that shareholder wealth will be maximized in the long term and that our employees, those with whom we do business, and the communities in which we operate will all benefit.

As a Luxembourg Société Anonyme whose shares are exclusively listed on Euronext Brussels, Shurgard is not required to adhere to the Luxembourg corporate governance regime applicable to companies that are traded in Luxembourg, or to the Belgian corporate governance regime applicable to stock corporations organized in Belgium.

However, as we recognize the importance of high standards of corporate governance, we have set up our own Corporate Governance Charter that meets the specific needs and interests of our Company. The charter came into effect when the Company listed on Euronext Brussels. Our governance structure is designed to foster principled actions, informed and effective decision-making, and appropriate monitoring of both compliance and performance.

For additional information, please refer to the Corporate Governance Charter in the "Governance" section of the Shurgard website https://corporate.shurgard.eu. The last update of the Corporate Governance Charter occurred on October 3, 2019.

The governing bodies of our Company are the Board of Directors and the General Shareholders' Meeting. The powers of these governing bodies are defined in the 1915 Companies Act and our Articles of Association. The Board together with the Senior Management team manages the Company in accordance with applicable laws.

OUR OBJECTIVES

- Review and, where appropriate, update our existing corporate governance charter;
- Report on sustainability programs through EPRA compliant approaches.

KEY 2019 ACHIEVEMENTS

- Reviewed our Committees rules;
- Successfully held our first AGM in April 2019;
- Reported on our sustainability programs within this report, via an EPRA compliant approach.

FUTURE ACTIONS

- Review our whistle-blowing policy and procedure to follow best practice;
- Maintaining a high level of corporate governance and transparency by reporting in accordance with EPRA guidelines and evaluating progress through GRESB assessments

BOARD OF DIRECTORS

According to our Articles of Association, the Directors are appointed by the General Meeting of Shareholders for a term of one year. The General Shareholders' Meeting also determines the number of members of the Board of Directors, and the terms of their office (which may not exceed one year). The Directors are eligible for reelection and they can be removed at any time by the General Meeting of Shareholders, with or without cause. If the Board has a vacancy, the remaining Directors have the right to appoint a replacement until the next General Shareholders' Meeting.

The Board of Directors is currently composed of eleven members, one Executive Director and ten Non-Executive Directors. We consider six of the members of our Board of Directors to be independent, of which one has been appointed Lead Independent Director. At the Annual General Meeting of Shareholders of April 30, 2019, all the members of the Board were re-appointed for a term of one year ending at the Company's Annual General Meeting of Shareholders to be held in 2020.

For more detailed information on the composition of the Board of Directors, see section "Management" on page 22 of this report.

Composition of the highest governance body

EPRA Code	Units of Measure	Indicator		2018	2019
Gov-Board	Total numbers	Composition of the Board of Directors	Number of board members	11	11
			Number of independent board members	6	6
			Average tenure on the governance body	0.25 year[1]	1.25 year[1]
			Number of non-executive board members with competencies relating to environmental and social topics	10	10[2]

1 The average tenure reflects the fact that the Company has been listed since October 2018.
2 We consider that all the Non-Executive Board members have competencies related to environmental and social topics, through academic and professional backgrounds, and/or charities work.

RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board of Directors retains sole responsibility for the following matters:

a) convene the general meeting of shareholders of the Company;

b) establish the internal regulations of governance of the Company;

c) elect the members of the Audit Committee, the Nomination and Remuneration Committee and the Real Estate Investment Committee;

d) appoint and remove the CEO of the Company;

e) delegate the day-to-day management of the Company to the CEO;

f) appoint and remove the other executive board members when their appointment or removal is proposed by the CEO;

g) approve the overall Company strategy;

h) approve the annual overall Company budget;

i) approve the annual balance sheet and profit and loss accounts and propose an allocation of the annual profits;

j) approve any acquisition or disposal of assets, properties or subsidiaries worth more than €50 million; and

k) decide on a Company basis on the introduction or major amendments of pension schemes, share option schemes, participation of employees in profits, or similarly important labor relations schemes.

BOARD MEETINGS

The Board of Directors meets as often as the interests of the Company require and at least four times a year. The meetings are called by the Chairman of the Board. Except in urgent cases or with the prior consent of all the Directors, at least forty-eight hours' written notice must be given for Board meetings.

The Chairman prepares the agenda of the Board meetings after consultation with the CEO and/or the Lead Independent Director.

The Chairman presides at meetings of the Board. If he is absent the Board can vote by majority to appoint another Director as Chairman for the relevant meeting. At least half of the Directors must be present at the meeting for any deliberation and voting to be valid. No Directors can be represented by another Director at any meeting of the Board.

The convening notice provides details of the day, time and place of the Board meetings. The Board and its committee meetings are conducted in English and can be held remotely (e.g. by video or telephone conference). In these circumstances, the connection must be uninterrupted, all members taking part in the meeting must be identified, and they must be able to communicate with each other on a continuous basis.

During the financial year 2019, the Board of Directors held five meetings. All members of the Board were present at these meetings. Over the year, the Board members assessed the way the Board operates, the effective fulfilment of its role and its compliance with the rules of good governance. The Board members consider that the available tools, organization and policies in place are adequate to perform their role and to ensure good governance of the Company. Thus, no change has been requested.

DIRECTORSHIPS HELD BY BOARD MEMBERS

As of December 31, 2019, our Board members held directorship mandates in the following companies:

Name	Mandates
Ronald L. Havner, Jr.	Public Storage, PS Business Parks, Inc., AvalonBay Communities, Inc., Huntington Hospital
Marc Oursin	Triangle Investissement, Ugly Invest
Z. Jamie Behar	Sunstone Hotel Investors, Inc., Armour Residential REIT, Inc., Broadstone Real Estate Access Fund, Broadtree Residential, Inc., Puppies Behind Bars
John Carrafiell	Klépierre, Yale School of Architecture Dean's Council, London's Chelsea and Westminster Hospital's Development Board
Daniel C. Staton	Public Storage, Staton Capital LLC, ARMOUR Residential REIT Inc, ACM, Terran Orbital
Ian Marcus	Secure Income REIT PLC, Town Centre Securities plc, Prince's Foundation, Redevco NV, the Wharton Business School Real Estate Faculty, Cambridge University Land Society, Ian Marcus Consultants, Limited, The Crown Estate, Eastdil Secured LLP
Muriel De Lathouwer	CFE, Coderdojo Belgium asbl, Amoobi, Olympia group of companies, CPH
Olivier Faujour	Smartbox Group
Frank Fiskers	Whitbread PLC, Rak hospitality holding LLC
Padraig McCarthy	NewSpace Capital Partners GP S.A, NewSpace Capital Partners SCS, NewSpace Capital GP S.A.
Isabelle Moins	April International Care France, Smile Corp (SAS), Innovaas

SHARE OWNERSHIPS OF DIRECTORS

As of December 31, 2019, the members of the Board of Directors owned 178,041 shares or 0.20% of the total share capital of the Company. The breakdown of share ownership is:

Name	Number of shares
Ronald L. Havner, Jr.	10,000
Marc Oursin	138,092
Z. Jamie Behar	1,901
John Carrafiell	N/A
Muriel De Lathouwer	2,639
Olivier Faujour	4,347
Frank Fiskers	4,347
Ian Marcus	2,515
Padraig McCarthy	N/A
Isabelle Moins	1,700
Daniel C. Staton	12,500
Total	**178,041**

INDEPENDENCE OF BOARD MEMBERS

Six of the Non-Executive directors – Muriel De Lathouwer, Olivier Faujour, Frank Fiskers, Ian Marcus, Padraig McCarthy and Isabelle Moins – are independent of management and of other outside interests that might interfere with the exercise of their independent judgement. We define an "independent Board member" as a member who:

a) is not an executive or managing director of the Company or an associated company;

b) is not an employee of the Company or an associated company;

c) does not receive significant additional remuneration from the Company or an associated company apart from a fee received as Non-Executive Director;

d) does not have an employee, contractual or managerial relationship with, is not an agent of, nor has a financial interest in or receive compensation from, the controlling shareholder(s) (i.e. a strategic shareholder with a 10.0% or larger holding);

e) has no significant business relationship with the Company. Business relationships include significant suppliers of goods or services (including financial, legal, advisory or consulting services), a significant customer and organizations that receive significant contributions from the Company or Group;

f) is not a partner or employee of the external auditor of the Company or an associated company;

g) is not an executive or managing director in another company in which an executive or managing director of the Company is a non-executive or supervisory director, and does not have other significant links with executive directors of the Company through involvement in other companies or bodies; and

h) is not a close family member of an executive or managing director, or of persons in the situations referred to in points (a) to (h).

DIVERSITY OF BOARD MEMBERS

Shurgard is committed to achieving a high degree of diversity at all levels of the Company. We recognize diversity enhancing qualities such as age, gender, race, ethnicity, geography, sexual orientation, gender identity and diverse backgrounds. This commitment to diversity also extends to the Company's Board. Our Board reflects diverse perspectives, including a complementary mix of skills, experience and backgrounds, which we believe is paramount to the Company's ability to represent the interests of all shareholders. As disclosed above, 30.0% of the Non-Executive Board members are women. In addition, six nationalities are represented on the Board of Directors which allows for an enriching cultural exchange.

The Board members have many different skills and backgrounds: three-quarters of the directors have extensive management and finance experiences and seven directors have strong knowledge in real-estate, including self storage. The Board profiles are also complemented by skills in marketing, engineering and insurance. To enhance self-storage knowledge and corporate governance skills, the members of the Board take part in ongoing training provided by the Company.

COMMITTEES OF THE BOARD

The Board of Directors has set up the following committees, each of which is governed by internal rules and regulations approved by the Board:

- the Audit Committee;
- the Nomination and Remuneration Committee; and
- the Real Estate Investment Committee

The Board of Directors can amend or rescind the powers delegated to each of the committees and amend the internal rules and regulations to which the committee is subject.

According to their internal rules and regulations, each of the committees convenes at appropriate times and whenever required by our affairs. The meetings are called by the chair or by two members acting jointly. The meetings of the committee are held in the Grand Duchy of Luxembourg or at other places indicated on the convening notice. Except in urgent cases or for regularly scheduled meetings, the meetings of the committee are announced in writing at least 48 hours in advance. This notice can be waived if each member of the committee provides documented consent. Meetings previously scheduled by the committee do not require a separate notice. Members of the committee can participate in a meeting remotely by conference call or video-conference. Remote participation is equivalent to a physical presence at the meeting. At least half of the committee members present or represented at a committee meeting constitutes a quorum, and resolutions are adopted by a simple majority vote of the committee members present or represented. In case of a tie, the resolution will not be approved. The committee provides periodic reports to the Board of Directors and assesses its own effectiveness annually.

AUDIT COMMITTEE

The Audit Committee is responsible for all matters set forth in the Luxembourg law of July 23, 2016 on the audit profession, as amended (the "Audit Act"), the Audit Committee should, in particular, perform the following activities:

a) inform the Board of Directors of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;

b) monitor the financial reporting drawing-up process and submit recommendations or proposals to ensure its integrity;

c) monitor the effectiveness of our internal quality control and risk management systems and, where applicable, its internal audit, regarding our financial reporting, without breaching its independence;

d) monitor the statutory audit of the annual and consolidated financial statements, in particular its performance, taking into account any findings and conclusions by the Commission de Surveillance du Secteur Financier ("CSSF", the Luxemburgish finance regulator) pursuant to Article 26(6) of Regulation (EU) No 537/2014;

e) review and monitor the independence of the approved statutory auditor(s) (réviseur(s) d'entreprises agréé(s)), in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of Regulation (EU) No 537/2014;

f) be responsible for the selection of the approved statutory auditor(s) (réviseur(s) d'entreprises agréé(s)) and recommend the approved statutory auditor(s) (réviseur(s) d'entreprises agréé(s)) for approval by the Company's shareholders except when Article 16(8) of Regulation (EU) No 537/2014 is applied.

At least one member of the Audit Committee should be competent in accounting and/or auditing. The Audit Committee members as a whole should be competent in the relevant sector in which we are operating. A majority of the members of the Audit Committee should be independent of the Company. The chair of the Audit Committee should be appointed by its members and should also be independent of the Company.

As of December 31, 2019, the Audit Committee consisted of four members: Padraig McCarthy (chair), Jamie Behar, Isabelle Moins and Muriel de Lathouwer. Padraig McCarthy, Isabelle Moins and Muriel de Lathouwer are considered independent Board members. Padraig McCarthy, Jamie Behar and Muriel de Lathouwer have a special competence in accounting and/or auditing in listed companies. Three of the four members of the Audit Committee are independent, which ensures good governance and nonpartisan decision-making. Non-independent director Jamie Behar has been appointed to the Audit Committee due to her renowned academic knowledge in finance and ten years of senior experience in real-estate investment.

During the financial year 2019, the Audit Committee held five meetings, where all committee members were present.

At their meeting of August 12, 2019, the members of the Audit Committee adopted a policy wherein the Audit Committee must pre-approve non-audit services provided to the Company and/or any subsidiary entity by the Company's statutory auditor. The purpose of this policy is to ensure transparency when providing non-prohibited non-audit services by the Company's statutory auditor.

Over the year, the Audit Committee members assessed the way the Committee operates, the effective fulfilment of its role, its rules, and the policies and tools available. The committee members consider these adequate to perform their role and to ensure good governance of the Company. Thus, no change has been requested.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is responsible for the following matters:

a) the review and approval of corporate goals and objectives relevant to the Senior Management's compensation, and the evaluation of their performance related to these goals;

b) making recommendations to the Board on incentive compensation plans and equity-based plans;

c) submitting proposals to the Board on the remuneration of members of the Senior Management;

d) making recommendations to the Board on the Company's framework of remuneration for Senior Management and other members of the executive management, and assisting the Board in drawing up the remuneration policy of the Company;

e) identifying candidates qualified to serve as members of the Board and executive officers;

f) recommending candidates to the Board for appointment by the General Meeting or for appointment by the Board to fill interim vacancies on the Board;

g) facilitating the evaluation of the Board and reporting to the Board on all matters relating to remuneration (including, for example, on internal pay disparity);

h) preparing a remuneration report (which should contain, among others, disclosure on the remuneration of each executive officer) and which should be submitted to the annual Shareholders' Meeting for an advisory vote;

i) submitting a list of candidates to the Board on the appointment of new directors and Senior Management;

j) assessing the existing and required skills, knowledge and experience for any post to be filled and preparing a description of the role, together with the skills, knowledge and experience required;

k) making an assessment about the independence of candidate directors; and

l) assessing, together with the CEO, the way in which the Senior Management operates and the performance of its members at least once a year.

The Nomination and Remuneration Committee members should be competent in the relevant sector in which they are operating. The Committee is composed of independent Directors and Non-Executive Directors of the Board of Directors.

As of December 31, 2019, the Nomination and Remuneration Committee consisted of five members: Frank Fiskers (chair), Muriel De Lathouwer, Ian Marcus, Padraig McCarthy and Olivier Faujour, all of whom are considered independent Board members.

During the financial year 2019, the Nomination and Remuneration Committee held four meetings where all committee members were present.

Over the year, the members of the Nomination and Remuneration Committee assessed the way the Committee operates, the effective fulfilment of its role and compliance with the rules of good governance. The Committee members consider that the available tools, organization and policies in place are adequate to perform their role and to ensure a good governance of the Company. Thus, no change has been requested.

REAL ESTATE INVESTMENT COMMITTEE

The Real Estate Investment Committee is authorized by the Board to review and approve all acquisitions or disposal of assets, properties or subsidiaries under €50 million.

As of December 31, 2019, the Real Estate Investment Committee consisted of six members: Jamie Behar (chair), Olivier Faujour, Frank Fiskers, Daniel C. Staton, Ian Marcus and John Carrafiell. Olivier Faujour and Frank Fiskers are considered independent Board members.

During the financial year 2019, the Real Estate Investment Committee held six meetings, where all committee members were present.

Over the year, the members of the Real Estate Investment Committee assessed the way the Committee operates, the effective fulfilment of its role and compliance with the rules of good governance. The Committee members consider that the available tools, organization and policies in place are adequate to perform their role and to ensure a good governance of the Company. Thus, no change has been requested.

SENIOR MANAGEMENT

The Senior Management of the Group is made up of five members, who hold their positions through employment contracts with entities of the Group, except for the CEO who has a management agreement and who is appointed and may be removed by the Board of Directors.

For more detailed information on the composition of the Board of Directors, see section "Management" of this report on page 23.

The Board of Directors has delegated the daily management of the business to the CEO. He has the authority to represent the Board, as well as a number of ancillary specific powers. In addition, the CEO has been granted powers to approve any development or refurbishment of real estate assets.

DIRECTORSHIPS HELD BY SENIOR MANAGEMENT

As of December 2019, the members of the Senior Management held directorship mandates in the following companies[1]:

Name	Mandates
Marc Oursin	Triangle Investissement, Ugly Invest
Jean Kreusch	Transforming Talent SPRL
Duncan Bell	Self-Storage Association UK (SSAUK)
Ammar Kharouf	/
Jean-Louis Reinalda	Tekto BV (NL)

1 Members of the Senior Management also held directorship mandates in the Company's subsidiaries.

SHARE OWNERSHIP OF THE MEMBERS OF SENIOR MANAGEMENT

As of December 31, 2019, the members of the Senior Management owned the following numbers of shares, adding up to 236,576 shares or 0.27% of the total share capital:

Name	Number of shares
Marc Oursin	138,092
Jean Kreusch	86,521
Duncan Bell	2,173
Ammar Kharouf	4,348
Jean-Louis Reinalda	4,902
Total	**236,576**

The Senior Management are requested to build up shareholdings in the Company proportional to their fixed compensation. This is 2.5 times the fixed compensation for the CEO, 2.0 times for the CFO and 1.5 times for the other Senior Management members. These shareholdings must be accumulated over five years following the IPO in October 2018.

DIRECTORS' AND MANAGEMENT CONFLICTS OF INTEREST

Members of the Senior Management have employment agreements with an entity of the Group, other than the CEO who has a management contract. Certain members of the Senior Management also serve on the boards of various

Group companies. In addition, the CEO is a member of the Board of Directors of the Company. Therefore, conflicts of interest could arise for members of the Board of Directors and of Senior Management between their duties towards the Group, the relevant individual Group companies and their duties as members of the Board of Directors of the Company or as a member of Senior Management, respectively.

As of December 31, 2019, the following members of the Board of Directors are partners, directors, representatives and/or employees of Public Storage or an affiliate thereof: Ronald L. Havner, Jr. and Daniel C. Staton. Jamie Behar and John Carrafiell are members of the Board of Directors elected on the designation of our shareholder New York State Common Retirement Fund. Apart from these potential conflicts of interest and the transactions and legal relations described in the section "Related Party Transactions", there are no other actual or potential conflicts of interest between the obligations of the members of the Board of Directors or Senior Management toward the Company and their respective private interests or other obligations.

None of the Board members or members of the Senior Management are related to one another by blood or marriage. We have not granted any Board members or members of the Senior Management any loans, nor have we assumed any guarantees or sureties on their behalf.

Pursuant to the 1915 Companies Act, in the event that a member of the Board of Directors has a financial conflict of interest in any Company transaction submitted to the approval of the Board of Directors, they must inform the Board of Directors at that meeting and include a record of their statement in the minutes of the meeting. The member of the Board of Directors may not take part in the deliberations relating to that transaction and may not vote on the resolutions relating to that transaction. At the following General Shareholders' Meeting, before any other resolution is put to vote, a special report should be made on any transactions in which any of the directors may have had a conflict of interest with that of the Company.

ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders must be held within six months following the end of the financial year at the place and on the day set by the Board of Directors. The Board of Directors can convene Extraordinary General Meetings as often as the Company's interests require. In accordance with the Luxembourg Company Law, a General Meeting of Shareholders must be convened on the request of one or more shareholders who together represent at least one tenth of the Company's capital.

The right of a shareholder to participate in a General Meeting and to exercise the voting rights attached to his shares are determined with respect to the shares held by such shareholder the 14th day before the General Meeting of Shareholders at 24 hours (Luxembourg time), which is known as the "Record Date". Each shareholder has the right to ask questions about the items on the agenda of a General Meeting of Shareholders. Each share entitles the holder to one vote. Each shareholder can exercise their voting rights in person, through a proxy holder, or by correspondence in advance of the General Meeting of Shareholders, by means of the form made available by the Company.

In the financial year 2019, the Annual General Meeting of Shareholders took place on April 30, 2019 (further information can be found on https://corporate.shurgard.eu/investors/annual-general-assembly).

STATUTORY AUDITOR

During the financial year 2019, the Company's statutory auditor (réviseur d'entreprise agréé) was Ernst & Young S.A. Ernst & Young S.A., is registered with the CSSF as a cabinet de révision agréé and with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) under number B47771. The registered office of Ernst & Young Luxembourg S.A. is 35E, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg. Ernst & Young S.A. is a member of the Luxembourg body of registered auditors (Institut des Réviseurs d'Entreprises). At the Annual General Meeting of Shareholders of April 30, 2019, Ernst & Young S.A. was re-appointed as independent auditor (*réviseur d'entreprises agréé*) of the Company for a term of one year ending at the Company's Annual General Meeting of Shareholders to be held in 2020.

Audit fees in 2019 were €617,179 for the audits of consolidated and statutory financial statements of the Company and its subsidiaries.

EPRA PERFORMANCE MEASURES

Shurgard reports the Company's sustainability indicators based on EPRA's (European Public Real Estate Association) latest recommendations: Best Practice Recommendations on Sustainability Reporting, (sBPR), third version September 2017.

Shurgard reports sustainability indicators for all 25 of 28 of the EPRA sBPR Performance Measures. Indicators are reported for energy, greenhouse gas emissions, water, waste and the proportion of environmentally certified buildings, corporate governance and social aspects.

EPRA OVERARCHING RECOMMENDATIONS

ORGANIZATIONAL BOUNDARY

Shurgard limits its report to properties controlled by Shurgard (operational control) in accordance with the principles of the Greenhouse Gas Protocol. Operational control has been chosen since it provides Shurgard with the best conditions for demonstrating statistics and data that Shurgard can directly influence.

COVERAGE

Shurgard works actively to access relevant data for the properties that Shurgard owns and manages. Having access to data is important to Shurgard, as the information creates conditions for efficient and sound technical management of the buildings. The proportion of properties included in each indicator is mentioned in connection with respective key indicators.

Shurgard does not have access to measurement data for all properties. In 2019, missing information is primarily accounted for by waste-removal. At the time of the report production, waste removal contractors were unable to provide statistics for all properties. Energy and water data is also affected by changes in the portfolio – i.e. recently purchased, sold and project properties – and this complicates access to relevant data. Shurgard constantly strives to access all relevant data as comprehensively as possible. We commit to reporting on progress annually.

ESTIMATIONS OF DATA

In order to meet Annual Report deadlines, all environmental data under measured indicators has been estimated for the last three months in 2019 i.e. October 1, 2019 to December 31, 2019. Estimation is based on the last three months of 2018, but takes asset changes into account.

THIRD PARTY VERIFICATION

Shurgard's Sustainability Report – in accordance with sustainability indicators according to the EPRA sBPR Performance Measures – has been verified by EVORA Global Ltd.

NORMALIZATION

Shurgard calculates energy intensity key ratios through dividing by the buildings' floor area. This is the most widely accepted method in Europe for a self-storage facility by which to compare energy utilization and resource consumption.

SEGMENTAL ANALYSIS (BY PROPERTY TYPE, GEOGRAPHY)

Shurgard operates a single property type, self-storage warehouses. Data is reported for this asset type only. We may choose to report environmental performance by geography in future years.

DISCLOSURE ON OWN OFFICES

Energy consumption for headquarters is included within total energy consumption, as the head office is located at the same location as a self-storage facility and uses a single energy supply.

LOCATION OF EPRA SUSTAINABILITY PERFORMANCE IN COMPANIES' REPORTS

This document is a supplement within the Annual Report, available on Shurgard's official website.

REPORTING PERIOD

Reporting for each year accounted for in the EPRA table refers to the calendar year, i.e. January 1, 2019 to December 31, 2019.

INDEPENDENT REVIEW STATEMENT

EVORA Global Ltd. (EVORA) was engaged by Shurgard Self Storage S.A. (Shurgard) to conduct an independent review of selected ESG indicators disclosed within their Annual Report 2019 ("The Report"), for the year ended December 31, 2019, as published on the Company's website https://corporate.shurgard.eu/

Scope and Basis of our opinion

Our review focused on the accuracy of energy, water, waste and greenhouse gas performance data included within this report. Data used within this report was collected by Shurgard and supplied to EVORA for review.

The following tasks were specifically performed during the verification of Shurgard's Greenhouse Gas Scope 1 and 2 emissions (Shurgard do not report scope 3 emissions):

- A review of documentation, data records and sources relating to GHG emissions assertions and claims;
- A review of the processes and tools used to collect, aggregate and report on all GHG data and information;
- An assessment of environmental information systems and controls, including:
    - Selection and management of all relevant GHG data and information;
    - Processes for collecting, processing, consolidating, and reporting the relevant environmental data and information;
    - Design and maintenance of the GHG information system;
    - Systems and processes that support the GHG information system;
- A sample based assessment of processes for generating, gathering and managing GHG data;
- Examination of all relevant environmental data and information to develop evidence for the assessment of the GHG claims and assertions made.

We have utilized ISO 14064-3 to inform development of our review process.

Inherent limitations

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. In addition, greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Below EVORA set out the energy to carbon conversion factor sources used by Shurgard to calculate greenhouse gas emissions:

- Germany Gas: Process Record: Thermal Energy from Natural Gas. Last updated 2019
- UK electricity and gas conversion - UK Government - Greenhouse gas reporting: conversion factors 2018 and 2019
- All Other Gas: Covenant of Mayors for Climate and Energy: Default emission factors for local emission inventories
- Germany District Heating: Process Record: District Heating Mix. Last updated 2019.
- All other district heating system: Energy Star Portfolio Manager Greenhouse Gas Emissions, August 2019
- All other country electricity conversion factors: International Energy Agency IEA) - Emission Factors 2019

Performance Information

Shurgard's reporting of performance including the disclosure of data is comprehensive and the indicators are disclosed in a balanced manner. Performance data is presented objectively, with clear and balanced representation of 2019 performance. In order to produce the report in a timely fashion, the data is actual to September 30, 2019, with estimates for the remainder of the year formulated, based on consumption during the period: October 1, 2018 to December 31, 2018.

Our review of GHG emissions, energy, waste, and water data presented in the report resulted in minimal technical errors being identified based on our sampling. These errors have been corrected for the final report. The systems for production and collation of these data appear, from our review, to be reliable and capable of producing complete and consistent data.

Conclusion

Based on our analysis from the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's performance data for the year ended December 31, 2019 has not been prepared, in all material respects, diligently and accurately.

Shurgard's Responsibilities

EVORA's review and verification engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. EVORA expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement. Shurgard is responsible for the preparation of the Report and for the information and statement contained within it. They are responsible for determining the ESG goals, performance and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

EVORA's responsibilities, independence and team competencies

Our responsibility is to express a conclusion on the performance data for the year ended December 31, 2019.

We confirm to Shurgard that we have maintained our independence and objectivity, including the fact that there were no events or prohibited services provided which could impair that independence and objectivity in the provision of this engagement.

This report is made solely to Shurgard. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in a verification report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Shurgard for our work, for this report or the conclusions we have formed.

EVORA Global Limited
London, United Kingdom
January 2020

PRINCIPAL RISKS AND UNCERTAINTIES

OVERALL STATEMENT ON THE RISK POSITION

As set out in the Market Overview and Growth Strategy sections of this report, our business activities are supported by favorable market conditions. We see a variety of opportunities to continue our growth through optimization of our existing operations, including leveraging our platform across planned redevelopment and development activities and bolt-on acquisitions. Besides these opportunities, Shurgard regularly faces risks that can have negative effects on the operating results, financial position and net assets of the Group.

The risks set out below represent the principal risks and uncertainties that may adversely impact the Group's performance and the execution of our strategy.

To identify risks at an early stage and manage them adequately, Shurgard deploys effective management and control systems which are also described below. Accordingly, we assess the risks at the time of preparation of the management report as limited, and in our opinion the overall risk is manageable. No identifiable risks currently exist that either individually or together would lead to a significant or sustainable impairment of the Shurgard Group's operating results, financial position and net assets.

RISK MANAGEMENT SYSTEM

The Group's risk management is carried out by the Senior Management, under policies approved by the Board of Directors. The Board provides principles for the overall risk management, as well as policies covering specific areas, such as foreign exchange risk, real estate risk and credit risk, the use of derivative and non-derivative financial instruments and investment of excess liquidity. The Group's risk exposure is regularly reported to the Company's Executive Committee, which comprises the CEO, CFO, VP Operations, VP Real Estate and VP Human Resources and Legal. The Company's Audit Committee is responsible for monitoring the effectiveness of our risk management system. It receives a report about the Group's risk situation every quarter.

We classify our risks into the following risk areas:

- Operational risks
- Strategic risks
- Legal risks
- Financial risks
- IT risks
- HR risks
- PR risks
- Real estate risks

The Group's risk management process is designed to systematically record and assess risks. We aim to identify unfavorable developments at an early stage and promptly take counteractive measures and monitor them. All risks are recorded in a risk register and are assigned to specific risk owners. Risk owners are responsible for providing periodically updated risk fact sheets. The assessment of the risks is carried out, as much as possible, according to quantitative parameters, likelihood of occurrence and the potential financial impact. According to the results of this assessment, risks are qualified in a risk map as low, medium, high or very high. Risks that are categorized as high or very high on the risk map receive special attention and are monitored very closely. The risk register and the resulting risk map are updated every year based on risk owners' input (new risks, closed risks, change of positioning).

ACCOUNTING-RELATED INTERNAL CONTROLS

While the Board of Directors is responsible for the preparation and fair presentation of the Group's consolidated financial statements, the goal of our internal control system is to ensure the reliability of external and internal accounting and the timely provision of information. Besides the risk management system, the Company's Audit Committee is also responsible for monitoring the effectiveness of our internal control system.

The monitoring is supported by our integrated operating platform and information system, which is designed to centralize real-time information on properties and customers, as well as financial information for all our properties.

KEY RISKS SPECIFIC TO THE GROUP AND ITS INDUSTRY

The risks set out below represent the principal risks and uncertainties that may adversely impact the Group's performance and the execution of our strategy. Other factors could also adversely affect the Group's performance. Accordingly, the risks described below should not be considered a comprehensive list of all potential risks and uncertainties. The principal risks are not listed in order of significance. In addition to the principal risks described below, we are exposed to certain specific market risks such as foreign exchange risk, credit risk and liquidity risk. A detailed discussion of these risks is included in Note 37 to the consolidated financial statements.

OPERATIONAL RISKS

Self-storage misuse

Our customers are required to confirm that their items stored are not perishable and do not include any hazardous or toxic substances or living creatures. Each customer agrees to inform us of any special storage requirements and agrees not to store any items which are illegal to possess or store, or would require us to comply with any additional rules.

It is possible that our customers will violate their lease agreements. We do not generally have access to our customers' storage units and cannot prevent our customers from storing hazardous materials, stolen goods, counterfeit goods, drugs or other illegal substances in our properties. Although the terms of our standard lease contracts for customers prohibit the storage of illegal and certain other goods on our premises, it is not possible to monitor goods stored by customers at our properties. We cannot exclude the possibility that we may be held ultimately liable with respect to the goods stored by our customers. This also includes a potential close-down by local authorities. If a customer stores an item that is contrary to our customer terms and conditions, any subsequent damage to a third party caused by the item may not be covered by our insurance. In addition, unfavorable publicity from illegal contents stored at one of our properties, or items that have been used or are planned to be used in crimes or for other illegal purposes, including terrorist attacks, could have a material adverse effect on our business, financial condition and results of operations.

STRATEGIC RISKS

Housing market development

Our business is dependent on residential and commercial demand for self-storage facilities, and our operating results are driven by our ability to maximize occupancy levels and rental rates at our properties. As a result, we are exposed to local, national and international economic conditions and other events and factors that affect customer demand for self storage in the European markets in which we operate properties. In our markets, we have high concentrations of self-storage properties in urban areas. In recent years, our operating results have been supported by structural trends, including increased migration and mobility, growth in urban areas and increased population density. However, demand for self storage could decrease if these or other growth trends declined or reversed in the future.

Moreover, we own substantially all the properties on which our stores are located. Property investments are subject to varying degrees of risks. The value of these properties can fluctuate significantly when economic conditions are unfavorable or could be adversely affected by a downturn in the property market in terms of capital and/or rental values. In particular, rents and values are affected (among other things) by changing demand for self storage, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices.

Price war

Our competitors are local, national and international operators present in our markets. While no individual operator competes with us in all the markets in which we operate, certain competitors have attained significant size within specific markets. Our competitors also include smaller self-storage providers and providers of other storage alternatives such as removal companies, peer-to-peer alternatives and offsite storage. Certain of these competitors may offer lower prices, better locations, better services or other attractive features in any given properties' catchment area, which may heighten competition for customers. Local market conditions have a significant impact on our business. In particular this impacts the prices we are able to set, and from time to time additional competition has lowered occupancy levels and rental revenue of our properties in specific markets. Aggressive price discounting measures by our competitors (i.e. a price war) can have a significantly negative impact on our property operating revenue from activities at affected properties. Also, increased pricing transparency, including as a result of the increasing prevalence of online pricing, may increase pricing pressure in our markets.

In addition, there are limited barriers to entry into the self-storage business due to relatively limited amounts of capital needed to acquire existing properties or build new facilities. Therefore, any of our existing properties could face additional competition from new market entrants at relatively short notice. Such a new entrant could create pricing pressure in a specific market or otherwise seek to win customers from us.

Competition for suitable properties

Property location is important for our business because of the signage and promotional opportunities such locations provide and the importance of convenient access in attracting and retaining customers. A well-located property allows us to reduce our operating costs as the visibility of the location by potential customers may substitute for other forms of store promotion, such as online or print advertising.

We primarily operate in capital and major cities, where undeveloped or available sites are generally in short supply and where real estate prices have historically been at a premium. As a result, there is generally a limited number of prime sites available for new self-storage centers, and competition for these sites can be intense and may constrain our growth. At times of economic growth, this competition can lead to significant inflation of property prices. This can contribute to higher purchase prices or rents for prime properties, or result in the selection of less suitable properties, either of which could result in a material adverse effect on our business, financial condition and results of operations.

Legislation changes

We operate our business and our properties in compliance with laws, regulations or government policies which may be adopted or changed from time to time. These include laws and regulations relating to health, safety and environmental compliance, numerous building codes and regulations, other land-use regulations, labor codes and other regulatory requirements. Changes in such laws and regulations may increase the costs of complying with these provisions, increase construction, operating and maintenance costs, increase liabilities or lower the value of our properties.

Moreover, new regulations might develop in the United Kingdom as a result of a change in its relationship with the European Union. The regulatory regimes might also evolve, including in relation to data privacy and our ability to share customer data within our organization. This could result in a material adverse effect on our future business, financial condition and results of operations.

Tax increases

Historically, increases in costs due to changes in real estate tax rates or increases in income, service and other taxes, including VAT, generally have not been passed through to customers directly. As a result, our results have historically been adversely impacted during periods immediately following such increases, in particular as compared to those of our competitors that pass a portion of such increased costs on to their customers. We carefully examine such tax increases against projected demand in the relevant market, however there can be no assurance that we will be successful in aligning any decision, whether to increase prices or not, with customer demand.

Acquisitions

One aspect of our growth strategy includes possible future acquisitions of properties, either as individual sites or existing businesses. If we acquire any properties, we will be required to integrate them into our existing portfolio and management platform. The process of integration may divert management's attention away from our other operations, especially if the acquired properties are outside of our existing markets. This may present different competitive or regulatory dynamics than those we are familiar with.

Additionally, demand for storage services at an acquired site may not be as strong as we had projected prior to the acquisition. We may fail to realize the occupancy levels or rental rates that were expected, either at the levels or within the timeframe anticipated. We may also experience stabilization of rental and occupancy rates of acquired properties that differs from our expectations. The costs of achieving and maintaining high occupancy levels and rental rates at acquired sites may be higher than expected.

The integration of newly acquired properties could also result in unanticipated operating costs and exposure to undisclosed or previously unknown potential liabilities, such as liabilities for clean-up of undisclosed environmental contamination, claims by persons dealing with the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties. If we fail to successfully integrate any acquired sites, or if doing so requires investments beyond budgeted amounts or other liabilities, it could have a material adverse effect on our business, financial condition and results of operations.

Shurgard trademarks and logos

We believe that the Shurgard brand is a critical marketing tool and we use a variety of channels to increase customer awareness of our name, including highly visible store locations, site signage and architectural features. However, we do not own the trademarks for the Shurgard name and the Shurgard logos, which are held by Public Storage. We have a license agreement with Public Storage (the "Relationship Agreement"). This states that Public Storage owns the rights to the Shurgard name and licenses these rights to us in a number of European countries for a fixed term of 25 years from the date of Shurgard's admission to trading on a regulated market. This term can be extended for two consecutive 25-year periods. Certain standards of quality must be met and there are certain restrictions on the use of any other trademarks. We pay Public Storage monthly fees of 1% of the Group's gross revenues for the right to use the trademarks.

The Relationship Agreement will terminate after 75 years or earlier, if we do not extend the license after each 25 year- term. We would then be required to purchase the ownership rights to the trademarks in the jurisdictions covered by the license. Public Storage may terminate the Relationship Agreement if we fail to make payments or if we are in material breach of the agreement. If this happens we will no longer be able to use the Shurgard trademarks, which would materially adversely affect our ability to run our business.

We are also responsible for all costs and expenses in relation to the filing, registration, and defense of the trademarks within the territories covered by the license. If we fail to protect the trademarks against infringements or misappropriation, our competitive position could suffer, and we could suffer a decrease in demand for storage units, which could materially adversely affect our results of operations.

LEGAL RISKS

Compliance and regulatory risks

We must operate our properties in compliance with numerous building codes and regulations and other land-use regulations. These include fire and health and safety regulations, labor codes and other regulatory requirements which may be adopted or changed from time to time. Failure to comply with the applicable regulations could result in the imposition of substantial fines or require us to incur significant additional costs, or to limit or cease part of our operations. This could have a material adverse effect on our business, financial condition and results of operations.

We are subject to a number of laws relating to privacy and data protection, including General Data Protection Regulation (Regulation (EU) 2016/679) (the "GDPR") and certain other data protection and privacy laws. Such laws govern our ability to collect, use and transfer personal data relating to customers, as well as any such data relating to our employees and others. We strive to comply with all applicable laws and regulations relating to privacy and data protection. However, it is possible that such requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or our practices. Additionally, we rely on third parties and our employees for the collection and processing of personal data, and as a result are exposed to the risk that such data could be wrongfully appropriated, lost or disclosed, damaged or processed in breach of privacy or data protection laws.

We are subject from time to time to disputes with tax or other governmental or regulatory bodies. Whether or not any dispute actually proceeds to litigation, we may be required to devote significant management time and attention to its successful resolution (through litigation, settlement or otherwise). This would detract from our management's ability to focus on our business. Any such resolution could involve the payment of damages or expenses by us, which may be significant. In addition, any such resolution could involve our agreement to terms that restrict the operation of our business.

As we are a publicly listed Company, we also have to comply with a large amount of ongoing reporting and disclosure requirements. Any failure in meeting these requirements could result in significant penalty fees.

Regulation compliance

We must operate our properties in compliance with numerous building codes and regulations and other land-use regulations, including fire and health and safety regulations, labor codes and other regulatory requirements. Compliance with these regulations, including the work involved in assessing our compliance, may entail significant expense. Some jurisdictions have regulations or permit requirements that apply to storage companies or operators of storage activities, but it is not always clear to what extent these apply to us. We cannot exclude the possibility that regulations that we currently view as inapplicable might be applied to us in the future. The burdens of regulatory compliance are exacerbated since we operate in seven different countries and numerous different jurisdictions and municipalities.

We must continually assess our compliance with numerous local fire and safety regulations, building codes and other land-use regulations in order to operate. Failure to comply could result in the imposition of substantial fines or require us to incur significant additional costs, or to limit or stop part of our operations, which could have a material adverse effect on our business, financial condition and results of operations.

FINANCIAL RISKS

Access to capital market

We may face risks in relation to financing future development, redevelopment or acquisition activities. Although we have financed most growth activity in recent years through our existing financial resources, including operating cash flows and retained earnings, there can be no assurance that we will be able to do so in the future. Our ability to undertake future development, redevelopment or acquisition activities may depend on our ability to arrange necessary (or desired) financing, and we may not have access to capital markets or sufficient availability under existing or future credit facilities when such opportunities arise. As a result, we may be unable to finance future acquisition activity, on favorable terms or at all. If financing is available, but only on unfavorable terms (i.e. only expensive lending options available), this could have a significant impact on our interest expense, impose additional or more restrictive covenants or reduce cash available for distribution or for other investments in the business. We could also be restrained from raising significant debt for future acquisition activity due to covenants in our existing debt agreements. Also, significant systemic political, economic or financial crises or sustained periods of slow growth may restrict our ability to access the capital markets and generate sufficient financing due to cautious investor attitudes.

We also face risks related to the outstanding U.S. Private Placement Notes and our entry into the €250 million revolving facility. Under the terms of these financings, we may not incur financial indebtedness unless it is incurred in certain permitted circumstances. Additionally, we are subject to certain customary affirmative, financial and negative covenants, which could affect, limit or prohibit our ability to undertake certain activities. These include limitations on mergers, changes of business, disposal of assets and certain specific acquisitions and joint ventures. The financial covenants imposed on us under the U.S. Private Placement Notes are tested quarterly, and those under the new revolving facility are tested semi-annually. Although we do not currently believe there is a risk of our breaching any of the covenants contained in those financings, if we were to fail to comply with any of the financial or non-financial covenants in the longer term (due, for example, to deterioration in financial performance), it could result in an event of default and the acceleration of our obligations to repay those borrowings, increased borrowing costs or cancellation of certain credit facilities.

Unfavorable foreign currency exchange movements

We publish our financial statements in Euros as we conduct a significant portion of our business in Euros. However, we record revenue, expenses, assets and liabilities in a number of different currencies other than the Euro, specifically, the U.K. Pound Sterling, the Swedish Krona and the Danish Krone. As of December 31, 2019, 61.4% of our assets were denominated in Euros, while 17.7%, 16.2% and 4.7% were denominated in U.K. Pound Sterling, Swedish Krona and Danish Krone, respectively. Assets and liabilities denominated in local currencies are translated into Euros at exchange rates prevailing at the balance sheet date, and revenues and expenses are translated at average exchange rates over the relevant period. Fluctuations in the exchange rate of the Euro versus these other currencies will affect the amount of these items in our consolidated financial statements, even if their value remains unchanged in their original currency. We implement policies to protect against exchange rate risk only when required to do so by covenants contained in our debt agreements. These translation effects have resulted in the past, and could result in the future, in changes to our results of operations and balance sheet from period to period.

IT RISKS

Cyber security

An increasing proportion of our business operations are conducted over the internet, increasing the risk of viruses that could cause system failures and disruptions of operations. Experienced computer programmers may be able to penetrate our network security and misappropriate our confidential information, create system disruptions or cause shutdowns. Cyber incidents could also cause disruption and impact our operations, which could require substantial restoration costs or investment in new systems to protect against future cyber incidents.

As a larger proportion of our customer interactions and bookings move online, the secure processing, maintenance and transmission of this information is an inherent part of our operations and business strategy. In the ordinary course of our business, we collect and may store sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers and employees. Despite our security measures, including policies on the handling of customer information, training programs for our employees and maintaining a security committee, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen.

While we have established business continuity plans and strategies, there are inherent limitations in such plans, strategies, systems, policies and procedures. These include the possibility that certain risks have not been identified or that new cyber security threats emerge.

Business interruptions

Any network interruptions or problems with our websites that could prevent customers from accessing our website could have a negative impact on potential new rentals, or damage our brand and reputation.

HR RISKS

Recruitment and personnel leakage

We depend in significant part on the contribution of our Senior Management and Directors. Our Senior Management and Directors make significant contributions to our strategy and operations. In addition, our ability to continue to identify and develop properties depends on Senior Management's knowledge and expertise in the property market. There is no guarantee that any member of the Senior Management team will remain employed with us. The failure to retain these individuals in key management positions could have a material adverse effect on our business. We do not have key man insurance on any of our Directors or Senior Managers.

We also depend on our store personnel responsible for the management and operation of our properties. Our store managers' customer service, marketing skills and knowledge of local market demand and competitive dynamics are significant contributing factors to our ability to maximize customer satisfaction and rental, insurance and ancillary revenue. Difficulties in hiring, training and retaining skilled store personnel may adversely affect our occupancy and rental revenues.

We may face risks related to relations with our employees. Across our network, turnover of our personnel in recent years has been approximately 38.3% per year, which has historically been moderately higher in certain markets from year to year. Additionally, in certain markets, our employees have formed works or other advisory councils, or are party to collective bargaining agreements, including in Belgium, Sweden and France. There can be no assurance that we will not face work stoppages or other labor disputes with our employees in the future or face significant changes in turnover in a given year at a particular store.

REAL ESTATE RISKS

Property damage

We face risks relating to potential catastrophic property damage due to fires or other disasters. Any catastrophic events that cause significant property damage or affect the areas where a store operates could limit our ability to continue operations at a store, or in a portion of a store, after such an event, while restoration or rebuilding works are undertaken. Property damage could be caused by a variety of factors, including external events such as natural disasters, earthquakes, hurricanes or other severe weather events. Property damage could also be caused by catastrophic events inside a store, such as power outages, fires, flooding, plumbing problems, or other issues, such as infestation.

Moreover, our properties can be damaged or destroyed by acts of violence, civil unrest or terrorist attacks or accidents, including accidents linked to the goods stored.

We are also subject to potential liability relating to damage to customer goods. Such damage can arise from a variety of factors, such as fire, flooding, pest infestations and moisture infiltration, which can result in mold or other damage to our customers' property, as well as potential health concerns.

Although we maintain reasonable liability cover where possible, certain types of losses may be either uninsurable or not economically insurable in some countries, such as losses due to hurricanes, tornadoes, riots, acts of war or terrorism. In such circumstances, we would remain liable for any debt or other financial obligation related to that property. Our business, financial condition and results of operations could be materially and adversely affected in such circumstances.

Constructions and developments

We consider strategic acquisitions of existing properties and sites for development, as well as redevelopment and remix activities at specific properties in our network, to be a significant part of our growth strategy. Our redevelopment activities often entail significant building works at an existing site, requiring material levels of investment and, at times, severe disruption to ongoing operations. Historically, occupancy levels and rental rates at newly acquired or developed properties have not been as high as at properties we have operated for a longer period of time. New and recently developed properties require start-up capital and generally take a significant amount of time to reach stabilized occupancy. As a result, during the early stage of this rent-up period, new properties or newly developed properties may not be as profitable as established properties, or at all.

We undertake many of our development activities through service contracts where specific builders and other personnel tender for particular roles in the construction process, rather than comprehensive design-and-build agreements. Construction delays due to adverse weather conditions, unforeseen site conditions, personnel problems, or cost overruns could prevent us from commencing operations at these locations on the timing or scale anticipated at the time we commenced development activities. If we experience significant cost increases after acquiring or commencing construction at a particular site, we could be required to alter, or in severe circumstances, curtail development plans. In future periods, construction costs may also increase due to increases in the cost of local contractors, in particular in high demand markets, as well as changes in the cost of raw materials, whether due to market forces or other events, such as changes in tariff regimes or trade policy.

Other risks arising from developing new properties may arise from any unfamiliarity with local development regulations or delays in obtaining construction permits or risks in relation to the quality of available contractors.

Before we acquired, developed or operated them, some of our properties may have been used for commercial and industrial activities including activities regulated under environmental laws. We obtain environmental assessment reports on the properties we acquire, develop and operate to evaluate their environmental condition and potential environmental liability associated with them. However, the environmental assessments that we have undertaken might not have revealed all potential environmental liabilities. It is possible that the remedial measures subsequently prove to have been inadequate, or that former owners are found not to be liable or, even in situations where they are found to be liable, they are otherwise unable to compensate us fully for such liabilities.

THE SHURGARD SHARE

SHAREHOLDERS

The following table sets forth the shareholders of the Company as of December 31, 2019:

Shareholder	Number	%
Public Storage	31,268,459	35.1
New York State Common Retirement Fund	32,544,722	36.6
Shurgard Self Storage S.A. (treasury shares)	230,521	0.3
Public	24,891,979	28.0
Total	**88,935,681**	**100.0**

SHARE TRADING

The Company appointed Kempen & Co. and KBC Securities as liquidity providers starting in May and June 2019 respectively, with the contracts being officially recognized by Euronext. The Company aims to make the necessary efforts to improve the liquidity of its order book and increase the trading volumes of its share, to benefit current and potential investors.

LUXEMBOURG TAKEOVER LAW DISCLOSURE

Shurgard Self Storage S.A. is required to make the following disclosures in compliance with article 11 of the Luxembourg Law of May 19, 2006, transposing Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004, on takeover bids (the "**Transparency Law**"):

a) Capital Structure

The Company has issued a single category of shares (ordinary shares). As of December 31, 2019, the share capital was set at €63,470,669.79 divided into 88,935,681 shares, with no nominal value. The share capital has been fully paid up. The shares exist in dematerialized form (titres dématérialisés) and have been issued pursuant to the Luxembourg law dated April 6, 2013 on dematerialized shares. According to Article 7.1. of the Company's Articles of Association each share is entitled to one vote. With the Company's IPO, on October 15, 2018, all shares were admitted to trading on the regulated market of Euronext Brussels. The shareholder structure as of December 31, 2019 is set out in the Share Capital section of this management report.

b) Restrictions on the transfer of securities

The Shurgard shares are freely transferable in accordance with the legal requirements for dematerialized shares. The Board of Directors may, however, impose transfer restrictions for shares that are registered, listed and admitted to trading, quoted, dealt in or have been placed in certain jurisdictions in compliance with the requirements applicable therein. The transfer of a dematerialized share occurs by book-entry.

c) Direct and indirect shareholdings

The ownership in the Company by each shareholder who is known to be the (direct or indirect) holder of shares of the Company representing 5% or more of the Company's voting rights is set out in the Share Capital section of this management report.

d) Special control rights

All the issued and outstanding ordinary shares in the Company have equal voting rights and there are no special control rights attached to the ordinary shares. As per article 7.1 of the Articles of Association of the Company each share is entitled to one vote.

e) Control system of employee share schemes

There is no system of control of any employee stock option plan where the control rights are not exercised directly by the employees.

f) Restrictions on voting rights

In general, there are no restrictions on the voting rights of the Shurgard shares. However, the sanction of suspension of voting rights automatically applies to any shareholder (or group of shareholders) who has (or have) crossed the thresholds set out in articles 8 to 15 of the Transparency Law but have not notified the Company accordingly. The sanction of suspension of voting rights will apply until the notification has been properly made by the relevant shareholder(s).

g) Appointment / replacement of board members and Amendments of the Articles of Association

According to Articles 9.1 to 9.3 of our Articles of Association, the Company shall be managed by a Board of Directors. Each Director will be appointed by the General Meeting. The General Meeting shall determine the number of Directors, and the duration of their mandate is set at one year. Each Director is eligible for re-appointment and may be removed at any time, with or without cause by a resolution of the General Meeting. In the event of a vacancy on the Board of Directors, the remaining Directors may elect by co-optation a new Director to fill such vacancy until the next General Meeting, which shall ratify such co-optation or elect a new Director instead.

An amendment of our Articles of Association must be adopted by an extraordinary resolution at a General Meeting in front of a Luxembourg public notary. A two-thirds majority of the votes cast by the shareholders present or represented is required (with a quorum of 50% upon the initial convening and no quorum upon a reconvened General Meeting). Our Articles of Association do not provide for any specific conditions that are stricter than required by Luxembourg law.

h) Powers of Board Members

According to Article 10 of our Articles of Association, the Board of Directors is vested with the broadest powers to perform all acts necessary or useful to accomplish the Company's object. All powers not expressly reserved by the Articles of Association or by applicable laws to the General Meeting or to the Auditor(s) shall be within the competence of the Board of Directors.

As of December 31, 2019, according to Article 6.1 of our Articles of Association, the authorized capital of the Company (including the issued share capital) was set at €95,800,729.98 divided into 134,236,856 shares without nominal value. According to Article 6.2 of our Articles of Association, the Board of Directors is authorized, up to the maximum amount of the authorized capital, to:

- increase the issued share capital in one or several tranches with or without share premium, against payment in cash or in kind, by conversion of claims on the Company or in any other manner;
- issue subscription and/or conversion rights in relation to new shares or instruments under the terms and conditions of warrants (which may be separate or linked to shares, bonds, notes or similar instruments issued by the Company), convertible bonds, notes or similar instruments; and
- determine the place and date of the issue or successive issues, the issue price, the terms and conditions of the subscription of and paying up on the new shares and instruments; and
- remove or limit the statutory preferential subscription right of the shareholders.

The above authorizations are valid until September 26, 2023, which corresponds to a period ending five years after the date of the General Meeting creating the authorized capital. The above authorizations may be renewed, increased or reduced by a resolution of the General Meeting with a two-thirds majority of the votes cast by the shareholders present or represented (with a quorum of 50% upon the initial convening and no quorum upon a reconvened General Meeting).

The Board of Directors was furthermore authorized until October 16, 2019 to effect on one or several occasions, repurchases and/or cancellation of Company shares on a regulated market on which the Company's shares are admitted for trading or by any other means, for a maximum number of shares representing EUR 50 million in aggregate, at a price not lower than 15% below and not higher than 15% above the shares' official price reported in the trading session on the day before carrying out each individual transaction.

i) Change of control agreements

If a change of control occurs, each individual lender under the €250 million revolving facility we entered into in 2018, may cancel its commitment by not less than a 30 days' notice and require repayment of its share in all outstanding loans. The outstanding U.S. Private Placement Notes requires us to make an offer to prepay all outstanding U.S. Private Placement Notes if, within a period of 90 days following the occurrence of a change of control, the rating assigned to the U.S. Private Placement Notes (or any other of our unsecured and unsubordinated indebtedness having an initial maturity of five years or more) immediately prior to the change of control is lowered below investment grade and/or withdrawn (or, in absence of any rated U.S. Private Placement Notes, we fail to obtain an investment grade rating of such rated debt instruments).

j) End of employment compensation

There are no agreements between the Company and its Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

RELATED PARTY TRANSACTIONS

We are engaged in certain commercial and financial transactions with related parties. Please refer to Note 36 to the consolidated financial statements for further details.

REMUNERATION POLICY

PRELIMINARY NOTE

The principles set out in this remuneration policy do not substantially differ from the ones set out as of December 31, 2018. These principles apply to the Senior Management and the Directors of Shurgard, irrespective of the nature of their contractual relationship and they shall not be construed as giving rise to an employment relationship where a specific employment contract has not been concluded nor to contractual rights to the remuneration described herein. Where adjustments have been made, these take the form of additional information being provided to take into account the provisions of the Luxembourg law of August 1, 2019 modifying the law of May 24, 2011 on the exercise of certain rights of shareholders in general meetings of listed companies and implementing Directive 2007/36/EC, as amended by Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement.

PRINCIPLES

Shurgard's compensation principles are designed to promote a well-governed approach to remuneration. It includes pay practices that attract and retain exceptional executives and align the interests of management with the interests of the shareholders to create long-term shareholder value. The following key features of the remuneration program reflect Shurgard's principles:

What we do:

- Align pay with performance by putting a substantial portion of our executive officers' remuneration "at risk".
- Promote retention and increase long-term shareholder value. Equity award grants to executive officers only fully vest several years after the grant.
- Mitigate undue risk in our executive compensation program. Financial targets for bonuses are based on selected metrics determined by the Committee to avoid inordinate focus on any particular metric. Bonus payments are capped at a maximum pay out level.
- Equity ownership guidelines for executive officers. We have robust stock ownership guidelines that must be met by our executive officers within five years of our IPO. Our minimum equity ownership guidelines are 2.5X annual base salary for our CEO and 1.5X-2X annual base salary for all our other executive officers.
- Pay a high percentage of executive remuneration in equity. Our executive officers receive a high percentage of their total compensation in equity, thus aligning their interests closely with our shareholders.
- Clawback of unvested equity awards. Awards granted through our Equity Plan are subject to mandatory cancellation if the Company's financial statements are restated as a result of errors, omissions or fraud, or if a grantee engaged in conduct that resulted in substantial losses or is responsible for such losses.

What we do not do:

- No "golden parachute".
- No guaranteed bonus arrangements with our executive officers except in connection with new hires as an inducement to attract the best candidates. Variable remuneration may even go down to zero at Shurgard's discretion.
- No excessive prerequisites. The Company does not offer prerequisites to our executive officers except for prerequisites that are available to employees generally such as contributions to pension plans and Company car or allowance.

- No repricing of stock options.
- No tax gross ups. The Company does not provide "gross-ups" or an increase in income payments to account for deductions like tax. Nor do we provide change in control benefits to our executive officers that are not available to other employees generally.
- No supplemental retirement plans. Other than pension plans, the Company does not provide supplemental retirement benefits to our executive officers.
- No hedging against price fluctuations in the Company's securities is permitted.

GOVERNANCE

Role of the Nomination and Remuneration Committee

Each component of compensation paid to our executives – salary, cash bonuses and equity – is based on the Nomination and Remuneration Committee's subjective assessment of each individual's role and responsibilities and consideration of market compensation.

As part of such assessment, the Nomination and Remuneration Committee also considers performance through different financial (including but not limited to revenue performance, NOI growth and Adj. EPRA earnings, new developed square meters) and non-financial criteria (including but not limited to quality of performance, management of additional projects, promotion of team spirit and general wider contribution to the Company). The performance criteria and their respective weighting are determined at the Nomination and Remuneration Committee and are modified/updated based on business considerations.

In targeting levels of compensation for Senior Management, the Nomination and Remuneration Committee considers market rates by reviewing public disclosures of compensation paid to Senior Management by other companies of comparable size and market capitalization and market compensation surveys.

All the members of the Nomination and Remuneration Committee are considered independent board members. Further information on Directors' and Management conflicts of interests is available under the section 'Corporate Governance' on page 71 of this annual report.

Role of Board and Management

The Nomination and Remuneration Committee solicits the views of the Board on compensation of all the executives, particularly the CEO. The latter attends all meetings of the Committee where discussion includes: (i) compensation of the other members of the Senior Management, (ii) Company-wide compensation matters, such as consideration of new equity plans, or (iii) Senior Management succession planning. The CEO does not vote on items before the Nomination and Remuneration Committee and is not present during the Committee's discussion and determination of his compensation. For other members of the Senior Management, the Nomination and Remuneration Committee sets their base salaries, bonus and equity compensation after consideration of the recommendations from the CEO.

Derogations from the Remuneration Policy

Derogations from the remuneration policy will be considered by the Nomination and Remuneration Committee only to the extent it is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability. Derogations would only be in relation to the Senior Management' compensation package and could for example result in granting exceptional variable remuneration components such as retention bonuses. The Committee will solicit the views and specific approval of the Board on such derogations.

COMPONENTS OF EXECUTIVE REMUNERATION

The executive compensation design is simple, effective and links pay to performance, which is assessed on a regular basis through performance assessment meetings held at least once a year. We create shareholder value by driving financial performance and aligning the interests of our executive team with the interests of our shareholders.

To achieve our compensation objectives, we believe that total executive compensation should be balanced among the following components:

- a competitive annual base salary;
- short term performance-based incentive opportunities in the form of bonuses that are generally paid in cash; and,
- long term performance-based equity awards that correlate with shareholders' long-term financial objectives.

Shurgard links these components of its executive compensation program to its business and talent strategies as follows:

Elements of pay	Form	Links to business and talent strategies
Annual base salary (fixed)	Cash	• Customary, fixed element of compensation intended to attract and retain exceptional executives. • The Nomination and Remuneration Committee considers market data of comparable companies and/or competitive conditions in the market, the individual's performance and responsibilities, and its business judgment.
Annual short-term performance-based bonus awards (variable)	Cash	• Aligns pay with the achievement of short-term objectives. • Pay-outs based on achievement of corporate and individual performance goals, or a combination of the two. • Actual bonus amounts are decided by the Nomination and Remuneration Committee based on the collective business judgment of its members.
Long-term performance-based equity awards (variable)	Stock options or RSU	• Emphasize long-term shareholder value creation with equity awards, giving executive officers an ongoing stake in the success of the business through stock options. • Stock options are granted with an exercise price of not less than 100% of the fair market value of our stock on the date of grant, which ensures that the executive does not profit from the option unless the price of our stock increases after the grant date.

The ratio of fixed to variable can go up to 1:4.

The CFO, VP Operations, VP Legal-HR and the VP Real Estate hold their positions through employment contracts concluded for an indefinite duration with entities of the Company. Their contracts include termination provisions and termination benefits customary for this type of agreements and based on applicable local legislations. The notice periods in case of termination are determined based on the employees' seniority and the local applicable law. Golden parachutes are excluded from Shurgard's remuneration policy. Severance payments are also based on the employees' seniority and the local applicable law. The current CEO has a management agreement and is appointed and may be removed by the Board of Directors.

REMUNERATION REPORT

2019 PERFORMANCE HIGHLIGHTS

After a transformative 2018 where Shurgard came to the market with a successful initial public offering, in 2019 Shurgard delivered on its promises to generate stable returns from our properties, growing organically through new builds and redevelopments while also seeking out established properties to acquire. Some of the accomplishments that the Company can be proud of in 2019 which positions us well for the medium-term guidance provided includes:

- All Store revenue growth 2019 positioned to achieve medium-term growth between 4.0% to 6.0%;
- Same Store revenue growth of 2.2%;
- NOI margin increase;
- Increase in occupancy sqm;
- Opening of new development projects;
- Several major redevelopments throughout the portfolio;
- Roll out of the 2019 property redevelopment plan;
- Creation and continuous buildup of the pipeline for 2020 and beyond;
- Three properties acquired through M&A delivering a yield at maturity within 8%-10%.

2019 COMPENSATION TARGETS

The compensation of the members of the Senior Management consists of a balance between fixed and variable compensation components and fringe benefits aligned with market practice, such as Company cars or allowances, insurance and standard pension benefits.

An independent compensation consultant was retained, Willis Towers Watson, to prepare a market compensation survey in 2019. This was one factor the Nomination and Remuneration Committee took into consideration in targeting levels of compensation for Senior Management.

Framework of CEO Compensation.

The annual base salary for Mr. Oursin is €500,000 which has remained unchanged since 2012. Additionally, an annual cash bonus incentive award of €450,000 was set assuming the achievement of performance criteria set by the Nomination and Remuneration Committee.

Framework of Short-Term Performance-Based Bonus Awards for all Senior Management

The annual performance-based cash bonus program provides an opportunity to reward Senior Management for performance during the fiscal year. Although Shurgard may set annual incentive award targets, this bonus amount does not preclude the Remuneration Committee from approving higher or lower annual incentive awards in the future.

The actual awards will be determined by the Committee after determining whether the targeted corporate performance metrics have been achieved. The Committee will consider the recommendations of the CEO with respect to the performance of the other members of Senior Management and their achievement of individual and other goals. In addition, the Committee will solicit the views of the Chairman and the Board, particularly with respect to the performance of the CEO.

For the year ended December 31, 2019, the Nomination and Remuneration Committee set the following targets:

Executive position	CEO	CFO	VP Operations	VP Legal-HR	VP Real Estate
Potential annual cash bonus target as % of annual base salary	90.0%	85.0%	57.0%	60.0%	40.0%
Amount of potential target	€450,000	€300,000	£160,000	€130,000	€85,000
Metrics	100.0%	100.0%	100.0%	100.0%	100.0%
Revenue performance *All stores 4.0%-6.0%* *Same Stores 1.5%-2.5%*	40.0%	40.0%	60.0%	40.0%	10.0%
NOI growth & Adj.EPRA earnings *+2.0% NOI margin medium term* *Adj.EPRA earnings growth*	20.0%	20.0%	10.0%	20.0%	10.0%
Development (new m²) *2019 openings (3 properties)* *2020 pipeline (5 properties)*	20.0%	10.0%	10.0%	10.0%	70.0%
Other projects & performance (non-financial performance criteria)	20.0%	30.0%	20.0%	30.0%	10.0%

2019 COMPENSATION DECISIONS

Based on the Company's solid results achieved in 2019, the short-term performance-based targets set forth above, and after consideration of the individual performances of the members of Senior Management, the decisions made by the Nomination and Remuneration Committee are as follows.

2019 CEO COMPENSATION

In recognition of Mr. Oursin's performance in 2019, the Nomination and Remuneration Committee approved the payment of a cash bonus of €450,000, to be paid in 2020. Mr. Oursin's annual base salary remained at €500,000.

2019 COMPENSATION FOR EXECUTIVES OTHER THAN OUR CEO

Base salaries for 2019 for Mr. Kreusch, Mr. Bell, Mr. Kharouf, and Mr. Reinalda were €355,584, £250,000, €215,000, and €215,000 respectively.

Annual Cash Incentives for 2019. After consideration of the 2019 short-term incentive targets and the individual performances of the direct reports of Mr. Oursin, the Nomination and Remuneration Committee awarded the following annual incentive bonuses, to be paid in 2020, to the following executives: Mr. Kreusch, €300,000; Mr. Bell, £160,000; Mr. Kharouf €130,000; Mr. Reinalda €76,500.

For comparative purposes, the following summarizes Senior Management compensation over the last two years:

Name and position	Year	Salary[1]	Short-term performance- based Bonus[2]	Option awards[3]	IPO Bonus[4]	All other compensation[5]	Total	Proportion of fixed and variable remuneration
Marc Oursin CEO	2019	500,000	405,000	0	0	52,000	957,000	1 : 0.73
	2018	500,000	450,000	793,500	450,000	52,000	2,245,500	1 : 3.07
Jean Kreusch CFO	2019	355,584	270,000	0	0	31,856	657,440	1 : 0.70
	2018	355,584	300,000	517,500	300,000	32,089	1,505,173	1 : 2.88
Duncan Bell VP Operations	2019	286,277	183,217	0	0	36,194	505,688	1 : 0.57
	2018	238,668	136,382	379,500	0	33,726	788,276	1 : 1.89
Ammar Kharouf VP HR and Legal	2019	215,000	117,000	0	0	11,699	343,699	1 : 0.52
	2018	215,000	130,000	345,000	130,000	12,097	832,097	1 : 2.66
Jean-Louis Reinalda VP Real Estate	2019	215,000	68,000	0	0	16,172	299,172	1 : 0.29
	2018	174,250	68,000	310,500	0	15,572	568,322	1 : 1.99

1 The amounts for Mr. Bell are converted from pound Sterling. The original Sterling value was £210,000 for 2018 and £250,000 for 2019.
2 The amounts shown in this column reflect annual cash incentive awards paid to the executive management based on performance targets for the prior year. The amounts for Mr. Bell are converted from pound Sterling. The original Sterling value was £120,000 paid in 2018 and £160,000 paid in 2019.
3 The amounts shown in this column reflect the grant date fair value of stock option awards granted during the corresponding year. The fair value has been determined using the Black-Scholes-model. No new stock options were granted in 2019.
4 The amounts shown in this column reflect the bonuses awarded in connection with the successful initial public offering (IPO) in October 2018.
5 The amounts shown in this column for all named executives reflect contributions to their individual group insurance and includes also the amounts for their car, being either a car allowance or the benefit in kind for using a company car. For Mr. Kreusch this amount also includes his representation allowance. For Mr. Bell this amount also includes housing allowance for the time he spends in Belgium while being a UK resident.

The total aggregate compensation paid to the five members of the Senior Management in the year ended December 31, 2019 amounted to €2,762,999.

2020 COMPENSATION TARGETS

For the year ended December 31, 2020, compensation targets have been set as follows by the Nomination and Remuneration Committee. They can range from 0.0% to 150.0% of a Senior Management's short-term bonus potential target based on the performance of the Company and each respective individual.

Executive position	CEO	CFO	VP Operations	VP Legal-HR	VP Real Estate
Annual short term performance based Bonus	90.0%	85.0%	57.0%	60.0%	40.0%
Amount of potential target	€450,000	€300,000	£160,000	€150,000	€85,000
Revenue performance *All stores 4.0%-6.0%* *Same Stores 1.5%-2.5%*	40.0%	40.0%	60.0%	40.0%	10.0%
NOI growth & Adj.EPRA earnings *+2.0% NOI margin medium term* *Adj.EPRA earnings growth*	20.0%	20.0%	10.0%	20.0%	10.0%
Development (new m²) *2020 openings (6 properties)* *2021 pipeline (5 properties)*	20.0%	10.0%	10.0%	10.0%	70.0%
Other projects & performance (non-financial performance criteria)	20.0%	30.0%	20.0%	30.0%	10.0%

EMPLOYEE STOCK OPTION PLAN (2015-2016-2017)

The Company granted stock options under three incentive plans which are still outstanding: the 2015 equity incentive plan, the 2016 equity incentive plan and the 2017 long-term incentive plan. No stock options were granted in 2018 under those plans, and no new grants may be made under those plans. Therefore, the total number of stock options granted under these three plans is 739,000.

The key features of the stock options outstanding under the 2015, 2016 and 2017 plans are as follows:

- upon exercise, each stock option gives the right to one ordinary share,
- the stock options were granted for free,
- the stock options may be exercised in tranches of 25% per year from the first anniversary of the date of the grant, so that each grant is fully vested after four years,
- the stock options have a term of 10 years, and
- the stock options vest subject to customary service rules.
- the exercise price of each stock option is as follows:
- 2015 Plan: €8.77
- 2016 Plan: €18.32
- 2017 Plan: €21.51

EQUITY COMPENSATION PLAN (2018)

On September 26, 2018, the Company approved a new equity compensation plan to incentivize certain members of the Senior Management and employees of the Group as well as to support retention and further strengthen the link between compensation and our stock price development. This plan enables the Company to grant stock options and, possibly, restricted stock units in 2018 and following years. The first grant of stock options under this plan took place at the closing of the IPO at an exercise price equal to the offering price of €23 per share. A total of 680,000 stock options were granted at the time to Senior Management.

The maximum number of stock options and restricted stock units intended to be granted under the plan is 1,915,000.

The key features of the stock options granted under the 2018 equity compensation plan are as follows:

- upon exercise, each stock option gives the right to one ordinary share;
- the stock options are granted for free;
- the exercise price of each stock option is equal to the stock exchange price of the underlying share at the time of the grant;
- the stock options only vest three years after their grant;
- the stock options have a term of ten years;
- the exercise date can occur any time as of the vesting and before the term; and
- the stock options vest subject to customary service rules.

For additional information regarding the Company's stock option plans please refer to Notes 25 and 35 "Share-based payment reserve" and "Share-based compensation expense" in the notes to the consolidated financial statements.

The table below shows the grant of stock options held by each member of the Senior Management since 2015, as of December 31, 2019.

Name/ Position	Main conditions				Info re reported financial year			
					Opening balance	During the year		Closing balance
	Plan	Award date	Vesting date(s)	Expiration date	Shares awarded at the beginning of the year	Awarded	Vested	Awarded shares but unvested at year end
CEO	2015 plan	10/03/2015	10/03/2016 10/03/2017 10/03/2018 10/03/2019	09/03/2025	120,000		30,000	0
	2017 plan	03/07/2017	03/07/2018 03/07/2019 03/07/2020 03/07/2021	02/07/2027	60,000		15,000	30,000
	2018 plan	16/10/2018	16/10/2021	15/10/2028	230,000		0	230,000
CFO	2015 plan	10/03/2015	10/03/2016 10/03/2017 10/03/2018 10/03/2019	09/03/2025	80,000		20,000	0
	2017 plan	03/07/2017	03/07/2018 03/07/2019 03/07/2020 03/07/2021	02/07/2027	40,000		10,000	20,000
	2018 plan	16/10/2018	16/10/2021	15/10/2028	150,000		0	150,000
VP Ops	2015 plan	10/03/2015	10/03/2016 10/03/2017 10/03/2018 10/03/2019	09/03/2025	60,000		15,000	0
	2017 plan	03/07/2017	03/07/2018 03/07/2019	02/07/2027	35,000		8,750	17,500

			03/07/2020 03/07/2021					
	2018 plan	16/10/2018	16/10/2021	15/10/2028	110,000		0	110,000
VP HR/ legal	2015 plan	10/03/2015	10/03/2016 10/03/2017 10/03/2018 10/03/2019	09/03/2025	40,000		10,000	0
	2017 plan	03/07/2017	03/07/2018 03/07/2019 03/07/2020 03/07/2021	02/07/2027	30,000		7,500	15,000
	2018 plan	16/10/2018	16/10/2021	15/10/2028	100,000		0	100,000
VP Real Estate	2015 plan	/	/	/	/	/	/	/
	2016 plan	12/07/2016	12/07/2017 12/07/2018 12/07/2019 12/07/2020	11/07/2026	30,000		7,500	7,500
	2017 plan	03/07/2017	03/07/2018 03/07/2019 03/07/2020 03/07/2021	02/07/2027	30,000		7,500	15,000
	2018 plan	16/10/2018	16/01/2021	15/10/2028	90,000		0	90,000

COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

For comparison purposes, the figures of: (i) Senior Management total aggregate compensation, (ii) Company performance and (iii) the average remuneration on a full-time equivalent basis of the other employees of the Company over the three most recent financial years are shown in the table:

Annual change	2017	2018	2019
Senior Management remuneration[1]			
CEO	1,143,000	2,245,500	957,000
CFO	781,769	1,505,173	657,440
VP Operations	435,714	788,276	505,688
VP HR/Legal	432,164	832,097	343,699
VP Real Estate	345,322	568,322	299,172
Company Performance			
Property Operating Revenue Growth[2]	2.9%	2.7%	5.0%
Adj.EPRA earnings growth[2]	9.1%	-1.3%	8.1%
Directors	NA	165,000[3]	690,000
Employees Average remuneration (full-time equivalent basis)	40,039	40,394	40,519

1 For detailed breakdown of Senior Management remuneration see the comparative table 2018-2019 above.
2 Actual rate.
3 Amount paid in 2019 represents only the quarter following the Company's public offering.

REMUNERATION PAID OUT BY OTHER GROUP COMPANIES

For the year ended December 31, 2019, there was no remuneration paid out by other group companies.

MALUS AND CLAWBACK MECHANISMS

Under the Equity Compensation Plan 2018, unvested equity awards will be cancelled if the Company's financial statements are restated as a result of errors, omission, or fraud, or if a grantee has engaged in conduct that resulted in substantial losses for the Company or is responsible for such losses.

EXCEPTION TO THE REMUNERATION POLICY

For the year ended December 31, 2019, there is no departure from or exception to the remuneration policy.

NON-EXECUTIVE DIRECTOR COMPENSATION POLICY

Non-Executive Directors receive cash retainers for serving on the Board, chairing a committee and/or serving on a committee. The retainers are paid quarterly and pro-rated when a Non-Executive Director (1) joins the Board or a committee or (2) changes his or her position on a committee or no longer serves on the Board. The Nomination and Remuneration Committee is tasked with evaluating Directors' compensation and recommends any changes. After considering the recommendations of the Nomination and Remuneration Committee, the Board will present any such changes at the Annual General Meeting of Shareholders for approval.

COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS IN 2019

From the time of their appointment, each Non-Executive Director of the Company receives €50,000 per year. Each member who serves on a committee receives an additional €10,000 in compensation. The Lead Independent Director also receives an additional €10,000 per year. Each member who serves as the chair of the committee receives €65,000 per year. The Chairman of the Board of Directors receives €75,000 per year. An Executive Director of the Company will not receive any additional compensation for their mandate as Director.

The total compensation of the Board of Directors in the fiscal year 2019 amounted to €690,000.

Name	Position	Committee membership	Year[1]	Compensation in €[2]
Ronald L. Havner, Jr.	Chairman		2019	75,000
			2018	18,750
Marc Oursin	Chief Executive Officer			/
Z. Jamie Behar	Director	Real Estate (Chair), Audit	2019	75,000
			2018	18,750
John Carrafiell	Director	Real Estate	2019	57,500
			2018	12,500
Daniel C. Staton	Director	Real Estate	2019	60,000
			2018	15,000
Ian Marcus	Lead Independent Director	Nomination and Remuneration, Real estate	2019	77,500
			2018	17,500
Muriel De Lathouwer	Independent Director	Audit, Nomination and Remuneration	2019	67,500
			2018	15,000
Olivier Faujour	Independent Director	Real Estate, Nomination and Remuneration	2019	67,500
			2018	15,000
Frank Fiskers	Independent Director	Nomination and Remuneration (Chair), Real Estate	2019	75,000
			2018	18,750
Padraig McCarthy	Independent Director	Audit (Chair), Nomination and Remuneration	2019	75,000
			2018	18,750
Isabelle Moins	Independent Director	Audit	2019	60,000
			2018	15,000
Total			2019	690,000
			2018	165,000

1 Amount paid in 2018 represents only the quarter following the Company's public offering.
2 The compensation amounts listed above are gross amounts and do not include any applicable VAT or the deduction of any applicable withholding tax.

DIRECTORS' AND OFFICERS' INSURANCE

We maintain a Directors and Officers insurance policy covering claims that might be made against members of the Board of Directors and Senior Management of the Company in relation to their functions. The Company entered into indemnification agreements with its Directors and Senior Management supplementing this policy.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that:

- the consolidated financial statements of Shurgard presented in this annual report and established in conformity with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and results of Shurgard and its subsidiaries included within the consolidation taken as a whole; and
- the management report presented in this annual report includes a fair review of the position and performance, business model and strategy of Shurgard and the subsidiaries included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Luxembourg, February 25, 2020

Marc Oursin
Chief Executive Officer

Jean Kreusch
Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31

(in € thousands)	Notes	2019	2018
Real estate operating revenue	6	257,058	244,844
Real estate operating expense	7	(93,927)	(91,022)
Net income from real estate operations		**163,131**	**153,822**
General, administrative and other expenses	8	(16,309)	(10,947)
Of which depreciation and amortization expense	17	(1,665)	(1,679)
Cost incurred in connection with Shurgard Public offering	24	-	(4,744)
Acquisition costs of business combinations	12	(1,601)	(3,010)
Royalty fee expense	36	(2,536)	(2,416)
Operating profit before property related adjustments		**142,685**	**132,705**
Valuation gain from investment property and investment property under construction	15,16	80,168	94,588
Proceeds from property insurance recovery and gain on disposal of investment property, property, plant and equipment		2,142	1,675
Operating profit		**224,995**	**228,968**
Finance cost	9	(18,977)	(20,968)
Profit before tax		**206,018**	**208,000**
Income tax expense	10	(56,023)	(36,309)
Attributable profit for the period		**149,995**	**171,691**
Profit attributable to non-controlling interests	28	724	475
Profit attributable to ordinary equity holders of the parent		149,271	171,216
Earnings per share in €, attributable to ordinary equity holders of the parent:			
Basic, profit for the period	13	1.68	2.48
Diluted, profit for the period	13	1.67	2.47

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31

(in € thousands)	Notes	2019	2018
Profit for the year		**149,995**	**171,691**
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserve		15,065	(17,220)
Net other comprehensive loss, net of tax, to be reclassified to profit or loss in subsequent periods		15,065	(17,220)
Net other comprehensive income (loss), net of tax, not to be reclassified to profit or loss in subsequent periods		76	(135)
Total comprehensive income for the year, net of tax		**165,136**	**154,336**
Attributable to non-controlling interests	28	(724)	(475)
Attributable to ordinary equity holders of the parent		164,412	153,861

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31

(in € thousands)	Notes	2019	2018
Assets			
Non-current assets:			
Investment property	15,16	2,773,313	2,548,168
Investment property under construction	15,16	33,622	11,151
Property, plant and equipment	17	3,268	1,221
Intangible assets	17	4,593	3,458
Deferred tax assets	10	1,053	1,567
Other non-current assets	18	2,799	1,842
Total non-current assets		**2,818,648**	**2,567,407**
Current assets:			
Trade and other receivables	19	11,434	12,489
Other current assets	20	11,701	5,272
Cash and cash equivalents	21	198,574	250,922
Total current assets		**221,709**	**268,683**
Total assets		**3,040,357**	**2,836,090**
Equity and liabilities			
Equity:			
Issued share capital	22,23	56,274	62,542
Share premium	24	537,421	537,421
Share-based payment reserve	25	809	4,525
Distributable reserves	26,27	440,544	500,000
Other comprehensive loss		(75,352)	(90,493)
Retained earnings		930,272	781,001
Total equity attributable to equity holders of the parent		**1,889,968**	**1,794,996**
Non-controlling interests	28	**4,389**	**3,665**
Total equity		**1,894,357**	**1,798,661**
Non-current liabilities:			
Interest-bearing loans and borrowings	29,31	598,082	597,709
Deferred tax liabilities	10	397,255	358,292
Lease obligations	30,31	70,706	5,583
Other non-current liabilities	32	176	381
Total non-current liabilities		**1,066,219**	**961,965**
Current liabilities:			
Lease obligations	30,31	3,165	542
Trade and other payables and deferred revenue	33	72,163	65,112
Income tax payable		4,453	9,810
Total current liabilities		**79,781**	**75,464**
Total liabilities		**1,146,000**	**1,037,429**
Total equity and liabilities		**3,040,357**	**2,836,090**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € thousands)	Issued share capital	Treasury shares[1]	Share premium	Share-based payment reserve	Distri-butable reserves	Other Compre-hensive loss[2]	Retained Earnings	Total	Non-con-trolling interests	Total equity
At January 1, 2018	**801,578**	**(949)**	**-**	**-**	**-**	**(73,138)**	**608,835**	**1,336,326**	**3,190**	**1,339,516**
Alignment of Shurgard Self Storage S.A. issued share capital (Note 22)	(950)	-	-	-	-	-	950	-	-	-
Creation of distributable reserves (Notes 22,26)	(755,000)	-	-	-	755,000	-	-	-	-	-
Interim distribution (Note 26)	-	-	-	-	(255,000)	-	-	(255,000)	-	(255,000)
Proceeds from issuance of equity (Notes 22,24)	17,842	-	557,158	-	-	-	-	575,000	-	575,000
Transaction costs incurred in connection with issuance of equity	-	-	(19,737)	-	-	-	-	(19,737)	-	(19,737)
Conversion of cash-settled share option plans into equity-settled share option plans (Notes 25,35)	-	-	-	4,280	-	-	-	4,280	-	4,280
Share-based compensation expense (Notes 25,35)	-	-	-	216	-	-	-	216	-	216
Sale of treasury shares to option holders (Notes 25,35)	-	21	-	29	-	-	-	50	-	50
Net profit	-	-	-	-	-	-	171,216	171,216	475	171,691
Other comprehensive income	-	-	-	-	-	(17,355)	-	(17,355)	-	(17,355)
At December 31, 2018	**63,470**	**(928)**	**537,421**	**4,525**	**500,000**	**(90,493)**	**781,001**	**1,794,996**	**3,665**	**1,798,661**
Cash dividends on ordinary shares declared and paid (Note 27)	-	-	-	-	(59,456)	-	-	(59,456)	-	(59,456)
Acquisition of own shares held as treasury shares (Note 23)	-	(12,488)	-	-	-	-	-	(12,488)	-	(12,488)
Share based compensation expense (Notes 25,35)[3]	-	-	-	(390)	-	-	-	(390)	-	(390)
Sale of treasury shares to option holders (Notes 25,35)	-	6,220	-	(3,326)	-	-	-	2,894	-	2,894
Net profit	-	-	-	-	-	-	149,271	149,271	724	149,995
Other comprehensive loss	-	-	-	-	-	15,141	-	15,141	-	15,141
At December 31, 2019	**63,470**	**(7,196)**	**537,421**	**809**	**440,544**	**(75,352)**	**930,272**	**1,889,968**	**4,389**	**1,894,357**

The accompanying notes are an integral part of these consolidated financial statements

1 In our Statement of Financial Position, the value of our treasury shares is deducted from issued share capital (Notes 22 and 23)
2 Other comprehensive income for all periods as of January 1, 2018, December 31, 2018 and December 31, 2019 includes €4.9 million comprehensive income the Company earned in connection with net investment hedges the Company entered into.
3 Share based compensation expense for the year ended December 31, 2019 includes €1.5 million deferred tax liability.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31

(in € thousands)	Notes	2019	2018
Operating activities			
Profit for the period before tax		206,018	208,000
Adjustments to reconcile profit before tax to net cash flows:			
Valuation gain on investment property and investment property under construction	16	(80,168)	(94,588)
Gain on disposal of investment property and assets held for sale		(5)	(1)
Depreciation and amortization expense	17	1,665	1,679
Share based compensation expense	25,35	1,119	216
Finance cost	9	18,977	20,968
Working capital movements:			
(Increase) decrease in trade receivables, other current and non-current assets		(9,272)	1,531
Increase in other current and non-current liabilities and deferred revenue		10,756	475
Income tax paid	10	(27,531)	(17,687)
Cash flows from operating activities		**121,559**	**120,593**
Investing activities			
Capital expenditures on investment property under construction and completed investment property	15,16	(65,704)	(44,859)
Capital expenditures on property, plant and equipment		(587)	(470)
Acquisition of businesses, net of cash acquired	12	(15,874)	(130,600)
Proceeds from disposal of property, plant and equipment and insurance recovery proceeds		2,137	2,197
Acquisition of intangible assets	17	(1,866)	(1,632)
Cash flows from investing activities		**(81,894)**	**(175,364)**
Financing activities			
Proceeds from the issuance of equity	22,24	-	575,000
Payment for equity issuance costs	24	-	(19,737)
Proceeds from borrowings	29,31	-	250,000
Payment for financing and related costs	29	-	(515)
Repayment of borrowings	29,31	-	(250,000)
Repayment of principal amount of finance lease obligations	30,31	-	(505)
Repayment of principal amount of lease obligations	30,31	(3,244)	-
Interim distribution to equity holders of the parent	26	-	(255,000)
Cash dividends on ordinary shares paid to Company's shareholders	27	(59,456)	-
Purchase of own shares held as treasury shares	23	(12,488)	-
Proceeds from the sale of treasury shares	23,35	2,894	50
Interest paid	29,31	(19,575)	(18,414)
Cash flows from financing activities		**(91,869)**	**280,879**
Net increase in cash and cash equivalents		(52,204)	226,108
Effect of exchange rate fluctuation		(144)	1,169
Cash and cash equivalents at January 1		250,922	23,645
Cash and cash equivalents at December 31		**198,574**	**250,922**

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

1. CORPORATE INFORMATION

Shurgard Self Storage S.A. (referred to collectively with its consolidated subsidiaries, as the "Company", "we", "our", or "us") is organized under the laws of the Grand Duchy of Luxembourg. On August 12, 2019, the Board of Directors decided to transfer the registered office and principal place of business of the Company from 6 C Rue Gabriel Lippmann, L-5365 Münsbach to 11 Rue de l' Industrie, L-8399 Windhof. The Company has been listed on Euronext Brussels since October 15, 2018.

Our shareholders are Shurgard European Holdings LLC ("SEH LLC"), a limited liability company incorporated in 2008 in Delaware, United States ("U.S."), which owns 40.66% of the interest in the Company, Public Storage ("PS"), which owns 0.17% interest in the Company, HABF 2017, Inc., a company that is wholly owned by PS, which owns 30.92% interest in the Company, and the Public (27.99% of the interest in the Company). The New York State Common Retirement Fund ("NYSCRF") and PS through its subsidiary SSC LLC own 90% and 10%, respectively, of the interest in SEH LLC. As of December 31, 2019, the Company holds 0.26% of the total number of shares issued as treasury shares.

Our principal business activities are the acquisition, development and operation of self-storage facilities providing month-to-month leases for business and personal use. We also provide ancillary services at our self-storage facilities consisting primarily of sales of storage products and provide protection (insurance) via an independent insurance company for customers' stored goods. Any claims in regard to customer insurance are directly handled by our insurance broker. As of December 31, 2019, we operate 234 self-storage facilities under the Shurgard brand name that we own or lease in the Netherlands, France, Sweden, the United Kingdom (the "UK"), Belgium, Germany and Denmark.

BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Company's financial statements have been prepared on a historical cost basis, except for the following:

- Investment property and investment property under construction, which are measured at fair value;
- Non-current assets held for sale, which are measured at the lower of its carrying amount and fair value less cost of disposal;
- Equity-settled share-based compensation plans, for which the share based compensation expense is measured at fair value; and
- Defined benefit pension plans, for which the assets are measured at fair value. Pension plan liabilities are measured according to the projected unit credit method.

The consolidated financial statements are presented in euros and all values are rounded to the nearest million (€'000,000), except where otherwise indicated.

The financial statements were authorized for issue by the Board of Directors on February 25, 2020. The Board of Directors has the power to amend and reissue the financial statements.

SIGNIFICANT EVENTS AND TRANSACTIONS

Events and/or transactions significant to an understanding of the changes since December 31, 2018 have been included in the notes to these consolidated financial statements and mainly relate to:

- On May 19 and October 3, 2019, the Company distributed €19.5 million and €39.9 million of dividends, respectively to its shareholders;
- The acquisition of three self-storage facilities in the second half of 2019; and
- In December 2019, the Company opened two self-developed self-storage facilities, of which one is located in the Netherlands and one in the UK.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company applies for the first time IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments. As required by IAS8, the nature and effect of the changes resulting from the first time adoption of these standards are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Company.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and was endorsed by the EU on November 9, 2017. It supersedes IAS 17 Leases and a number of lease-related interpretations and stipulates that all leases and the associated contractual rights and obligations should generally be recognized as a liability for lease obligations in the lessee's Statement of Financial Position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short term and low-value leases.

In 2019, the Company adopted IFRS 16 using the cumulative catch up approach. Consequently, the comparative financial information for the financial year 2018 was not adjusted in the financial year 2019. The previous determination pursuant to IAS 17 and IFRIC 4 of whether a contract is a lease has been maintained for existing contracts as of the effective date (i.e. January 1, 2019).

The Company elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the effective date, and lease contracts for which the underlying asset is of low value. The Company has only a limited number of low value leases. During the year ended December 31, 2019, the Company incurred €0.2million in lease expense relating to car leases that expired during 2019, for which the Company has applied the short term lease exemption upon first time adoption of IFRS 16.

The following categories of leases were identified, where as a consequence of the adoption of IFRS 16 at January 1, 2019, contracts that previously had been recognized as operating leases, now qualify as leases as defined by the new standard: investment property, offices and vehicles.

No adjustment was made to leases classified as finance leases under IAS 17.

During the first-time application of IFRS 16 to operating leases, the right to use the leased assets ("ROU") was generally measured at the present value of the lease liability, using the Company's incremental borrowing rate at the time of the adoption. These incremental borrowing rates range from 0.72% to 3.16%, and have been determined by country and by term of the underlying leases and take into account the Company's credit profile. For the measurement of the ROU at the adoption date of the new standard, initial direct costs were not taken into account.

Under IAS 17, certain of the Company's Dutch and Swedish ground operating leases are for an indefinite period. We believe that these perpetual lease contracts are also in scope of IFRS 16 because Shurgard constructed on these parcels of land buildings that have significant economic value when the option, if any, to extend or terminate the lease or to purchase the underlying asset becomes exercisable. We calculated for these everlasting leases ROU assets and lease liabilities based on a period of nine hundred and ninety-nine (999) years commencing on January 1, 2019 with the considerations that any cash flow beyond 999 years discounted back would not be material. Consequently, all lease payments within this 999-year period are deemed to be payments of interest.

The first time adoption of the new standard resulted in recording the following changes on the statement of financial position (increase) as at January 1, 2019:

Assets
Investment property: increase of €64.5 million
Property, plant and equipment: increase of €1.2 million
Other current assets: decrease of €0.4 million

Liabilities
Lease liabilities: increase of €65.3 million

Equity
Net impact on equity: € nil

During the year ended December 31, 2019, we paid €2.7 million in principal debt and €1.4 million in interest expense on these lease liabilities.

The off-balance lease obligations as of December 31, 2018 are reconciled as follows to the recognized lease liabilities as of January 1, 2019:

(in € thousands)	
Off balance lease obligations as of December 31, 2018	78,651
Additional off balance lease obligations as of December 31, 2018[1]	7,846
Current leases with a lease term of 12 months or less	(53)
Payments for service charges and other not qualifying as lease payments	(1,561)
Operating lease obligations as of January 1, 2019, gross, not discounted	**84,883**
Discount effect for finite leases	(23,273)
Variances resulting from changes in expected lease term (infinite leases)	3,717
Operating lease obligations as of January 1, 2019, net, discounted	**65,327**
Lease liabilities due to initial application of IFRS 16 as of January 1, 2019	**65,327**
Lease liabilities from finance leases as of January 1, 2019	**6,125**
Total lease liabilities as of January 1, 2019	**71,452**

1 During the second half of 2019, the Company identified and recognized some additional contracts as IFRS 16 opening balance sheet transition adjustment.

We refer to Note 37 for a maturity analysis of our lease liabilities.

We refer to Note 14 for the effect of IFRS 16 on the measurement of our EPRA earnings and Adjusted EPRA earnings.

The adoption of IFRS 16 did not have an impact on the calculation of our debt covenants because these are based on the definitions as per the previous IFRS standard IAS 17.

IFRIC 23 Uncertainty over income tax treatments

In June 2017, the IASB issued IFRIC 23 which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation is effective for financial years commencing on or after January 1, 2019.

The adoption of IFRIC 23 did not have a significant impact on consolidated financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the years ended December 31, 2019 and 2018. Specifically, the Company controls an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Company and to the non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-company assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

PROPERTY ACQUISITIONS

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities, as well as directly attributable acquisition costs, are allocated between the identifiable assets and liabilities (of the entity) based on their relative values at the acquisition date.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with the changes in fair value recognized in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.
Generally, no goodwill is recognized in regard to the business combinations entered into by Shurgard, as the consideration paid usually represents the fair value of the investment properties.

FOREIGN CURRENCIES

The Company's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currencies used by the Company's main subsidiaries are the British pound, the Swedish krona and the Danish krone. The Company uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

TRANSACTIONS AND BALANCES

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in finance cost on our consolidated statement of profit or loss, with the exception of monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to finance cost. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency by the Company's entities are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured, by the Company's entities, at fair value in a foreign currency (e.g. investment properties) are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of such non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

SUBSIDIARIES

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM is the executive committee and consist of CEO, CFO, VP Operations, VP Real Estate and VP Human Resources and Legal ("the Executive Committee").

INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER CONSTRUCTION

Investment property comprises completed property and property under construction or re-development that is held to earn rentals. Property held under a lease is classified as investment property when it is held to earn rentals, rather for use in production or administrative functions.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in valuation gain and loss from investment property and investment property under construction on our consolidated of profit and loss in the period in which they arise, including the corresponding tax effect.

Transfers are made to (or from) investment property only when there is a change in use which can be evidenced, for example with the commencement or end of owner-occupation. However, a change in management's intentions on the property would not meet these criteria. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

LEASES

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease.

COMPANY AS A LESSEE

The Company leases various plots of land, self-storage facilities, equipment and company cars. Certain contracts may contain both lease and non-lease components. However, the Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Until 2018, leases were classified at inception as either finance leases or operating leases. However, as from January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments: the Company is exposed in all countries it operates to potential future increases in variable lease payments based on an index or rate which are not included in the lease liability until they take effect; when adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate ("IBR") is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine IBR for leases denominated in each of our functional currencies, we used relevant swap rates increased by a single A credit spread to reflect the incremental borrowing rate for such an asset, taking into account the payment pattern applicable under the leases. The credit spread is based on an A credit rating to reflect the fact that the assets are used as collateral.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Except for investment property held by the Company as a right-of-use asset, right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

With respect to investment property held by the Company as a right-of-use asset, the amount of the recognized lease liability is on a bi-annual basis and in accordance with IAS 40.50 (d) added back to the valuation obtained by the external valuer (see Note 15) in order to avoid the double-counting of the lease liability and to arrive at the carrying amount of the investment property using the fair value model for financial reporting purposes.

Payments associated with short term leases and all leases of low value assets are recognized on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less.

COMPANY AS A LESSOR

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned. We refer to the accounting policy on revenue recognition for further information on the accounting policies on rental income.

PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment mainly consist of building improvements and office equipment in use at the local head offices in the countries in which we operate. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Property, plant and equipment is depreciated on a straight-line basis over its estimated economic useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

When there is an impairment indicator, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

INTANGIBLE ASSETS

The Company's intangible assets mainly consists of internally developed computer software. Software development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the criteria, as defined in IAS 38, are met.

Capitalized software development costs are recorded as intangible assets and amortized on a straight-line basis over their economic useful lives (of three to five years) from the moment at which the asset is ready for use.

Costs associated with maintaining software programs are recognized as an expense as incurred.
Research expenditure and development expenditure that do not meet the criteria for capitalization above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

BORROWINGS

All borrowings are initially recognized at fair value less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method.

Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.
Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

BORROWING COSTS

General borrowing costs attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Company's weighted average cost of borrowings. Interest is capitalized as from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at bank and cash equivalents with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

RENT AND OTHER RECEIVABLES

Rent and other receivables are recognized at their original invoiced value except where the time value of money is material, in which case receivables are recognized at fair value and subsequently measured at amortized cost and are subject to impairment. For rent and other receivables, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within thirty days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period.

REVENUE RECOGNITION

The Company is in the business of operating self-storage facilities providing month-to-month leases for business and personal use, which is in scope of IFRS 16. We also provide ancillary services at our self-storage facilities consisting primarily of sales of storage products and provide protection (insurance) via an independent insurance company for customers' stored goods. Any claims in regard to customer insurance are directly handled by our insurance broker. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in all of its revenue arrangements, because it controls the goods or services before transferring them to the customer.

RENTAL INCOME

The Company is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognized when it arises. Generally, the Group requires advance payments from new contracts (customers) and the proceeds received are deferred on the balance sheet under the caption '*Deferred rent*'.
Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, management is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the statement of profit or loss when the right to receive them arises.

INSURANCE REVENUE

Revenue from insurance is recognized on a straight-line basis over the period that a customer occupies its storage unit.

SERVICE CHARGES, MANAGEMENT CHARGES AND OTHER EXPENSES RECOVERABLE FROM TENANTS

Income arising from expenses recharged to tenants is recognized in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in real estate operating revenue gross of the related costs, as management considers that the Company acts as principal in this respect.

EMPLOYEE BENEFITS

SHORT TERM EMPLOYEE BENEFITS

Liabilities for wages and salaries that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Bonuses received by Company employees and management are based on pre-defined Company and individual target achievements. The estimated amount of the bonus is recognized as an expense over the period the bonus is earned.

PENSION BENEFITS

The Company has defined contribution plans in certain countries in which it operates whereby contributions by the Company are charged to real estate operating expense and general, administrative and other expense in our consolidated statements of profit and loss in the period in which services are rendered by the covered employees.

Because of the Belgian legislation applicable to the second pillar pension plans (the so-called "Law Vandenbroucke"), all Belgian pension plans that are structured as defined contribution plans are considered defined benefit plans under IFRS and are therefore accounted for as such.

Because of a minimum guaranteed return, the employer is exposed to a financial risk since further contributions could be required if the return on the assets is not sufficient to reach the minimum benefits to be paid. The Company has plans that are financed through insurance contracts. The projected unit credit method has been used as the actuarial technique to measure the defined benefit obligation. The related assumptions, the defined benefit obligation and related plan assets are further disclosed in Note 34.

OTHER POST-EMPLOYMENT OBLIGATIONS

The Company does not have other post-employment obligations.

TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

SHARE-BASED COMPENSATION

Until October 15, 2018, employees (including senior executives) of the Company received remuneration in the form of share-based options that were cash-settled. A liability was recognized for the fair value of these share-based payment plans. The fair value was measured initially and at each reporting date up to and including the settlement date. The changes in the fair value were recognized in general, administrative and other expenses. This fair value was expensed over the four-year period until the vesting date with recognition of a corresponding liability. The fair value was determined using a Black-Scholes model.
On October 15, 2018, the terms of the share-based compensation plan were modified, so that the classification of the share-based compensation plan changed from cash-settled to equity-settled. On the modification date, the Company reclassified an amount of €4.3 million recognized as a liability up to the modification date to equity. The share-based compensation expense for the remainder of the vesting period is based on the fair value of the share-based payment awards, measured at the modification date.

We refer to Note 35 for further details on the share-based compensation plans of the Company and the modification of their terms during 2018.

The cost of equity-settled compensation plans is determined by the fair value at the grant date of the awards using the Black-Scholes model. The cost is recognized, together with a corresponding increase in retained earnings in equity, over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in general administrative and other expenses. No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met.

INCOME TAX

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI. Interest and penalties related to income taxes, including uncertain tax treatments, can be accounted for under IAS 12 Income taxes or under IAS 37 Provisions, Contingent Liabilities and Contingent Assets depending on the specific nature of the particular interest and penalties and whether the relevant law considered these interest and penalties as income taxes.

CURRENT INCOME TAX

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible.

The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

DEFERRED TAX

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences and tax losses carried forward can be utilized.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss. In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements:

- Deferred tax liabilities are not recognized when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The measurement of deferred tax reflects the tax consequences that would follow from the manner, in which the Group expects, at the reporting date, to recover or settle the carrying amount of assets and liabilities. For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has concluded that they are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the management has determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company by
- the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares (including outstanding share options).

NON-GAAP FINANCIAL INFORMATION

The Board of Directors have identified certain measures that they believe will assist the understanding of the performance of our business. The measures are not defined under IFRS and they may not be directly comparable with other companies' non-GAAP measures. These non-GAAP or alternative performance measures ("APM") are not intended to be a substitute for, or superior to, any IFRS measures of performance but they have been included as the Board of Directors consider them to be important key measures used within the business for assessing performance. The following are the key APM identified by the Company and are based on guidance as defined by the European Public Real Estate Association ("EPRA"), a not-for-profit association registered in Belgium, in their Best Practices Guidelines dated October 2019:

- **(Adjusted) EPRA earnings** – EPRA earnings is an APM of underlying operational performance to reflect the income return on investment. EPRA earnings is defined as profit or loss for the period after income tax but excluding acquisition costs relating to business combinations (net of taxes and non-controlling interest), gains or losses on the revaluation of investment property (net of taxes and non-controlling interest), gains or losses on the sale of investment property, assets held for sale and property, plant and equipment (net of taxes and non-controlling interest). Adjusted EPRA earnings is defined as EPRA earnings excluding (i) deferred tax expenses on items other than the revaluation of investment property, and (ii) significant one-off items that arise from events and transactions distinct from the Company's regular operating activities.

- **EPRA Net Asset Value (per share)** – The objective of this metric is to provide information on the fair value of net assets on an ongoing, long-term basis. EPRA Net Asset Value or EPRA NAV, is calculated based on Net Asset Value, but excludes the value of assets and liabilities measured at fair value that are not expected to crystallize in normal circumstance, and deferred taxes on such fair value adjustments.
- **EPRA Triple Net Asset Value (per share) (NNNAV)** – The objective of this metric is to report net asset value including fair value adjustments in respect of material balance sheet items which are not reported at their fair value as part of the EPRA NAV.
- We measure in our consolidated statement of profit and loss **Operating profit before property related adjustments**, which although not defined by IFRS standards, is commonly reported by companies. We believe that this subtotal provides improved structure to the profit and loss information and enables investors to better analyze and compare our earnings with those of other companies. We refer to our consolidated statement of profit and loss for how this APM is calculated.

FAIR VALUE MEASUREMENTS

The Company measures investment property and investment property under construction at fair value at each reporting date.

Fair value related disclosures for items measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Notes 15 and 16: Investment property and investment property under construction.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer, the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Company must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy (described as follows), based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Note 37: Financial risk management objectives and policies
- Note 38: Capital management

The areas involving significant estimates or judgements are:

- **Income Tax (Note 10):** The Company operates in multiple jurisdictions with often complex legal and tax regulatory environments. The income tax positions are considered by the Company to be supportable and are intended to withstand challenge from tax authorities. However, it is accepted that some of the positions are uncertain and include interpretations of complex tax laws which could be disputed by tax authorities. The Company judges these positions individually on their technical merits with no offset or aggregation between positions and this on a regular basis using all the information available (legislation, case law, regulations, established practice and authoritative doctrine). A liability is recorded for each item that is not probable of being sustained on examination by the tax authorities based on all relevant information. The liability is calculated by the Company as the best estimate of the current tax it expects to pay using the Company's best judgement of the likely outcomes of such examinations. These estimates are based on facts and circumstances existing at the end of the reporting period.
- **Business combinations (Note 12):** The Company acquires entities that own real estate. At the time of acquisition, the Company considers whether each acquisition represents the acquisition of a business or the acquisition of an asset (a group of asset). The Company accounts for an acquisition as a business combination when the integrated set which includes the property contains also processes that have the ability to create output (mainly in the form of rental income). The Company exercises judgement to which extent the property and the acquired processes have the ability of creating output.

- When the acquisition does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

- **Fair value of investment property and investment property under construction (Note 15):** The fair value of investment property and investment property under construction is determined by external real estate valuation experts using recognized valuation techniques and the principles of IFRS 13 Fair Value Measurement. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in note 16.

- **Share-based compensation expense (Note 35):** Estimates and judgements are continuously evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards relevant to the Company that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. This list of standards and interpretations issued are those that the Company reasonably expects to have an impact on the Company's financial statements when applied at a future date. The Company intends to adopt these standards when they become effective.

IFRS 3 BUSINESS COMBINATIONS

Amendments to the guidance of IFRS 3 Business Combinations revised the definition of a business (effective January 1, 2020). The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organized workforce. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate (including self storage), pharmaceutical, and oil and gas. Application of the changes would also affect the accounting for disposal transactions.

6. REAL ESTATE OPERATING REVENUE

(in € thousands)	**2019**	2018
Rental revenue	219,930	208,985
Insurance revenue[1]	26,683	25,083
Ancillary revenue[1,2]	10,331	10,627
Property operating revenue	**256,944**	**244,695**
Other revenue[3]	114	149
Real estate operating revenue	**257,058**	**244,844**

1 Revenue streams falling under scope of IFRS 15 Revenue from Contracts with Customers.
2 Ancillary and other operating revenue consists of merchandise sales and other revenue from real estate operations.
3 Other revenue consists of management fee revenue and rental revenue derived from assets held for sale.

7. REAL ESTATE OPERATING EXPENSE

Real estate operating expense of investment property which generates property operating revenue consists of the following:

(in € thousands)	2019	2018
Payroll expense	37,181	35,452
Real estate and other taxes	13,391	11,756
Repairs and maintenance	7,179	7,040
Marketing expense	7,904	6,229
Utility expense	3,682	3,491
Other operating expenses[1]	14,913	15,093
Property lease expense[2]	324	3,692
Doubtful debt expense	4,106	4,081
Cost of insurance and merchandise sales	5,247	4,188
Real estate operating expense	**93,927**	**91,022**

1 Other operating expenses mainly include: travel expenses, legal and consultancy fees, insurance expenses, non-deductible VAT and information system expenses.

2 The adoption of IFRS 16 as from January 1, 2019 resulted in a reduction of our property lease expense by €3.3 million for the year ended December 31, 2019.

8. GENERAL, ADMINISTRATIVE AND OTHER EXPENSES

General, administrative and other expenses for the periods concerned consists of the following:

(in € thousands)	2019	2018
Payroll expense	7,958	6,334
Share-based compensation expense (income)[1]	1,500	(772)
Capitalization of internal time spent on development of investment property	(1,897)	(1,507)
Depreciation and amortization expense[2]	1,665	1,679
Other general and administrative expenses[3]	7,083	5,213
General, administrative and other expenses	**16,309**	**10,947**

1 See Note 35 for the explanation on the 2018 share-based compensation income

2 The adoption of IFRS 16 as from January 1, 2019 resulted in an increase of our depreciation expense by €0.5 million for the year ended December 31, 2019.

3 Other general and administrative expenses mainly includes legal, consultancy and audit fees and non-deductible VAT. Generally, the increase in other general and administrative expenses is mainly driven by the extra cost of being a public company.
For the years ended December 31, 2019 and 2018, other general and administrative expenses includes €1.1 million and €0.7 million, respectively of insurance recovery proceeds for business interruption, which has been presented as a reduction of general, administrative and other expenses because it mainly covers expenses incurred in relation to the fire incident.

9. FINANCE COST

Finance costs comprise the following:

(in € thousands)	2019	2018
Interest on revolving loan facility and revolving syndicated loan facility	481	435
Interest on senior guaranteed notes	17,636	17,625
Interest on Société Générale/BNP bridge loan	-	311
Interest on lease obligations[1]	1,997	582
Capitalized borrowing costs[2]	(745)	(235)
Other interest (income) expense[3]	(353)	428
Total interest expense	**19,016**	**19,146**
Foreign exchange (gain) loss	(39)	1,822
Finance cost	**18,977**	**20,968**

1 The interest on lease obligations incurred in the year ended December 31, 2019 includes €1.4 million in interest expense incurred as a result of the adoption of IFRS 16.
2 The capitalization rate of the borrowing costs in 2019 was on average 2.95% and was 1.98% in 2018.
3 For the year ended December 31, 2019, other interest income includes €0.9 million interest we will be reimbursed on value added and on income tax refunds in regard to our Germany subsidiaries.

10. INCOME TAX

INCOME TAX EXPENSE

(in € thousands)	2019	2018
Current tax expense	18,010	19,420
Deferred tax expense	38,013	16,889
Income tax Expense	**56,023**	**36,309**
Effective tax rate	**27.2%**	**17.5%**

The average effective current income tax rates based on adjusted EPRA earnings before tax are disclosed in Note 14.

The tax expenses as shown above have been calculated in conformity with local and international tax laws. The tax expense on the Company's profit (loss) before tax differs from the theoretical amount that would arise using the domestic rate in each individual jurisdiction (on the pretax profits/losses) of the consolidated companies as follows:

(in € thousands)	Dec. 31, 2019	%	Dec. 31, 2018	%
Profit before tax	**206,018**		**208,000**	
Expected tax based on local tax rates	**53,995**	**26.2**	60,980	29.3
Disallowed expenses	**361**	**0.2**	3,405	1.6
Nontaxable income (incl. notional interest deduction)	**(42)**	**0.0**	(124)	-0.1
Non recognition of deferred tax assets on current year tax losses	**2,163**	**1.0**	570	0.3
Prior year adjustments and other changes to the deferred tax balances	**(946)**	**-0.5**	(2,404)	-1.2
Impact of changes to substantively enacted tax rates	**234**	**0.1**	(23,694)	-11.4
Other (incl. UTP)	**258**	**0.1**	(2,424)	-1.2
Tax expense for the year	**56,023**	**27.2**	**36,309**	**17.5**

Primary drivers that impacted the expected tax on local tax rates include the decrease of corporate income tax rates in Sweden and in France in 2019.

For the year ended December 31, 2019, prior year adjustments and other changes to the deferred tax balances consisted mainly of recognition of tax benefits in Germany (€1.2 million) and other IFRS to statutory GAAP differences in Luxembourg (€ 1 million) offset against deferred tax balances arising from acquisitions performed during the year (€1.3 million).

Primary drivers that impacted the effective tax rates for 2018 include the impact of changes to substantively enacted tax rates in Netherlands, Sweden and in France (in FY2017: Belgium, France, Luxembourg and the United Kingdom).

Tax expense for the year ended 31 December 2018 was mainly impacted by the changes to substantively enacted tax rates. Due to a reduction in substantively enacted tax rates in the Netherlands and in Sweden, deferred tax liabilities that arose from our Dutch and Swedish investment properties were reduced by €13 million and €4.7 million, respectively. Current year variation in 2018 in net deferred tax liabilities in France (€22 million) was impacted by €5.8 million due to the progressive reduction in substantively enacted tax rates in France.

Prior year adjustments and other changes to the deferred tax balances in 2018 consisted mainly of an adjustment in the UK deferred tax liabilities that arose from our UK investment properties (tax credit of €2.2 million). Other elements influencing the 2018 tax expense were the disallowed expenses in the UK (tax expense of €1.9 million non deductible depreciations). The line "Other (including UTP)" consisted primarily of a release of uncertain tax positions in the Netherlands (tax credit of €1.7 million).

DEFERRED TAXES

The movement in deferred tax assets and liabilities during the year ended December 31, 2019 is as follows:

(in € thousands)	Jan. 1, 2019	(Charged)/ credited to the statement of profit or loss	(Charged)/ credited to other comprehensive income	(Charged)/ credited to equity	Dec. 31, 2019
Deferred tax assets:					
Tax loss carry-forwards	13,448	(1,698)	13	-	11,763
Deductible temporary differences	4,971	1,228	9	-	6,208
Total Deferred tax assets	**18,419**	**(470)**	**22**	**-**	**17,971**
Deferred tax liabilities:					
Investment property	(373,898)	(36,726)	(512)	-	(411,136)
Other taxable temporary differences[1]	(1,246)	(282)	-	(1,509)	(3,037)
Total Deferred tax liabilities	**(375,144)**	**(37,008)**	**(512)**	**(1,509)**	**(414,173)**
Total Deferred Tax Asset/(Liabilities)	**(356,725)**	**(37,478)**	**(490)**	**(1,509)**	**(396,202)**
Reflected in our statement of financial position as follows:					
Deferred tax assets	1,567	-	-	-	1,053
Deferred tax liabilities	(358,292)	-	-	-	(397,255)

1 The amount recognized directly in equity relates to the share-based payment transaction which reflect the excess of the tax deductibility above the cumulative expense recognized in accordance with IFRS 2.

Net deferred tax liabilities as of December 31, 2019 amount to €396.2 million, of which €11.8 million relates to recognized tax losses carried forward and €411.1 million relates to deferred tax liabilities arisen from investment property.

Deferred tax liabilities upon acquisitions accounted for a business combination amounted €1.3 million in the Netherlands. Other main changes impacting the deferred tax liabilities on investment property are the increase in tax rates in the Netherlands in addition to a substantial increase of deferred tax liabilities related to our investment property.

Deferred tax assets and liabilities expressed in euros are also influenced by the exchange rate variations for the EUR/GBP and the EUR/SEK conversion rates.

The movement in deferred tax assets and liabilities during the year ended December 31, 2018 was as follows:

(in € thousands)	Jan. 1, 2018	Acquired	(Charged)/credited to the statement of profit or loss	(Charged)/credited to other comprehensive income	Dec. 31, 2018
Deferred tax assets:					
Tax loss carry-forwards	12,692	-	762	(6)	13,448
Deductible temporary differences	1,156	-	3,816	(1)	4,971
Total Deferred tax assets	**13,848**	**-**	**4,578**	**(7)**	**18,419**
Deferred tax liabilities:					
Investment property	(346,629)	(9,945)	(21,000)	3,676	(373,898)
Other taxable temporary differences	(779)	-	(467)	-	(1,246)
Total Deferred tax liabilities	**(347,408)**	**(9,945)**	**(21,467)**	**3,676**	**(375,144)**
Total Deferred Tax Asset/(Liabilities)	**(333,560)**	**(9,945)**	**(16,889)**	**3,669**	**(356,725)**
Reflected in our statement of financial position as follows:					
Deferred tax assets	1,468	-	-	-	1,567
Deferred tax liabilities	(335,028)	-	-	-	(358,292)

Net deferred tax liabilities as of December 31, 2018 amounted to €356.7 million, of which €13.4 million related to recognized tax losses carried forward and €373.9 million related to deferred tax liabilities arisen from investment property.

Deferred tax liabilities upon acquisitions accounted for a business combination in accordance with IFRS 3 amounted respectively €5.2 million in UK and €4.7 million in Sweden. Other main changes impacting the deferred tax liabilities on investment property were the decrease in tax rates in the Netherlands and in Sweden that were offset by a substantial increase of deferred tax liabilities related to our investment property.

Deferred tax assets and liabilities expressed in euros were also influenced by the exchange rate variations for the EUR/GBP and the EUR/SEK conversion rates.

The tax loss carry-forwards and temporary differences for which no deferred tax asset was recognized amounted to the following:

(in € thousands)	2019	2018
Tax Loss Carryforwards:		
Non-forfeitable tax loss carryforwards	248,971	241,064
Deductible temporary differences	14,967	18,915
Total unused tax losses and other deductible temporary differences not recognized	**263,938**	**259,979**

Deferred tax assets have not been recognized in respect of the items above because it is not probable that future taxable profits will be available against which the Group can utilize the loss carryforwards or deductible temporary differences. Main variation in deductible temporary differences relates to the fees and other expenses in connection with the equity issuance and admission for trading on Euronext allocated to equity for IFRS purposes.

No deferred tax liability was recognized on the unremitted earnings of overseas subsidiaries. As management had no intention to pay dividends or repatriate from its foreign branches where a tax leakage could materialize, no tax was expected to be payable on them in the foreseeable future. If all earnings were remitted, tax of €0.5 million for the year ended December 31, 2019 would be payable.

On December 17, 2019, the Dutch Senate approved the Tax plan 2020 package, giving the government the go-ahead for a number of much-debated measures – among which in 2020, the corporate income tax rate up to a taxable amount of EUR 200,000 will be reduced to 16.5%, followed by a further reduction to 15% in 2021. The top rate continues to be 25% in 2020, but this will be reduced to 21.7% in 2021. This was a retrenchment compared to the 2019 Tax Plan adopted by the Dutch Senate on December 18, 2018 (where the corporate income tax rate was reduced in steps to 20.5% in 2021).

On June 14, 2018 the Swedish government enacted significant changes to the country's tax system, including a reduction in the corporate income tax rate, from 22% to 21.4% in 2019 and then to 20.6% from 2021.

Moreover, progressive reductions in corporate income tax rates were already implemented in previous years:
The main rate of corporation tax in the UK reduced from 19% from April 1, 2017 to 17% as from April 1, 2020, as included in the Finance Act 2016 which was enacted on September 15, 2016.

Further to the Finance Bill 2017, it was announced that the corporate income tax rate in France will be progressively reduced from corporate income tax rate of 33.33% to 28% over the period 2017 to 2020. Further to the Finance Bill 2018, the French corporate income tax rate would be gradually reduced to 25% by 2022.

The Belgian tax reform included a reduction of the corporate tax rate from 33.99% to 29.58% as from the year ending December 31, 2018 with further reduction to 25% as from the year ending December 31, 2020.

Accordingly, these rates had been applied in the measurement of the Group's deferred tax assets and liabilities at reporting date.

11. SEGMENT INFORMATION

For earnings from investment property, discrete financial information is provided on an operating segment basis to the CODM. The individual properties are aggregated into operating segments which are defined as the individual countries where the Company owns or leases properties and split between same store facilities and non-same store facilities.

The same store facilities segment for a given year comprises facilities in operations since more than three full years as of January 1 of that year in case of self-developed properties or facilities in operations for one full year as of January 1 of that year in case the properties have been acquired.

The non-same store facilities segment comprises any other self-storage facilities that we operate.

The operating segments (individual countries where the Company operates properties, split between same store facilities and non-same store facilities) have been aggregated into two reportable segments which reflect the significant components of our operations. Therefore, we present our self-storage operations in two reportable segments: "the same store facilities" and "the non-same store facilities" because we believe that the individual countries exhibit similar economic characteristics and the operations are similar with respect to their main elements (e.g.: nature of products and services offered, the class of customers, the distribution method).

As of December 31, 2019, the Company operates 234 self-storage facilities (232 self-storage facilities as of December 31, 2018) that it either owns or leases.

Based on the aforementioned criteria, same store facilities provide meaningful comparisons for the years 2019 and 2018 for a pool of 217 self-storage facilities respectively.

Royalty fee expense, valuation gain and loss from investment property and investment property under construction, depreciation expense, acquisition costs on business combinations, general, administrative and other expenses, gain/loss on disposal of investment property and assets held for sale, finance costs and income tax expense are not reported to the CODM on a segment basis.

There are no assets or liabilities reported to the CODM on a segment basis.

The below table sets forth segment data for the years ended December 31, 2019 and 2018 based on the 2019 same store / non-same store definition:

(in € thousands)	2019	2018
Same store facilities[1]	241,842	237,482
Non-same store facilities[1]	15,102	7,213
Property operating revenue[2]	**256,944**	**244,695**
Same store facilities	154,638	151,071
Non-same store facilities	8,379	2,602
Income from property	**163,017**	**153,673**

1 Property operating revenue from Same store facilities for the years ended December 31, 2019 and 2018 includes insurance revenue, which falls under IFRS 15, of €25.0 and €24.2, million, respectively. Property operating revenue from Non-same store facilities for the years ended December 31, 2019 and 2018 includes insurance revenue of €1.7 and €0.9 million, respectively.
2 Property operating revenue is the primary measure to assess the performance of the segments.

The following table sets forth the reconciliation of income from property including property lease expense as presented in the above segment table and Net income from real estate operations presented in the consolidated statement of profit and loss:

(in € thousands)	2019	2018
Income from property	**163,017**	**153,673**
Add: Other revenue[1]	114	149
Net income from real estate operations	**163,131**	**153,822**

1 Other revenue comprises management fee revenue and rental revenue derived from assets held for sale.

SEGMENT INFORMATION BY COUNTRY FOR THE YEAR ENDED DECEMBER 31, 2019

(in € thousands)	The Netherlands	France	Sweden	UK	Belgium	Germany	Denmark	Total
Same store facilities	54,878	65,885	37,734	31,293	20,735	18,264	13,053	241,842
Non-same store facilities	80	-	4,392	10,031	-	599	-	15,102
Property operating revenue	**54,958**	**65,885**	**42,126**	**41,324**	**20,735**	**18,863**	**13,053**	**256,944**
Same store facilities	36,519	39,329	26,976	18,586	12,790	11,667	8,771	154,638
Non-same store facilities	(7)	-	2,240	5,983	-	163	-	8,379
Income from property	**36,512**	**39,329**	**29,216**	**24,569**	**12,790**	**11,830**	**8,771**	**163,017**
Investment property	566,523	657,539	487,960	519,723	189,045	210,470	142,053	2,773,313
Investment property under construction	-	8,768	-	8,815	-	16,039	-	33,622
Property, plant and equipment and intangible assets	321	651	155	45	6,558	126	5	7,861
Deferred tax assets	-	-	-	722	331	-	-	1,053
Other non-current assets	349	2,050	10	12	234	132	12	2,799
Non-current assets	**567,193**	**669,008**	**488,125**	**529,317**	**196,168**	**226,767**	**142,070**	**2,818,648**

SEGMENT INFORMATION BY COUNTRY FOR THE YEAR ENDED DECEMBER 31, 2018

(in € thousands)	The Netherlands	France	Sweden	UK	Belgium	Germany	Denmark	Total
Same store facilities	53,414	64,406	38,462	29,399	20,825	17,735	13,241	237,482
Non-same store facilities	-	-	2,331	4,839	-	43	-	7,213
Property operating revenue	**53,414**	**64,406**	**40,793**	**34,238**	**20,825**	**17,778**	**13,241**	**244,695**
Same store facilities	34,396	38,717	26,879	18,093	13,068	11,031	8,887	151,071
Non-same store facilities	-	-	1,047	1,722	-	(167)	-	2,602
Income from property	**34,396**	**38,717**	**27,926**	**19,815**	**13,068**	**10,864**	**8,887**	**153,673**
Investment property	486,120	624,380	464,165	468,779	186,490	179,560	138,674	2,548,168
Investment property under construction	5,190	107	-	844	-	5,010	-	11,151
Property, plant and equipment and intangible assets	167	49	106	17	4,220	117	3	4,679
Deferred tax assets	-	-	-	763	804	-	-	1,567
Other non-current assets	843	300	10	190	319	-	180	1,842
Non-current assets	**492,320**	**624,836**	**464,281**	**470,593**	**191,833**	**184,687**	**138,857**	**2,567,407**

12. BUSINESS COMBINATIONS

2019 ACQUISITIONS

During the second half of 2019, the Company acquired three self-storage facilities located in the Netherlands (9,091 net rentable sqm of storing space in total). For two of the facilities that we acquired (5,531 net rentable sqm of storing space), the customers are served from our main existing facilities that are located in the same area. We consider these two acquisitions to be an extension to our existing facilities that we continue to include in the same store facilities operating segment. The results of operations of the facilities that we acquired have been included in our consolidated financial statements as from October 1, November 8, and December 18, 2019, respectively.

These acquisitions were accounted for as business combinations in accordance with IFRS 3 and of the €15.9 million consideration paid, €16.0 million was accounted for as investment property and €0.1 million in other current liabilities. We incurred €0.8 million in costs of acquiring facilities in respect of these acquisitions that are recognized in our consolidated statement of profit and loss as acquisition costs of business combinations.

In connection with an acquisition we made in 2014, we recognized in the second half of 2019 €0.8 million of incremental acquisition expense, mainly consisting of real estate transfer tax. If the acquisition of these three facilities had occurred on January 1, 2019, the impact on operating revenue and income from property would not have increased significantly.

2018 ACQUISITIONS

On June 29, 2018, we paid in cash €38.4 million for five self-storage facilities and businesses located in Sweden that we acquired from Pelican Self Storage. The acquisition has been accounted for as a business combination in accordance with IFRS 3 and of the €38.4 million consideration paid, €43.2 million was accounted for as investment property, €0.7 million in other current assets and €0.8 million in other current liabilities and €4.7 million in deferred tax liabilities. In addition, we incurred €0.2 million in costs of acquiring facilities in respect of this acquisition.

The Pelican acquisition contributed property operating revenue of €2.0 million and income from property of €1.1 million to the Company for the period June 29, 2018 to December 31, 2018.

If the acquisition of the Pelican facilities had occurred on January 1, 2018, un-audited pro forma operating revenue and un-audited pro forma income from property of these facilities for the year ended December 31, 2018 would have been €3.8 million and €2.3 million, respectively.

On October 15, 2018, we paid in cash €36.2 million for the Kensington (London - UK) self-storage facility and business that we acquired with retroactive effect to October 1, 2018 from Public Storage. The acquisition has been accounted for as a business combination in accordance with IFRS 3 and of the €36.2 million consideration paid, €41.8 million was accounted for as investment property, €0.6 million in other current assets, €1.0 million in other current liabilities and €5.2 million in deferred tax liabilities. In addition, we incurred €0.2 million in costs of acquiring facilities in respect of this acquisition.

The Kensington acquisition contributed property operating revenue of €0.7 million and income from property of €0.5 million to the Company for the period October 1, 2018 to December 31, 2018.

If the acquisition of the Kensington facility had occurred on January 1, 2018, un-audited pro forma operating revenue and un-audited pro forma income from property of this facility for the year ended December 31, 2018 would have been €2.6 million and €2.0 million, respectively.

On November 22, 2018, we paid in cash €56.0 million for three self-storage facilities and businesses located in London (UK) that we acquired from ABC Self Store. The acquisition has been accounted for as a business combination in accordance with IFRS 3 and of the €56.0 million consideration paid, €56.3 million was accounted for as investment property and €0.3 million in other current liabilities. In addition, we incurred €2.6 million in costs of acquiring facilities in respect of this acquisition.

The ABC acquisition contributed property operating revenue of €0.4 million and income from property of €0.1 million to the Company for the period November 22, 2018 to December 31, 2018.

If the acquisition of the ABC facilities had occurred on January 1, 2018, un-audited pro forma operating revenue and un-audited pro forma income from property of these facilities for the year ended December 31, 2018 would have been €5.3 million and €0.9 million, respectively.

13. EARNINGS PER SHARE (EPS)

The table below provides a summarized overview of the Company's Earnings per share:

(in € thousands, except for earnings per share)	2019	2018
Earnings per share (basic) €	1.68	2.48
Earnings per share (diluted) €	1.67	2.47

The bases of calculation of each of the above measures set out above, are illustrated below.

EARNINGS PER SHARE

The following tables reflects the income and share data used in the basic and diluted EPS computations:

(in € thousands, except for shares and earnings per share)	2019	2018
Profit attributable to ordinary equity holders of the parent for basic earnings	**149,271**	171,216
Weighted average number of ordinary shares for basic EPS[1]	88,754,162	69,087,288
Earnings per share (basic) €	**1.68**	2.48

1 The own shares the Company holds in treasury are excluded from the weighted average number of ordinary shares for the purpose of calculating basic and diluted EPS as they are not outstanding.

Effect of dilution

(in € thousands, except for shares and earnings per share)	2019	2018
Profit attributable to ordinary equity holders of the parent for dilutive earnings	**149,271**	**171,216**
Weighted average number of ordinary shares for basic EPS	88,754,162	69,087,288
Dilutive effect from share options	465,663	259,983
Weighted average number of ordinary shares adjusted for the effect of dilution	89,219,825	69,347,271
Earnings per share (diluted) €	**1.67**	**2.47**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

14. ALTERNATIVE PERFORMANCE MEASURES (EPRA)

The table below provides a summarized overview of the Company's key APM, consisting of, (Adjusted) EPRA earnings, (Adjusted) EPRA earnings per share, NAV, EPRA NAV and EPRA Triple NAV per share:

(in € thousands, except for earnings per share)	2019	2018
EPRA earnings	91,445	104,691
EPRA earnings per share (basic) €	1.03	1.52
EPRA earnings per share (diluted) €	1.02	1.51
Adjusted EPRA earnings	107,340	99,289
Adjusted EPRA earnings per share (diluted) €	1.20	1.43
NAV	1,889,968	1,794,996
NAV per share (basic) €	21.31	20.21
NAV per share (diluted) €	21.20	20.14
EPRA NAV	2,264,985	2,150,135
EPRA NAV per share (diluted) €	25.41	24.12
EPRA Triple Net Asset Value (NNNAV) (diluted)	2,234,538	2,135,922
EPRA Triple Net Asset Value (NNNAV) per share (diluted) €	25.06	23.96

The bases of calculation of each of the above measures set out above, are illustrated below. We did not restate the 2018 amounts for the effect of IFRS 16.

EPRA EARNINGS AND EPRA EARNINGS PER SHARE

(in € thousands, except for shares and earnings per share)	2019	2018
Profit attributable to ordinary equity holders of the parent for basic earnings	**149,271**	171,216
Adjustments:		
Gain on revaluation of investment properties	(80,168)	(94,588)
Acquisition costs of business combinations	1,601	3,010
Gain on disposal of property, plant and equipment	(5)	(1)
Tax on profits on disposals	-	-
Current and deferred tax in respect of EPRA adjustments	20,321	24.760
Non-controlling interests in respect of the above	425	294
EPRA earnings	**91,445**	104,691
EPRA earnings per share (basic) €	**1.03**	1.52
EPRA earnings per share (diluted) €	**1.02**	1.51

ADJUSTED EPRA EARNINGS AND ADJUSTED EPRA EARNINGS PER SHARE

(in € thousands, except for shares and earnings per share)	2019	2018
EPRA earnings	**91,445**	104,691
Company specific adjustments:		
Deferred tax expense on items other than the revaluation of investment property	17,661	(7,945)
Net impact of tax assessments	(865)	-
Interest refund regarding exceptional tax refunds	(909)	-
Insurance recovery on burnt down property to be rebuilt[1]	(554)	-
Current income tax adjustments in respect of the above	434	297
Non-controlling interests in respect of the above	128	-
Cost incurred in connection with Shurgard Public offering	-	4,744
Gain on conversion of share option plans	-	(2,498)
Adjusted EPRA Earnings	**107,340**	99,289
Adjusted EPRA earnings per share (diluted) €	**1.20**	1.43

1 For the purpose of presenting adjusted EPRA earnings and adjusted EPRA earnings per share, the Company only considers insurance recovery proceeds from properties that have been entirely demolished in connection with fire or other incidents.

The average effective current income tax rates based on adjusted EPRA earnings before tax is 14.4% for the year ended December 31, 2019 and 16.4% for year ended December 31, 2018.

EFFECT OF THE ADOPTION OF IFRS 16 ON THE MEASUREMENT OF (ADJUSTED) EPRA EARNINGS

Prior to the adoption of IFRS 16, all operating lease payments were included in either real estate operating expense or general, administrative and other expense that contribute to EPRA earnings. Under IFRS 16, operating lease expense is replaced by interest expense and the repayment of principal lease debt. Under IAS40.50 (d), we revalue our ROU IP assets on a bi-annual basis to align these with the corresponding lease liabilities, which results in a revaluation loss. Such revaluation loss, net of tax is excluded for determining EPRA earnings and adjusted EPRA earnings. For other than investment property ROU assets, operating lease expense is replaced by interest expense and the repayment of principal lease debt. In addition, for the latter category of ROU assets, we recognize depreciation expense on a straight line basis over the useful life of the asset.

The below table sets forth the effect of IFRS 16 on our EPRA earnings and Adjusted EPRA earnings for the year ended December 31, 2019:

(in € thousands, except for (Adjusted) NAV per share)	2019 excluding effect IFRS 16	2019 including effect IFRS 16
EPRA earnings	89,413	91,445
EPRA earnings per share €	1.01	1.03
EPRA earnings per share (diluted) €	1.00	1.02
Adjusted EPRA earnings	105,308	107,340
Adjusted EPRA NAV per share (diluted) €	1.18	1.20

NAV (BASIC AND DILUTED)

Basic NAV per share amounts are calculated by dividing net assets in the statement of financial position attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding at the reporting date.

The following reflects the net asset and share data used in the basic and diluted NAV per share computations:

(in € thousands, except for number of shares and NAV per share)	2019	2018
NAV attributable to ordinary equity holders of the parent	**1,889,968**	**1,794,996**
Number of ordinary shares outstanding at the reporting date	88,705,160	88,815,910
Number of diluted shares at the reporting date	449,666	312,684
NAV per share (basic) €	**21.31**	**20.21**
NAV per share (diluted) €	**21.20**	**20.14**

EPRA NAV (DILUTED)

The objective of the EPRA NAV measure is to highlight the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallize in normal circumstances such as deferred taxes on property valuation surpluses are therefore excluded.

(in € thousands, except for NAV per share)	2019	2018
NAV attributable to ordinary equity holders of the parent (diluted)	**1,889,968**	1,794,996
Additions to NAV:		
Deferred taxes on fair value adjustments of investment property	375,017	355,139
EPRA NAV	**2,264,985**	2,150,135
EPRA NAV per share (diluted) €	**25.41**	24.12

EPRA TRIPLE NET ASSET VALUE (NNNAV) (DILUTED)

The objective of the EPRA Triple Net Asset Value measure is to report net asset value including fair value adjustments in respect of all material balance sheet items which are not reported at their fair value as part of the EPRA NAV.

(in € thousands, except for NNNAV per share)	2019	2018
EPRA NAV	**2,264,985**	2,150,135
Reductions and additions to EPRA NAV:		
Carrying value senior guaranteed notes lower than fair value (Note 37)	(65,052)	(30,916)
Deferred tax expense other than on the revaluation of investment property	34,605	16,703
EPRA Triple Net Asset Value (NNNAV)	**2,234,538**	2,135,922
EPRA Triple Net Asset Value (NNNAV) per share (diluted) €	**25.06**	23.96

EFFECT OF THE ADOPTION OF IFRS 16 ON THE MEASUREMENT OF NAV, EPRA NAV AND EPRA TRIPLE NET ASSET VALUE

For the year ended December 31, 2019, similar favorable effects of IFRS 16 as disclosed for EPRA earnings apply on the measurement of NAV, EPRA NAV and EPRA Triple NAV.

The table below provides a summarized comparison of the Company's NAV, EPRA NAV and EPRA Triple NAV per share including and excluding the favorable effects of IFRS 16 for the year ended December 31, 2019:

(in € thousands, except for (Adjusted) NAV per share)	2019 excluding effect IFRS 16	2019 including effect IFRS 16
NAV	1,887,936	1,889,968
NAV per share (basic) €	21.28	21.31
NAV per share (diluted) €	21.18	21.20
EPRA NAV	2,262,953	2,264,985
EPRA NAV per share (diluted) €	25.38	25.41
EPRA Triple Net Asset Value (NNNAV) (diluted)	2,232,506	2,234,538
EPRA Triple Net Asset Value (NNNAV) per share (diluted) €	25.04	25.06

15. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER CONSTRUCTION

The table below sets forth the movement in completed investment property and investment property under construction.

(in € thousands)	Completed investment property Level 3	Investment property ROU assets Level 3	Total completed investment property Level 3	Investment property under construction[4] Level 3	Total investment property Level 3
December 31, 2018					
At January 1	2,289,770	-	2,289,770	10,922	2,300,692
Exchange rate differences	(21,898)	-	(21,898)	(434)	(22,332)
Transfers	17,952	-	17,952	(17,952)	-
Capital expenditure	28,613	-	28,613	16,481	45,094
Acquisition of businesses	141,277	-	141,277	-	141,277
Net gain of fair value adjustment	92,454	-	92,454	2,134	94,588
At December 31, 2018	**2,548,168**	**-**	**2,548,168**	**11,151**	**2,559,319**
December 31, 2019					
At December 31, 2018	2,548,168	-	2,548,168	11,151	2,559,319
Adoption of IFRS 16[1]	-	64,062	64,062	-	64,062
Adjustment for prepaid ROU assets	-	404	404	-	404
At January 1	**2,548,168**	**64,466**	**2,612,634**	**11,151**	**2,623,785**
Exchange rate differences	15,469	101	15,570	462	16,032
Remeasurement of ROU assets[1]	-	4,480	4,480	-	4,480
Transfers[2]	19,467	-	19,467	(19,467)	-
Capital expenditure	18,362	-	18,362	48,087	66,449
Acquisition of businesses	16,021	-	16,021	-	16,021
Net gain (loss) of fair value adjustment[3,]	89,481	(2,702)	86,779	(6,611)[5]	80,168
At December 31, 2019	**2,706,968**	**66,345**	**2,773,313**	**33,622**	**2,806,935**

1 These assets were recognized in exchange for an equal amount of additional lease liabilities.

2 Transfers from investment property under construction to completed investment property to for the year ended December 31, 2019 consists of the movement regarding the two self-developed facilities we opened in December 2019 (€24.0 million on aggregate), partially offset by a €4.5 million transfer from completed investment property to investment property under construction land consisting of the fair value of our Croydon Purley Way (UK) facility, which burnt down in the night from December 31, 2018 to January 1, 2019. During the year ended December 31, 2019, the Company incurred €2.7 million costs for reinstating the Croydon Purley Way land that was capitalized as investment property under construction. It is the Company's intention to rebuild this facility.

3 We measure our ROU assets in accordance with IAS 40.50 (d) on bi-annual basis to avoid double-count of any assets or liabilities that are recognized as separate assets or liabilities, resulting in a revaluation loss of €2.7 million for the year ended December 31, 2019.

4 The Company measures it investment property under construction at cost until such time as fair value becomes reliably measureable on a continuing basis. For the year ended December 31, 2019, investment property under construction includes €11.3 million that are measured at cost and €22.3 million that are measured at fair value.

5 The €6.6 million valuation loss of IPUC for the year ended December 31, 2019 results mainly from a set of assumptions on future cash flows and discount rates which have negatively influenced the valuation of IPUC's due to trading uncertainty. In addition to that, changes in scope of the projects or in anticipated construction costs have also influenced the valuation.

Reconciliation of completed investment property value calculated by our external valuer with value of completed investment property disclosed for financial reporting purposes:

(in € thousands)	2019	2018
Market value of completed investment property estimated by the external valuer	2,688,208	2,548,168
Acquisitions valued at acquisition date	13,098	-
Addition of lease obligations recognized separately	5,662	-
Fair value for financial reporting purposes	**2,706,968**	**2,548,168**

The fair value of completed investment property is determined using a discounted cash flow ("DCF") method.

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real estate property interest. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of real estate property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Except for the valuation of the Investment Property right-of-use asset, the valuations were performed by Cushman and Wakefield Debenham Tie Leung Limited ("C&W"), an accredited independent valuer with a recognized and relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13 for the year ended December 31, 2019 as compared to the year ended December 31, 2018.

More information about the fair value measurement is set out in Note 16.

16. FAIR VALUE MEASUREMENT – INVESTMENT PROPERTY

C&W's external valuation has been carried out in accordance with the RICS Valuation – Global Standards which incorporate the International Valuation Standards ("IVS"), published by The Royal Institution of Chartered Surveyors ("the RICS Red Book"). The valuation of each of the investment properties and the investment properties under construction has been prepared on the basis of either Fair Value or Fair Value as a fully equipped operational entity, having regard to trading potential (as appropriate) subject to the Special Assumption referenced below in this note.

SPECIAL ASSUMPTION – MANAGEMENT COSTS

C&W were instructed to adopt the actual allocated management costs of the Company for each individual property, rather than a market assumption in this regard. The actual allocated management costs are lower than C&W's market assumption and this has resulted in a higher level of value being reported.

VALUER DISCLOSURE REQUIREMENTS

C&W's valuation has been provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W have confirmed that:

- C&W has carried out bi-annual valuations for this purpose since the financial year ending December 31, 2015;
- C&W do not provide other significant professional or agency services to the Company;
- C&W have previously provided valuation advice in relation to some of the properties for both loan security and internal management purposes. The previous valuation advice has been limited since May 2014 when C&W provided desktop valuation advice on 187 properties for loan security purposes;
- In relation to the preceding financial year of C&W, the proportion of the total fees payable by the Company to the total fee income of the firm is less than 5%; and
- The fee payable to C&W is a fixed amount per property and is not contingent on the appraised value.

MARKET UNCERTAINTY

C&W's valuation report comments on valuation uncertainty resulting from low liquidity in the market for self-storage property. C&W note that in Europe, since the first quarter of 2015, there have only been twenty-four transactions involving multiple assets and thirteen single asset transactions, with the majority of these transactions taking place in the UK. C&W state that due to the lack of comparable market information in the self-storage sector, there is greater uncertainty attached to their opinion of value than would be anticipated during more active market conditions.

CURRENCY AND AGGREGATE VALUES REPORTED

C&W's valuation report confirms that each property has been valued individually in local currency. C&W's valuation report then converts each property valuation to a Euro amount at the spot exchange rates provided by the Company. The total value reported in Euro is the aggregate amount for each individual value reported in Euro, but it does not reflect any potential portfolio premium, as referenced below in this note.

PORTFOLIO PREMIUM

C&W's valuation report confirms that the properties have been valued individually but that if the portfolio was to be sold as a single lot or in selected groups of properties, the total value could differ significantly. C&W state that in current market conditions they are of the view that there could be a material portfolio premium.

In particular, C&W's individual property valuations reflect full Stamp Duty (or its equivalent in each country considered) on the sale of each property whereas a sale of the whole portfolio or selected groups of assets would most likely be effected by way of a shares transaction, which would typically attract a lower level of stamp duty.

VALUATION METHODOLOGY AND ASSUMPTIONS

The valuation of the operational self-storage facilities has been prepared having regard to trading potential. Cash flow projections have been prepared for all of the properties reflecting estimated absorption, revenue growth and expense inflation. A discounted cash flow method of valuation based on these cash flow projections has been used by C&W to arrive at its opinion of fair value for each property.

C&W has adopted different approaches for the valuation of the leasehold and freehold assets as follows:

FREEHOLD AND LONG LEASEHOLD

The valuation is based on a discounted cash flow of the net operating income over a ten-year period and a notional sale of the asset at the end of the tenth year.

Assumptions:

- A. Net operating income is based on projected revenue received less projected operating costs together with an allowance for a central administration charge (or management cost). As detailed above in this note, the valuation is made on the Special Assumption of actual allocated management costs of the Company for each individual property, rather than a market assumption. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date.

- B. The net operating income in future years is calculated assuming either straight-line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilized/mature occupancy level. In the valuation the assumed stabilized occupancy level for the trading properties (both freeholds and all leaseholds) open at December 31, 2019 averages 90.18% (90.19% at December 31, 2018). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for properties to trade at their maturity levels is 9.59 months (8.35 months in 2018).

- C. The capitalization rates applied to existing and future net cash flows have been estimated by reference to the available evidence of transactions in the self-storage market plus underlying yields for industrial and retail warehouse property, yields for other trading property types such as purpose-built student housing and hotels, bank base rates, ten-year money rates and inflation. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield post-administration expenses for all of the open properties (both freeholds and all leaseholds) is 5.94% (6.02% in 2018), rising to a stabilized net yield post-administration expenses of 6.48% (6.48% in 2018).

- D. The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and all leaseholds) is 8.79% (9.19% for 2018).

- E. Purchaser's costs in the range of approximately 2.0% to 13.0% have been assumed initially, reflecting the stamp duty levels anticipated in each local market, and sales plus purchaser's costs totaling approximately 4.0% to 15.0% are assumed on the notional sales in the tenth year in relation to freehold and long leasehold properties.

SHORT LEASEHOLDS

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is run through to the expiry of the lease.

It should be noted that the Company hold a number of short leases which have been valued on the same basis as the freehold and long leasehold assets due to their security of tenure arrangements and the potential compensation provisions in the event of the landlord wishing to take possession at expiry. The capitalization rates on these properties reflect the risk of the landlord terminating the lease at expiry.

INVESTMENT PROPERTIES UNDER CONSTRUCTION

C&W has valued the properties in development adopting the same methodology as set out above but based on the cash flow projection expected for the property at opening and allowing for the outstanding costs to take each property from its current state to completion and full fit out. C&W has allowed for carry costs and construction contingency, as appropriate.

CHANGES IN VALUATION TECHNIQUES

There were no other changes in valuation techniques during the periods concerned.

HIGHEST AND BEST USE

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

FAIR VALUE HIERARCHY

Based on the significant unobservable inputs to the DCF model used for determining the fair value of all our investment property and investment property under construction that we recognized in our statement of financial position as of December 31, 2019 and 2018, our investment property is a Level 3 fair market value measurement.

The geographical split of our investment property and investment property under construction is set forth in Note 11.

Unrealized gains and (losses) for recurring fair value measurements relating to investment property and investment property under construction held at the end of the reporting period categorized within Level 3 of the fair value hierarchy amount to €80.2 million in 2019 and €94.6 million in 2018 and are presented in the consolidated statement of profit or loss in line item valuation (loss) gain from investment property.

SENSITIVITY OF THE VALUATION TO ASSUMPTIONS

All other factors being equal, higher net operating income would lead to an increase in the valuation of a property and an increase in the capitalization rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilized occupancy, absorption rate, rental rate and other revenue, and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

For the year ended December 31, 2019:

- All other factors being equal, a one percent increase in occupancy rates (real) would lead to an increase in the valuation of our property portfolio of €40.8 million (+1.5%).

- All other factors being equal, one percent decrease in occupancy rates would lead to a decrease in the valuation of our property portfolio of €42.2 million (-1.6%).
- All other factors being equal, a 0.25%[1] percent increase (real) in both discount and capitalization rate would lead to a decrease in the valuation of our property portfolio of €101.1 million (-3.8%).
- All other factors being equal, a 0.25%[1] percent decrease (real) in both discount and capitalization rate would lead to an increase in the valuation of our property portfolio of €109.6 million (+4.1%).

1 According to our valuer, the disclosure of the effect of one percent variances instead of 0.25% variances would not be meaningful.

17. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment mainly consists of building improvements and office machinery and equipment in use in the local head offices located in the countries in which we operate.

(in € thousands)	Building[1]	Equipment[1]	ROU assets[2]	Total property, plant and equipment	Intangible assets[3]
Historical cost					
At December 31, 2018	**1,351**	**5,258**	**-**	**6,609**	**12,495**
Adoption of IFRS 16	-	-	1,202	1,202	-
At January 1, 2019	**1,351**	**5,258**	**1,202**	**7,811**	**12,495**
Additions	350	237	1,329	1,916	1,866
Remeasurement of ROU assets	-	-	13	13	-
Disposals	-	-	(184)	(184)	-
Exchange differences	5	10	(4)	11	-
At December 31, 2019	**1,706**	**5,505**	**2,356**	**9,567**	**14,361**
Depreciation and impairment					
At January 1, 2019	**(663)**	**(4,725)**	**-**	**(5,388)**	**(9,037)**
Depreciation and amortization charge of the year	(45)	(344)	(545)	(934)	(731)
Disposals	-	-	41	41	-
Exchange differences	(7)	(10)	(1)	(18)	-
At December 31, 2019	**(715)**	**(5,079)**	**(505)**	**(6,299)**	**(9,768)**
Net book value					
At December 31, 2019	991	426	1,851	3,268	4,593
At December 31, 2018	688	533	-	1,221	3,458

1 Building and equipment mainly consists of building improvements and office machinery and equipment in use in the local head offices located in the countries in which we operate.
2 Right-of-use assets mainly relates to company cars and offices we lease. These assets were recognized in exchange for an equal amount of additional lease liabilities.
3 Intangible assets mainly consist of capitalized computer software.

18. OTHER NON-CURRENT ASSETS

Other non-current assets mainly consist of indemnification assets, deposits paid to vendors and VAT recoverable after more than one year and the unamortized non-current portion of capitalized debt financing cost in incurred in connection with the revolving syndicated loan facility (see Note 29).

19. TRADE AND OTHER RECEIVABLES

(in € thousands)	December 31, 2019	December 31, 2018
Gross amount	16,017	16,795
Provision for doubtful debt	(4,583)	(4,306)
Trade and other receivables	**11,434**	**12,489**

Rent and service charge receivables are non-interest-bearing and are typically due within thirty days (Note 37).

The receivables are due from local retail and business tenants.

20. OTHER CURRENT ASSETS

(in € thousands)	December 31, 2019	December 31, 2018
Prepayments	3,438	3,743
Receivables from tax authorities other than VAT	5,994	512
Other current assets[1]	2,269	1,017
Other current assets	**11,701**	**5,272**

1 Other current assets mainly consist of VAT recoverable in less than one year, inventory and insurance compensation proceeds and the unamortized current portion of capitalized debt financing cost incurred in connection with the revolving syndicated loan facility (see Note 29).

21. CASH AND CASH EQUIVALENTS

(in € thousands)	December 31, 2019	December 31, 2018
Cash	198,574	250,922
Cash equivalents	-	-
Cash and cash equivalents	**198,574**	**250,922**

There are no cash and cash equivalents which are restricted from withdrawal or general corporate use as of December 31, 2019 and 2018.

22. ISSUED SHARE CAPITAL

As of December 31, 2017, the Company's issued share capital of €800,628,936 was represented by 63,935,681 ordinary shares.

On July 6, 2018, the Company reduced its issued share capital by €755,000,000 in connection with the creation of an equal amount of distributable reserves.

On October 15, 2018, the Company's shares were admitted for trading on Euronext Brussels and the Company issued twenty-five million new shares at a unit price of €23.00 per share (or €575,000,000 in total). Of the €575,000,000 equity issuance proceeds, €17,841,734 was allocated to the Company's issued share capital and €557,158,266 to the share premium account.

On December 13, 2018, the Company sold treasury shares with carrying value of €21,150 (Note 23).

During the year ended December 31, 2018, the Company aligned its issued share capital with the share capital of Shurgard Self Storage S.A. by decreasing it for €949,375 in offset of retained earnings.

As of December 31, 2018, the share capital of the Company of €62,542,445 was represented by 88,935,681 ordinary shares (inclusive 143,915 shares that are held by the Company as treasury shares) that all have been fully paid up.

Through various transactions, the Company sold in the year ended December 31, 2019 treasury shares with carrying value of €5,793,328 and purchased own shares held as treasury shares for a total amount of €12,488,515 (Note 23).

As of December 31, 2019, the share capital of the Company as presented in the statement of financial position of €56,273,507, net of treasury shares held of €7,197,163, is represented by 88,935,681 ordinary shares that all have been fully paid up.

Ordinary shares have no par value. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

The authorized capital of the Company (including the issued share capital) is set at ninety-five million eight hundred thousand seven hundred twenty-nine euro and ninety-eight cent (€95,800,729.98) divided into one hundred thirty-four million two hundred thirty-six thousand eight hundred fifty-six (134,236,856) shares without nominal value.

23. TREASURY SHARES

In 2012, 122,500 ordinary shares were issued, and then repurchased by the Company in connection with the exercise of employee stock options. The shares have not been retired and are currently still in possession of the Company. In our statement of financial position, the treasury shares have been deducted from issued share capital for an amount of €949,375. In 2018, the Company sold 2,729 treasury shares for €49,995 to an employee in connection with the exercise of 2,729 share options granted under the 2016 plan. As of December 31, 2018, the Company owned 119,771 treasury shares that were deducted from share capital for an amount of €928,225.

During the year ended December 31, 2019, the Company sold to certain employees 289,250 treasury shares for €2,894,000 at a loss of €3,326,000 in connection with the exercise of 289,250 share options granted under the 2015, 2016 and 2017 plans.

On September 26, 2018, the general shareholders meeting of the Company authorized to put in place a share-buy-back program that is valid until the expiration date of October 15, 2019. According to the resolutions of the Board of Directors of the Company held on April 29, 2019, the maximum number of shares shall represent in aggregate a maximum purchase price of 14 (fourteen) million euros, at a price not lower than 15% below and not higher than 15% above the shares' official price reported in the trading session on the day before carrying out each individual transaction. On May 14, 2019, the Company assigned Société Générale S.A., who accepted, to purchase shares on the Company's behalf.
In connection with this assignment, the Company acquired in 2019, 400,000 own shares at an average purchase price of €31.22 per share (or €12,488,515 in total) that are held as treasury shares.

As of December 31, 2019 the Company owns 230,521 treasury shares that are deducted from share capital for an amount of €7,197,163.

24. SHARE PREMIUM

Of the October 15, 2018 €575,000,000 equity issuance proceeds, €557,158,266 was allocated to the share premium account.

In connection with the equity issuance and admission for trading on Euronext, the Company incurred €24,481,000 in bankers, consultancy fees and other expenses, of which €19,737,000 which has been presented as a reduction of the Share Premium, and the remainder, or €4,744,000 has been expensed.

25. SHARE-BASED PAYMENT RESERVE

On October 15, 2018, the Company converted its cash-settled share-based compensation plans into equity-settled plans and reclassified to share-based payment reserve €4,280,763 of share-based compensation accrual.

During the period October 16 till December 31, 2018, we recognized in offset of share-based compensation expense an amount of €215,538 for our equity-settled share-based compensation expense in share premium, and we realized a gain of €28,491 on the sale of treasury shares.

During the year ended December 31, 2019, we recognized a share based compensation expense of €1,118,826 for our equity-settled share based compensation expense in share based payment reserve, and we realized a loss of €3,325,633 on the sale of treasury shares based on the difference between the acquisition costs of the treasury shares and the respective exercise prices of the share options.

26. DISTRIBUTABLE RESERVES

On July 6, 2018, the Company created €755,000,000 of distributable reserves through the reduction of its issued share capital.

On July 10, 2018, the Company distributed €255,000,000 (or €3.99 per share) to its shareholders.

On April 30, 2019 the distributable reserves were reduced by €19,551,600 in connection with the distribution of a final dividend on 2018 (Note 27).

On August 12, 2019 the distributable reserves were further reduced by €39,904,272 in connection with the distribution of an advance dividend on 2019 (Note 27).

As of December 31, 2019, the Company's distributable amounts are €440,544,128.

27. DISTRIBUTIONS MADE

On April 30, 2019 the shareholders of the Company approved the distribution of a cash dividend for 2018 in an amount of twenty-two eurocents (€0.22) per ordinary share, resulting in an aggregate dividend distribution in an amount of €19,551,600 from the other available reserves. The dividend has been paid on May 15, 2019.

In respect of the first six months of 2019, the Board of Directors approved on August 12, 2019 a gross dividend of €0.45 per share, which represents €39,904,272 dividend, or 78.4% of adjusted EPRA earnings for the period. The interim dividend has been paid on October 3, 2019.

28. NON-CONTROLLING INTERESTS

Non-controlling interests represent 5.2% ownership interests in our German subsidiaries First Shurgard Deutschland GmbH and Second Shurgard Deutschland GmbH, owning an aggregate of 11 properties. This 5.2% ownership is with our two principal shareholders PS and NYSCRF through the entity Shurgard German Holding LLC. We allocated €0.7 million and €0.5 million of net income to non-controlling interests during the years ended December 31, 2019 and 2018, respectively, based upon their respective interest in the net income of the subsidiaries.

During the period starting January 1, 2018 and ending December 31, 2019, there were no transactions with non-controlling interests.

29. INTEREST-BEARING LOANS AND BORROWINGS

(in € thousands)	Effective interest rate	Maturity	2019	2018
Non-current				
Senior guaranteed notes – issued July 2014	2.83%	July 24, 2021	100,000	100,000
Senior guaranteed notes – issued July 2014	3.24%	July 24, 2024	100,000	100,000
Senior guaranteed notes – issued July 2014	3.38%	July 24, 2026	100,000	100,000
Senior guaranteed notes – issued June 2015	2.67%	June 25, 2025	130,000	130,000
Senior guaranteed notes – issued June 2015	2.86%	June 25, 2027	110,000	110,000
Senior guaranteed notes – issued June 2015	3.03%	June 25, 2030	60,000	60,000
Nominal values			**600,000**	**600,000**
Less:				
Unamortized balance of debt issuance cost on notes issued			(1,918)	(2,291)
Borrowings as reported on statement of financial position			**598,082**	**597,709**
Weighted average cost of debt as of December 31			**2.98%**	**2.98%**

SENIOR GUARANTEED NOTES

On July 24, 2014, the Company issued to certain European and U.S. investors three tranches of senior guaranteed notes each. The proceeds from the issuance were mainly utilized to repay, in full, a note payable to our shareholders in July 2014. The Company paid €2.3 million of placement and legal fees and other expenses that are being amortized as interest expense using the effective interest method. As of December 31, 2019 and 2018, the unamortized balances of the debt financing costs on the 2014 Issuance were €1.0 million and €1.3 million, respectively.

On June 25, 2015, the Company issued to certain European and U.S. investors three tranches of senior guaranteed notes. The proceeds from the issuance were mainly utilized to repay the 2014 Wells Fargo Loan, the Revolving Loan Facility and to fund the City Box Transaction. The Company paid €1.4 million of placement and legal fees and other expenses that are being amortized as interest expense using the effective interest method. As of December 31, 2019 and 2018, the unamortized balances of the debt financing costs on the 2015 Issuance were €0.9 million and €1.0 million, respectively.

The senior guaranteed notes (both principal amount and interest payments) are denominated in Euro.

The full and prompt performance and observance by Shurgard Luxembourg Sàrl of all its obligations under the 2014 and 2015 note purchase agreements is unconditionally guaranteed by Shurgard Self Storage S.A. as Parent Guarantor pursuant to the terms and conditions provided for under the respective note purchase agreements. The 2014 and 2015 Issuances are subject to certain customary covenants (including senior leverage, fixed charge cover and unencumbered asset value to total unsecured liabilities) that we test for compliance on a quarterly basis. As of December 31, 2019 and 2018, we are in compliance with all such covenants.

REVOLVING LOAN FACILITY BNP PARIBAS FORTIS BANK

On September 28, 2015, the Company entered into a €50.0 million revolving loan facility with BNP Paribas Fortis bank ("the BNP Revolving Loan Facility") and on May 23, 2016, it was expanded with a second tranche of €75.0 million.

We early terminated the BNP Revolving Loan Facility and repaid the remaining outstanding amount on October 16, 2018.

BRIDGE LOAN SOCIÉTÉ GÉNÉRALE / BNP PARIBAS FORTIS BANK

On July 10, 2018, the Company entered into a €200,000,000 bridge loan agreement with Société Générale bank and BNP Paribas Fortis, with maturity of January 10, 2019. We repaid the bridge loan on October 16, 2018.

REVOLVING SYNDICATED LOAN FACILITY

On September 26, 2018 and effective October 16, 2018, the Company, through its subsidiary Shurgard Luxembourg Sàrl entered into a €250 million syndicated revolving loan facility with BNP Paribas Fortis bank, Société Générale bank and HSBC bank (with BNP Paribas Fortis bank as agent) with maturity of October 16, 2023, bearing interest of Euribor plus a margin varying between 0.45% and 0.95% per annum dependent on the most recent loan-to-value ratio ("the new RCF"). There are no mandatory repayments of principal debt due for this facility before its maturity and a commitment fee of 35% of the applicable margin applies to undrawn amounts. The facility is subject to certain customary covenants that were met as of December 31, 2019 and 2018. In connection with the new RCF, the Company paid €0.4 million arrangement and legal fees. As of December 31, 2019 and December 31, 2018, we had no outstanding borrowings under this facility, and the €0.4 million commitment fee we incurred for the year ended December 31, 2019 was equal to 80% of the applicable margin.

30. LEASES

The Company leases various investment properties with aggregate fair value of €451.3 million as of December 31, 2019 under leases (€34.4 million as of December 31, 2018 as finance leases under the old lease standard IAS 17). Under IAS 17, operating leases were also fair valued when the operating lease was classified as investment property.

At December 31, 2018, under IAS 17, our lease commitments (including interest charges) under the old lease standard IAS 17 totaling €6.1 million, are as follows:

(in € thousands)	**2018**
Due within one year	1,067
Due within two to five years	4,890
Thereafter	18,628
Total future lease payments	**24,585**
Amount representing interest	(18,460)
Present value of minimum lease payments	**6,125**

The Company repaid in 2019 €3.2 million in lease liabilities, paid €2.0 million in interest expense on lease liabilities and €0.5 million in lease amounts for contracts with maturity of less than one year and low-value leases, representing a total cash outflow of €5.7 million (a total cash outflow of €5.2 million in 2018). The expense relating to short-term leases, low value leases and variable lease payments not included in the measurement of the lease liabilities is not material for 2019 or any future years for us. There are no material lease commitments for leases not commenced at year-end.

For the other relevant information regarding our leases, we refer to Notes 15 (for right-of-use assets classified as investment property), 17 (for right-of-use assets classified as property, plant and equipment) and 31 (movement schedule of the lease liability).

31. ANALYSIS OF MOVEMENTS IN INTEREST-BEARING LOANS AND BORROWINGS

The below tables provide an analysis of financial debt and movements in financial debt for each of the periods presented.

(in € thousands)	Interest-bearing loans and borrowings	Lease obligations[1]	Total financial debt
December 31, 2018	**597,709**	**6,125**	**603,834**
Adoption of IFRS 16	-	65,264	65,264
January 1, 2019	**597,709**	**71,389**	**669,098**
Repayments of debt	-	(3,244)	(3,244)
Interest payments	(17,662)	(1,912)	(19,574)
Addition of lease obligations (net) – IFRS 16	-	5,673	5,673
Non-cash movements[2]	18,035	1,965	20,000
December 31, 2019	**598,082**	**73,871**	**671,953**

(in € thousands)	Interest-bearing loans and borrowings	Lease obligations[1]	Total financial debt
January 1, 2018	**597,347**	**6,550**	**603,897**
Borrowing proceeds	250,000	-	250,000
Repayments of debt	(250,000)	(505)	(250,505)
Interest payments and payments for debt financing cost	(17,931)	(582)	(18,513)
Non-cash movements[2]	18,293	662	18,955
December 31, 2018	**597,709**	**6,125**	**603,834**

1 Lease amounts as of January 1, 2019, December 31, 2018 and January 1, 2018 consist of lease obligations that qualified as finance lease obligations under the old lease standard IAS17.
Lease obligations as of January 1, 2019 and December 31, 2019 includes the obligations we recognized in connection with the adoption of IFRS 16 (Note 2).
2 Non-cash movements for the year ended December 31, 2019 mainly consist of accrued interest.

32. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of VAT due after more than one year.

33. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

(in € thousands)	December 31, 2019	December 31, 2018
Accrued compensation and employee benefits	7,705	8,037
Accrued share-based compensation expense	437	179
Accounts payable (including accrued expenses)	34,207	26,404
Payables to affiliated companies	863	624
Deferred rent	25,555	24,619
Other payables[1]	3,396	5,249
Trade and other payables and deferred revenue	**72,163**	**65,112**

1 Other payables consists of VAT payable in less than one year and customer deposits.

34. PENSIONS

The Company has defined contribution plans in certain countries in which it operates, whereby contributions by the Company are historically charged to expense in the period in which services are rendered by the covered employees. For each of the years ended December 31, 2019 and 2018, the Company incurred €1.0 million expense. These amounts are included in property operating expenses or general, administrative and other expenses in our consolidated statements of profit and loss.

The Company operates a Belgian pension plan that is structured as a defined contribution plan but that needs to be accounted for as a defined benefit plan in accordance with IFRS.

During each of the years ended December 31, 2019 and 2018, we contributed €0.4 million to Vivium, a reputable Belgian third-party insurance company. We expect to contribute the same amount to Vivium in 2020. The insurance company invests the majority of its funds in sovereign and corporate bonds. Investment decisions are based on strategic asset allocation studies and risk management best practices.

As of December 31, 2019, the defined benefit obligation amounted to €2.8 million (€2.7 million as of December 31, 2018), offset by plan assets of €2.8 million as of December 31, 2019 (€2.8 million as of December 31, 2018).

The assumptions used in determining net benefit costs and benefit liabilities for our pension plans were as follows:

(in € thousands)	December 31, 2019	December 31, 2018
Discount rate	0.75%	1.80%
Inflation	1.75%	1.75%
Rate of salary increases	2.75%	2.75%
Mortality tables	MR-5/FR-5	MR-5/FR-5

35. SHARE-BASED COMPENSATION EXPENSE

Under various share option plans, the Company granted to its employees options to purchase the Company's shares, with the exercise price equal to the fair value of the share at the respective grant dates. The terms of these grants were established by our Board of Directors. Except for the 2018 share option grants that have three-year cliff vesting, our options vest ratably over a four year period, expire ten years after the grant date and have no performance conditions. Participants could only exercise the share options having vested subject to the respective provisions of the relevant share option plans and at the price set previously by the Board of Directors.

Because employees exercising their share options could force the Company to settle the share options in cash, these share option plans were classified as cash-settled share-based payment plans. Accordingly, the fair value of the liability for the share options was remeasured at each reporting date and at the date of settlement. Any changes in the fair value were recognized in Administrative expenses.

Since the Company's shares were not traded publicly until October 15, 2018, our Board of Directors derived up to that date the fair value of our shares based on the estimated fair value of the Company under a going-concern approach.

The fair value of the share options for all plans was determined using the Black-Scholes option pricing model. Expected volatility of the Company's shares was determined based upon a combination of historical volatility and peer Company review, as determined from time to time by the Board of Directors. The risk-free interest rate was based upon the yield of European treasury securities with a remaining term equal to the expected remaining life of the related share option. We used historical data and trends to estimate future forfeitures as well as the expected life of the awards.

The Board of Directors of Shurgard Self Storage granted in the first quarter of 2015 420,000 share options under the 2015 share option plan and also determined the exercise price of the grants to be €12.77. The fair market value of the options was based on the valuation received from a third-party valuation firm and as approved by the Board.

The Board of Directors of Shurgard Self Storage granted in the third quarter of 2016 54,000 share options under the 2016 share option plan and also determined the exercise price of the share options granted to be €23.10. The fair market value of the options was based on the valuation received from a third-party valuation firm and as approved by the Board.

The Board of Directors of Shurgard Self Storage granted in the third quarter of 2017 255,000 share options under the 2017 share option plan and also determined the exercise price of the share options granted to be €27.02. The fair market value of the options was based on the valuation received from a third-party valuation firm and as approved by the Board.

As of September 30, 2018, we used the following weighted average assumptions in the Black-Scholes option-pricing model to calculate the fair value of the liability for the options granted in 2015, 2016 and 2017:

	2015 grants	2016 grants	2017 grants
Per-share fair value of Shurgard Europe shares	€ 24.94	€ 24.94	€ 24.94
Expected volatility	20.00%	20.00%	20.00%
Risk free interest rate	-0.13%	-0.05%	-0.10%
Expected remaining term (in years)	3.5	5.0	6.0
Dividend yield	-	-	-
Expected forfeiture rate per annum	3.00%	3.00%	5.00%
Fair value per option	€ 16.13	€ 7.96	€ 6.47

On July 13, 2018, the Company proceeded to a distribution of available reserves in the amount of €255 million.

Pursuant to the meeting of the Board of Directors of the Company held in Luxembourg on September 26, 2018, the exercise prices of the share options granted in 2015 (€12.77), 2016 (€23.10), and 2017 (€27.02) were reduced accordingly to €8.77, €18.32 and €21.51, respectively.

Prior to the issuance of equity and admission for trading its shares on Euronext Brussels, the Company converted it cash-settled awards granted under the 2015, 2016 and 2017 share option plans into equity settled awards.

The following weighted average assumptions were used in the Black-Scholes option-pricing model to recalculate the fair value of the liability for the options granted in 2015, 2016 and 2017 as of the October 15, 2018 conversion date of the awards into equity-settled awards:

	2015 grants	2016 grants	2017 grants
Per-share fair value of Shurgard Europe shares	€23.00	€23.00	€23.00
Expected volatility	20.00%	20.00%	20.00%
Risk free interest rate	-0.17%	-0.08%	0.08%
Expected remaining term (in years)	3.5	5.0	6.0
Dividend yield	4.08%	4.08%	4.08%
Expected forfeiture rate per annum	3.00%	3.00%	5.00%
Fair value per option	€11.19	€3.49	€2.35

The vesting period of these awards remained unchanged.

The share-based compensation accrual before the modification to equity-settled share-based payment plan was at €6.7 million. At the modification date, the awards were remeasured in accordance with the aforementioned assumptions as equity-settled and the estimation resulted in a gross share-based compensation accrual of €4.3 million. Consequently, the modification resulted in a gain of €2.3 million which was recognized in General, administrative and other expense. Following the modification, the remeasured accrual has been reclassified from Trade and other payables and deferred revenue to share-based payment reserve within equity in the consolidated statement of financial position.

The Board of Directors of Shurgard Self Storage granted on October 16, 2018 905,000 share options under the 2018 share option plan and also determined the exercise price of the share options granted to be €23.00, which as the opening share price upon the Company's listing on Euronext on October 15, 2018. These titles are considered as equity awards, have a ten-year term and a three-year cliff vesting.

The following weighted average assumptions were used in the Black-Scholes option-pricing model to calculate the fair value of the options granted on October 16, 2018:

	2018 grants
Per-share fair value of Shurgard Europe shares[1]	€26.50
Expected volatility	20.00%
Risk free interest rate	0.11%
Expected remaining term (in years)	7.0
Dividend yield	3.68%
Expected forfeiture rate per annum	5.00%
Fair value per option	€3.45

1 The €26.50 per share fair value of Shurgard Europe shares represents the listed share price of the Company as of November 19, 2018, which is the weighted average acceptance date of the share options granted.

We incurred €1.5 million in share-based compensation expense and realized €0.8 million in share-based compensation income (gain of €2.4 million due to the modification and €1.6 million expense recognized as services were provided by the beneficiaries), including social security charges in the years ended December 31, 2019 and 2018, respectively. The €0.4 million and €0.2 million liabilities, respectively, for share-based compensation as of December 31, 2019 and 2018 consists of an accrual for employers' social security share that is calculated based on the accounting principles of cash-settled awards.

As of December 31, 2019 and 2018, we had €2.1 million, and €3.4 million of unrecognized share-based compensation expense, net of estimated pre-vesting forfeitures, related to unvested option awards. For the years ended December 31, 2019 and 2018, the weighted average remaining vesting period of our share options was 1.7 and 2.2 years, respectively.

The following table sets forth the number of share options granted, forfeited, exercised and outstanding at December 31, 2019 and 2018:

	2019		2018	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price (a)
Outstanding, January 1	1,566,271	€ 19.40	654,000	€ 14.38
Granted (a)	-	-	915,000	€ 22.98
Forfeited (b)	(56,250)	€ 22.66	-	-
Exercised (c)	(289,250)	€ 10.00	(2,729)	€ 18.32
Outstanding, December 31	**1,220,771**	**€ 21.48**	**1,566,271**	**€ 19.40**
Exercisable, December 31	226,021	€ 15.80	340,521	€ 11.79

The weighted average price of options outstanding as of January 1, 2018 has been adapted according to the reduced exercise prices of the options as determined on September 26, 2018 by the Board of Directors.

During the year ended December 31, 2019, upon exercise of 260,000 awards under the 2015 plan, 5,250 awards under the 2016 plan and 24,000 awards under the 2017 plan, the Company realized a loss on sale of treasury shares of €3,325,633 that was allocated to share based payment reserve.

During the year ended December 31, 2018, upon exercise of 2,729 awards under the 2016 plan, the Company realized a gain on sale of treasury shares of €28,491 that was allocated to share-based payment reserve.

The following table summarizes information about our share options outstanding at December 31, 2019 under the 2015, 2016, 2017 and 2018 plans:

		As of December 31, 2019					
		Options outstanding			Options exercisable		
Year of grant	Fair value per option at December 31, 2019	Number of Options	Weighted average exercise price	Weighted average remaining contractual	Number of Options	Weighted average exercise price	Weighted average remaining contractual
2015	€11.19	95,000	€8.77	5.3 years	95,000	€8.77	5.3 years
2016	€3.49	34,271	€18.32	6.5 years	25,021	€18.32	6.5 years
2017	€2.35	233,500	€21.51	7.5 years	106,000	€21.51	7.5 years
2018	€3.45	858,000	€23.00	8.9 years	-	-	-
		1,220,771	**€21.48**	**8.3 years**	**226,021**	**€15.80**	**6.4 years**

36. RELATED PARTY DISCLOSURES

For information on the shareholders of the Company, we refer to Note 1.

SUBSIDIARIES

Interests in subsidiaries are set out in Note 40.

KEY MANAGEMENT PERSONNEL COMPENSATION

(in € thousands)	**2019**	2018
Short term employee benefits	2,723	3,604
Post-employment benefits	100	96
Share-based payments	975	(581)
Total	**3,798**	3,119

Key management personnel consists of the members of the executive committee.

In addition, the Company incurred in the year ended December 31, 2019 €0.7 million expense for the provision of services by non-executive board members that were provided by separate management entities (€0.2 million in the year ended December 31, 2018).

TRANSACTIONS WITH OTHER RELATED PARTIES

Pursuant to a management agreement, we managed a self-storage facility owned by Public Storage in exchange for a fee of 7.0% of revenues until we acquired the facility effective October 1, 2018. For the year ended December 31, 2018, we earned management fees of €0.1 million under this management agreement. These management fees are included in other operating revenue on our consolidated statements of profit and loss.

Additionally, we pay Public Storage a royalty fee equal to 1.0% of our pro rata equity share of revenues in exchange for the rights to use the "Shurgard" trade name. During the years ended December 31, 2019 and 2018, we incurred royalty fees of €2.5 million and €2.4 million, respectively.

During the years ended December 31, 2019 and 2018 there were no transactions with New York State Common Retirement Fund.

OUTSTANDING BALANCES ARISING FROM TRANSACTIONS WITH RELATED PARTIES

At December 31, 2019 and 2018, trade and other payables and deferred revenue include short-term cash advances payable to Public Storage totaling €0.9 million and €0.6 million, respectively, comprised primarily of royalty fees and expenses incurred during each of the three months ended December 31, 2019 and 2018.

We also refer to Note 28 in respect of the non-controlling interest held by two main shareholders in certain subsidiaries in Germany.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance. Current year profit or loss financial information has been included where relevant to add further context.

The Company has tenant and other receivables, trade and other payables, deferred revenue and cash and cash equivalents that arise directly from its operations.

The Company's principal financial liabilities consist of loans and borrowings. The main purpose of the Company's loans and borrowings is to finance the acquisition and development of the Company's property portfolio.

The Company is exposed to market risk (foreign exchange risk), credit risk and liquidity risk. The Company's risk management is carried out by senior management, under policies approved by the Board of Directors. The Board of Directors provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, real estate risk and credit risk, the use of derivative and non-derivative financial instruments and investment of excess liquidity. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

The Company is currently not exposed to significant interest rate risk, as it does not have any long-term debt with variable interest rates.

FOREIGN EXCHANGE RISK

We publish our financial statements in euros, however, we record revenue, expenses, assets and liabilities in a number of different currencies other than the euro, more specifically, the UK Pound Sterling (GBP), the Swedish Krona (SEK) and the Danish Krone (DKK). Assets and liabilities denominated in local currencies are translated into euros at exchange rates prevailing at the balance sheet date and revenues and expenses are translated at average exchange rates over the relevant period. Consequently, variations in the exchange rate of the euro versus these other currencies will affect the amount of these items in our consolidated financial statements, even if their value remains unchanged in their original currency. We implement policies to protect against exchange rate risk only when required to do so by covenants contained in our debt agreements. These translations have resulted in the past and could result in the future in changes to our results of operations, balance sheet and cash flows from period to period.

Because our customer base in the UK is mainly local, we believe the consequence of the contemplated Brexit would be limited to the effect of a possible significant depreciation of the GBP versus the euro which would result in a decrease in net profit realized by our UK operations.

A breakdown of the foreign-exchange related amounts recognized in profit or loss and comprehensive income can be found in Note 9 and in the consolidated statements of equity, respectively.

The main statement of financial position items exposed to foreign exchange risk are cash and cash equivalents, trade and other receivables, assets held for sale, other current and non-current assets, trade and other payables and deferred revenue, lease obligations and other non-current liabilities.

As of December 31, 2019 and 2018, the net assets (liabilities) exposure on our consolidated statement of financial position is as follows:

(in € thousands)	EUR	GBP	SEK	DKK	Total
As of December 31, 2019	154,933	(8,862)	(5,549)	(1,176)	139,346
As of December 31, 2018	202,992	(7,882)	(4,922)	(1,092)	189,096

The following table presents the sensitivity analysis of the year end statement of financial position balances in EUR in case the euro would weaken by 10% versus the GBP, SEK and DKK, respectively.

(in € thousands)	2019	2018
GBP denominated		
Changes in carrying amount of monetary assets and liabilities[1]	886	788
SEK denominated		
Changes in carrying amount of monetary assets and liabilities[1]	555	492
DKK denominated		
Changes in carrying amount of monetary assets and liabilities[1]	118	109

1 These are increases in net liabilities.

The table below shows the sensitivity of profit or loss after tax to changes in the GBP/EUR, SEK/EUR and DKK/EUR exchange rates:

IMPACT ON PROFIT AFTER TAX

(in € thousands)	2019	2018
GBP/EUR exchange rate – increase 10%	1,748	814
SEK/EUR exchange rate – increase 10%	3,396	1,801
DKK/EUR exchange rate – increase 10%	780	1,310

Positive amounts represent an increase in profit after tax.

The table below show the sensitivity of adjusted EPRA earnings to changes in the GBP/EUR, SEK/EUR and DKK/EUR exchange rates:

IMPACT ON ADJUSTED EPRA EARNINGS

(in € thousands)	2019	2018
GBP/EUR exchange rate – increase 10%	1,739	1,340
SEK/EUR exchange rate – increase 10%	2,106	2,060
DKK/EUR exchange rate – increase 10%	688	715

Positive amounts represent an increase in adjusted EPRA earnings.

IMPACT ON EQUITY

(in € thousands)	2019	2018
GBP/EUR exchange rate – increase 10%	46,734	42,528
SEK/EUR exchange rate – increase 10%	42,305	39,852
DKK/EUR exchange rate – increase 10%	13,190	12,419

Positive amounts represent an increase in equity.

CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risks from both its leasing activities (i.e. tenant receivables) and financing activities, which include cash and cash equivalents with banks and financial institutions.

Credit risk from balances with banks and financial institutions is managed by the Company's senior management in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties with a minimum credit rating of A. The Company's maximum exposure to credit risk for the balances with banks and financial institutions at December 31, 2019 is the carrying value of the Cash and cash equivalents.

Credit risk is managed by requiring tenants to pay rentals in advance. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. There are no significant concentrations of credit risk, whether through exposure to individual customers or regions.

The Group applies the IFRS 9 simplified approach to measure its expected credit losses, which uses a lifetime expected loss allowance for all lease receivables.

- Loss allowances are recognized in profit or loss within real estate operating expense. Subsequent recoveries of amounts previously provided for are offset against the previously recognized loss on debtors within real estate operating expense.

Set out below is the information about the credit risk exposure on our trade receivables using a provision matrix:

December 31, 2019

(in € thousands)	Outstanding < 60 days	Past due > 60 days	Total
Expected credit loss rate	0.5%	85.6%	28.6
Carrying amount	10,726	5,292	16,018
Expected credit loss	54	4,530	4,584
Net amount	**10,672**	**762**	**11,434**

December 31, 2018

(in € thousands)	Outstanding < 60 days	Past due > 60 days	Total
Expected credit loss rate	0.5%	95.3%	25.6
Carrying amount	12,344	4,451	16,795
Expected credit loss	62	4,244	4,306
Net amount	**12,282**	**207**	**12,489**

Lease receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include among others:

- Significant financial difficulties of the debtor; and
- Probability that the debtor will enter bankruptcy or financial reorganization

The other classes within trade and other receivables and other current assets do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The Company does not hold any collateral in relation to these receivables.

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. The Company maintains flexibility in funding by maintaining availability under committed credit lines.

The operating activities of our subsidiaries and the resulting cash inflows are the main source of liquidity. Our cash pooling system enables us to benefit from surplus funds of certain subsidiaries to cover the financial requirements of other subsidiaries. We invest surplus cash in current accounts and short-term cash equivalents, selecting instruments with appropriate maturities or sufficient liquidity.

Management monitors rolling forecasts of the Company's liquidity reserve (comprising the undrawn credit facilities listed below) and cash and cash equivalents (see Note 21) on the basis of expected cash flows.

The Company has access to the following undrawn borrowing facilities at the end of the reporting period:

(in € thousands)	Dec. 31, 2019	Dec. 31, 2018
Expiring within one year (floating rate)	-	-
Expiring beyond one year (floating rate)	250,000	250,000
Total	**250,000**	**250,000**

The tables below analyze the Company's financial liabilities based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments). Balances due within twelve months equal their carrying balances as the impact of discounting is not material.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES AT DECEMBER 31, 2019

(in € thousands)	Less than one year	Between 1 and 5 years	Over 5 years	Total contractual cash flows
Interest-bearing loans and borrowings	17,657	259,640	424,934	702,231
Lease obligations	4,931	19,183	584,890	609,004
Other non-current liabilities	50	126	-	176
Trade and other payables	72,163	-	-	72,163
Total	94,801	278,949	1,009,824	1,383,574

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES AT DECEMBER 31, 2018

(in € thousands)	Less than one year	Between 1 and 5 years	Over 5 years	Total contractual cash flows
Interest-bearing loans and borrowings	17,657	164,051	538,179	719,887
Lease obligations[1]	1,067	4,890	18,628	24,585
Other non-current liabilities	118	162	-	280
Trade and other payables	40,493	-	-	40,493
Total	59,335	169,103	556,807	785,245

1 Only finance lease liabilities in accordance with IAS17 were recognized in the year ended December 31, 2018.

FAIR VALUES

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Set out below is a comparison of the carrying amounts and fair value of the Company's guaranteed notes, which have a fixed interest rate:

(in € thousands)	Dec. 31, 2019	Dec. 31, 2018
Carrying value	598,082	597,709
Fair values	663,134	628,625

The following methods and assumptions were used to estimate the fair values:

- The fair values of our senior guaranteed notes (level 3) consists of the discounted value of principal amounts and any future interest payments.
- The discount rates used take into account the various maturities of the notes issued and are based on risk free interest rates plus spreads that are in line with market spreads for private placements as of the respective reporting dates.

38. CAPITAL MANAGEMENT

The Company's executive committee reviews the capital structure on an ongoing basis. The primary objective of the Company's capital management is to ensure that it complies with its covenants and to maintain a loan-to-value ratio that is below 35%. The Company reviews each reporting period the appropriateness of the loan-to-value ratio. The Company is currently satisfied with its current loan-to-value ratio and the applicable covenants. For all periods disclosed, we are in compliance with the covenants.

The table below provides an overview of the evolution of the loan-to-value ratio as of December 31, 2019 and 2018.

(in € thousands)	Dec. 31, 2019	Dec. 31, 2018
Net financial debt	475,297	355,202
Investment property and investment property under construction	2,806,935	2,559,319
Loan-to-value ratio	**16.9%**	**13.9%**

Net financial debt is defined as long-term and short-term interest-bearing loans and borrowings, including lease obligations and excluding debt issuance costs, less cash and cash equivalents. The effects of the adoption of the new lease standard IFRS 16 are included as of December 31, 2019 (the previous lease standard IAS 17 applied as of December 31, 2018).

39. CONTINGENCIES AND COMMITMENTS

INSURANCE AND LOSS EXPOSURE

We have historically carried coverage for property/business interruption and general liability, through internationally recognized insurance carriers, subject to deductibles. Additionally, we bind coverage for our cyber and terrorism risk, as well as any local compulsory insurances, such as workers compensation or strict liability in Belgium.

Except for the local insurance policies, coverage is searched for by means of international programs, insuring all affiliates of the Company. When acquiring a new location, our aim is to integrate the cover as soon as possible and economically justified in our insurance programs.

Our insurance deductible for property damage and business interruption when caused by fire, lightning, explosion or aircraft (FLEXA) is €2.5 million per occurrence and €5.0 million in annual aggregate. The aggregate is filled with all claims as from €1. If the annual aggregate is reached, there will be a drop down of the deductible to €100,000 for all perils. For all other perils (others than FLEXA) a deductible of 10% of the claim applies with a min of €100,000 and a max of €500,000. Our estimated average exposure for losses that are below deductibles is €1,165,000 whereas the insurance carriers' insurance limit is €25 million per occurrence for FLEXA risks, we consider us not baring any exposure in excess of the policy coverage for these risks. However, we might be exposed to losses for risks other than FLEXA when exceeding insurance carriers' limit of €2.5 million up to the actual value of property damage and business interruption combined.

Our insurance deductible for general liability insurance is €2,500 per occurrence. Insurance carriers' limit is €5 million. In case claims exceed the policy limit, we benefit excess coverage up to USD 100.0 million, or approximately €89.2 million at the December 31, 2019 exchange rate, under the Public Storage general liability program. As such, our insurance limit is higher than estimates of maximum probable losses that could occur from individual catastrophic events determined in recent engineering and actuarial studies; however, in case of multiple catastrophic events, these limits could be exceeded.

Besides insurance policies covering our own risks, we carry coverage for the risk of our tenants, via a tenant insurance program. This program provides insurance to certificate holders (tenants) against claims for property losses due to perils to goods stored by tenants at our self-storage facilities for individual limits up to a maximum of €20,000 per unit. As of December 31, 2019, there were approximately 135,800 certificate holders participating in this program in Europe representing aggregate coverage of approximately €520.3 million We have third-party insurance coverage for our tenant insurance program. Besides a deductible of €250 for certain perils, which are at charge of the tenant, this program includes a deductible of €1 million per occurrence for fire and €250,000 per occurrence for flood at charge of Shurgard. Our estimated average exposure for losses that are below deductibles is €397,000. For the year ended December 31, 2019, revenues earned under our tenant insurance program accounted for approximately 10.4% of our total revenues (10.2% for the year ended December 31, 2018)

CAPITAL EXPENDITURE COMMITMENTS

As of December 31, 2019, we had €11.0 million of outstanding capital expenditure commitments under contract in regard to certain self-storage facilities under construction.

CONTINGENT LOSSES

We are a party to various legal proceedings and subject to various claims and complaints; however, we believe that the likelihood of these contingencies resulting in a material loss to the Company, either individually or in the aggregate, is remote.

PARENTAL GUARANTEE

The full and prompt performance and observance by Shurgard Luxembourg Sàrl of all its obligations under the 2014 and 2015 note purchase agreements and the revolving syndicated loan facility agreement with BNP Paribas Fortis bank as agent is unconditionally guaranteed by Shurgard Self Storage as Guarantor pursuant to the terms and conditions provided for under each of these agreements.

40. LIST OF CONSOLIDATED ENTITIES

		As of December 31, 2019		As of December 31, 2018	
	Country of incorporation	Consoli-dated	% Ownership	Consoli-dated	% Ownership
Shurgard Self Storage S.A.[1]	Luxembourg	Yes	100	Yes	100
Shurgard Luxembourg Sàrl[1]	Luxembourg	Yes	100	Yes	100
Shurgard Holding Luxembourg Sàrl[1]	Luxembourg	Yes	100	Yes	100
Shurgard Belgium Cva	Belgium	Yes	100	Yes	100
Shurgard Europe Vof	Belgium	Yes	100	Yes	100
Second Shurgard Belgium BVBA	Belgium	Yes	100	Yes	100
Shurgard France Sasu	France	Yes	100	Yes	100
Shurgard Nederland B.V.	The Netherlands	Yes	100	Yes	100
Shurgard Germany GmbH	Germany	Yes	100	Yes	100
First Shurgard Deutschland GmbH	Germany	Yes	94.8	Yes	94.8
Second Shurgard Deutschland GmbH	Germany	Yes	94.8	Yes	94.8
Shurgard Denmark ApS	Denmark	Yes	100	Yes	100
Shurgard UK Ltd	UK	Yes	100	Yes	100
First Shurgard UK Ltd	UK	Yes	100	Yes	100
Second Shurgard UK Ltd	UK	Yes	100	Yes	100
Second Shurgard UK Camberley Ltd	UK	Yes	100	Yes	100
Shurgard UK West-London Ltd	UK	Yes	100	Yes	100
Shurgard Sweden AB	Sweden	Yes	100	Yes	100
Shurgard Storage Centers Sweden KB	Sweden	Yes	100	Yes	100
Shurgard Sweden Årstaberg KB	Sweden	Yes	100	Yes	100
First Shurgard Sweden Invest KB	Sweden	Yes	100	Yes	100
Second Shurgard Sweden Invest KB	Sweden	Yes	100	Yes	100
Shurgard Sweden Stockholm Invest AB	Sweden	Yes	100	Yes	100
Shurgard Sweden Örebro AB	Sweden	Yes	100	Yes	100
Shurgard Sweden Västerås AB	Sweden	Yes	100	Yes	100
Shurgard Sweden Linköping AB	Sweden	Yes	100	Yes	100
Shurgard Sweden Norrköping AB	Sweden	Yes	100	Yes	100

1 Holding and/or financing company with no operating activities.

41. EVENTS AFTER THE REPORTING PERIOD

We have evaluated subsequent events through February 25, 2020, which is the date the financial statements were available for issuance.

Due to a fire incident on January 1, 2020, one of our Dutch facilities with fair value of €10.2 million as of December 31, 2019 burnt down. We will recognize in the first six months of 2020 an impairment loss of €8.6 million on this property, representing the fair value of the building that we will redevelop.

On January 31, 2020, the Company acquired two self-storage facilities in Paris that it operated under management since October 2019 adding 8,554 net rentable sqm of storing space in total to its existing owned portfolio.

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Shurgard Self Storage S.A.
11, rue de l'Industrie
L-8399 Windhof

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Shurgard Self Storage S.A. and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENT PROPERTY INCLUDING INVESTMENT PROPERTY UNDER CONSTRUCTION

Description of the key audit matter

As per December 31, 2019, Shurgard Self Storage S.A. and its subsidiaries hold investment property and properties under construction for a total amount of € 2.807 million, representing 92 % of the consolidated statement of financial position of the Group. In accordance with the Group's accounting policies and IAS 40 "Investment Property", investment property and investment property under construction are measured at fair value, whereby the changes in fair value are recognized in the Group's income statement.

The fair value of investment property and investment property under construction are assessed (by an independent external valuation firm) using a discounted cash flow model (revenues-costs) over an appropriate period (10 years) per property. The management of the Company and their external specialist use inputs such as store occupancy, net rent and operating expense per square meter, based on historical data, as well as subjective assumptions such as growth rates in terms of rental revenue and operating expenses, occupancy and discount rates.

The Company engaged an independent external valuation firm, having specific sector expertise in the markets in which the Group operates. The third party valuer assists the Company in the determination of the fair value of the investment property and it performs its work in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards.

Investment property valuation is considered a key audit matter, because the valuation process is a significant estimate and is underpinned by a number of factual inputs and assumptions based on a complex calculation model. The process is subjective and inherently judgmental in nature due to the use of key assumptions which are based on unobservable data inputs such as discount rates, growth rates and future occupancy rates, as well as the individual nature of each property and its location.

Auditor's response

Our procedures over the valuation of investment properties and investment properties under construction include the following:

We evaluated the competence, independence and capabilities of the independent external valuation firm . We also read the terms of engagement of the valuer to determine whether there were any matters that might have affected its objectivity or limited the scope of its work.

We assessed whether the valuation methods as applied by the independent valuer are appropriate for the purpose of the valuation of the underlying investment properties. We tested the inputs used in the valuation process to corresponding lease agreements and other relevant documentation. We considered the assumptions used in the valuation models including the capitalization, discount and terminal yield rates by comparing them against available market data. Therefore, we involved our real estate specialists as part of the audit team to assess the assumptions made by the valuer as appropriate.

Finally, we performed analytical procedures to evaluate any unusual variations in the fair values determined compared to prior year.

We have also assessed the appropriateness and completeness of Note 3 (Summary of significant accounting policies) and note 15 (Investment property and investment property under construction) and note 16 (Fair value measurement – investment property) of the consolidated financial statements in accordance with the requirement of IAS 40.

TAXATION

Description of the key audit matter

The Group has extensive international operations and in the normal course of business management makes judgements and estimates in relation to direct and indirect tax issues and exposures. As a result of the complexities of tax rules and other tax legislation, the accounting for tax exposures is a key judgement.

The Group is also calculating its deferred taxes in accordance with its Group accounting policies. Deferred taxes arise due to temporary differences between the values in the tax accounts and the consolidated statement of financial position. The calculation of deferred taxes takes into account the expected point in time when, and the manner in which, the assets and liabilities are expected to be realized or settled. The applied tax rates correspond to those that are enacted or substantially enacted at the respective location at the balance sheet date. Deferred taxes primarily result from valuation differences between the fair values of properties and their values for tax purposes. In the calculation of the deferred taxes, assumptions and estimates are made with regards to the fiscally relevant costs and the fair values of the properties as well as the tax rates applicable at the time the tax differences are realized.

Auditor's response

Our procedures included, but were not limited to, evaluating the controls the Group has in place to identify and quantify its tax exposures. We used our own tax specialists to analyze and challenge the assumptions used to determine provisions using our knowledge and experience of the application of international and local legislation by the relevant authorities, and assessed whether the approach applied by the Group is supported by custom and practice in the industry. We have examined the calculations prepared and agreed assumptions used to underlying data, and considered the judgements applied including the maximum potential exposure and the likelihood of a payment being required. We have inspected correspondence with relevant tax authorities to identify tax risk areas and assessed third party tax advice received to evaluate the conclusions drawn in the advice.

In the course of our audit, we also assessed the calculation of deferred taxes on investment properties with the support of our tax specialists.

Based on the overall portfolio, we performed, the following audit procedures:

- evaluating the calculation method used to determine deferred tax liabilities;
- assessing the assumed tax rates applicable to each country.

For a sample identified based on quantitative and qualitative factors, we performed the following audit procedures:

- reconcile the fair value with the valuation documentation and the fiscally relevant investment property costs with the fixed asset accounting or the client's detailed records;
- validate the mathematical accuracy of the deferred tax calculation.

We also considered the adequacy of the Group's disclosures in Note 10 in respect of income tax.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated annual report and the corporate governance statement but does not include the consolidated financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND OF THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

RESPONSIBILITIES OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ" FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on April 30, 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying corporate governance statement on pages 64 to 74 of the annual report, is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

OTHER MATTER

The corporate governance statement includes, when applicable, the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Bruno Di Bartolomeo

Luxembourg, February 25, 2020

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PHOTO

Shurgard Self Storage S.A.