



# **\$175 MILLION EQUITY RAISING**

**NATIONAL STORAGE REIT**

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**NOT FOR RELEASE TO US WIRE SERVICES OR DISTRIBUTION IN THE UNITED STATES**

**AUGUST 2018**

# DISCLAIMER

This presentation has been prepared by National Storage REIT ("NSR") comprising National Storage Holdings Limited (ACN 166 572 845) ("NSHL") and National Storage Financial Services Limited (ACN 600 787 246 and AFSL 475 228) ("NSFL") as responsible entity for the National Storage Property Trust (ARSN 101 227 712) ("NSPT").

This presentation has been prepared in relation to:

(a) a placement to institutional and professional investors ("Placement") of NSR's stapled securities (each comprising one ordinary share in NSHL stapled to one ordinary unit in NSPT) ("Stapled Securities"); and  
(b) an entitlement offer of Stapled Securities to existing NSR securityholders (the "Entitlement Offer"), with any Stapled Securities issued under the Placement or Entitlement Offer being "New Stapled Securities". The Placement and Entitlement Offer together comprise the "Offer". The Entitlement Offer will be structured as a pro rata accelerated non-renounceable entitlement offer in two stages – the first stage being an offer of New Stapled Securities to eligible institutional holders of Stapled Securities (the "Institutional Offer") and the second stage being an offer of New Stapled Securities to eligible retail holders of Stapled Securities with registered addresses in Australia or New Zealand (the "Retail Offer"). NSR intends to conduct the Offer without disclosure to investors under Part 6D.2 or Part 7.9 of the Corporations Act 2001 (Cth) ("Corporations Act") in accordance with sections 708A, 708AA, 1012DA and 1012DAA of the Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73). Determination of eligibility of investors for the purposes of the Offer is determined by reference to a number of matters, including legal requirements and the discretion of NSR and the underwriters, being J.P. Morgan Securities Australia Limited and Morgan Stanley Australia Securities Limited (together, the "Underwriters"). NSR and the Underwriters disclaim any liability in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law. You acknowledge and agree that you will rely on your own independent assessment of any information, statements or representations contained in this presentation and such reliance will be entirely at your own risk. By accepting, assessing or reviewing the presentation, or attending any presentation or briefing in connection with the Offer, you agree to be bound by the following conditions.

## Not retail offer booklet

The retail offer booklet for the Retail Entitlement Offer will be made available to eligible retail holders of Stapled Securities following its lodgement with the Australian Securities Exchange. Any eligible retail investor who wishes to participate in the Retail Entitlement Offer should read and consider the retail offer booklet when deciding whether to participate in the Retail Entitlement Offer. This presentation will not form part of any contract for the acquisition of New Stapled Securities.

## Summary information

This presentation contains summary information about the current activities of NSR and the entities within the NSR stapled group as at the date of this presentation. The information in this presentation is of a general nature and does not purport to be complete. This presentation does not purport to contain all of the information that an investor should consider when making an investment decision nor does it contain all of the information which would be required in a product disclosure statement or prospectus prepared in accordance with the requirements of the Corporations Act. Statements made in this presentation are made only as of the date of this presentation and remain subject to change without notice.

This presentation should be read in conjunction with NSR's other periodic and continuous disclosure announcements lodged with the ASX, which are available at [www.asx.com.au](http://www.asx.com.au).

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Cooling off rights do not apply to the acquisition of New Stapled Securities.

# DISCLAIMER CONT'D

## Risk

An investment in Stapled Securities (including New Stapled Securities) is subject to investment and other known and unknown risks, some of which are beyond the control of NSR. NSR does not guarantee any particular rate of return or the performance of NSR or the Stapled Securities (including the New Stapled Securities), nor does it guarantee the repayment of capital from NSR or any particular tax treatment. For further information, please refer to the "Key Investment Risks" section on pages 9 to 11 of this presentation.

## Financial data

All references to dollars and cents are in reference to Australian dollars unless otherwise stated and all financial data is presented as at the date of this presentation unless otherwise stated. Totals may vary due to rounding.

## Past performance

The past performance, including past security price performance, of NSR cannot be relied upon as an indicator of, and provides no guidance as to future NSR performance including future security price performance and is given for illustrative purposes only.

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This presentation should not be relied upon as a recommendation or forecast by NSR.

## Accounting standards

NSR's statutory results are prepared in accordance with International Financial Reporting Standards ("IFRS"). This presentation also includes certain non-IFRS measures in presenting NSR's results. Any additional financial information in this presentation which is not included in NSR's 2018 Financial Statements was not subject to independent audit or review. Investors should be aware that certain financial data included in this Presentation is "non-IFRS financial information" under ASIC Regulatory Guide 230: "Disclosing non-IFRS financial information" published by ASIC and may also be "non-GAAP financial information" within the meaning given under Regulation G of the U.S. Securities Exchange Act of 1934, as amended. Non-IFRS financial information does not have a standardised meaning prescribed by Australian Accounting Standards ("AAS"). Accordingly, the non-IFRS financial information in this Presentation: (i) may not be comparable to similarly titled measures presented by other entities; (ii) should not be construed as an alternative to other financial measures determined in accordance with AAS; and (iii) is not a measure of performance, liquidity or value under the IFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information included in this Presentation.

## Stapled Securities

Investors should note that ASX reserves the right (without limiting its absolute discretion) to remove NSHL and/or NSPT from the official list of ASX if any of the securities comprising the Stapled Securities cease to be stapled together, or any equity securities are issued by NSHL or NSPT which are not stapled to corresponding securities in the other entity.

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# RATIONALE, IMPACT AND OUTLOOK

## RESETTING OUR BALANCE SHEET FOR LONGER-TERM FUNDING FLEXIBILITY

- NSR is pleased to announce today a fully underwritten **equity raising for a total of ~\$175 million**
- NSR currently has:
  - \$57 million in acquisition opportunities settled or contracted in FY19 to date which will increase gearing to approximately 40%;
  - Additional \$100 million of acquisition opportunities under active consideration; and
  - 10 development and expansion projects currently underway and at various stages of completion
- Offer proceeds will be used to fund NSR's requirements described above, as well as to **'reset' NSR's balance sheet** at a lower gearing level to provide funding capacity for ongoing investment programs
- Together with the capital to be released over time from the strategic initiatives announced today, the Offer is expected to satisfy NSR's currently anticipated funding requirements for the next 2 - 3 years<sup>1</sup>, providing for **longer-term funding flexibility** and **reducing NSR's reliance** on traditional debt and equity capital markets in the short term
- **FY19 EPS range of 9.6 – 9.9** cents per stapled security taking into account the equity raising and the gradual deployment of proceeds
- The strategy is expected to **accelerate earnings and value growth** over time as proceeds are deployed and our strategic initiatives are implemented, underpinning expected **EPS growth of 6% – 10% p.a. over FY20 - FY21**<sup>1</sup>
- Following the Offer, NSR's pro forma **gearing will reduce to 30%** from 38%, and NTA will increase to \$1.52 per Stapled Security. In the event that the Capital Partnership in **New Zealand** proceeds gearing is anticipated to reduce further.



<sup>1</sup> – Assuming no unforeseen circumstances or strategic portfolio acquisitions.

# EQUITY RAISING OVERVIEW

## Offer structure and price

- A fully underwritten ~\$175 million equity raising, comprising:
  - Institutional placement to raise ~\$50 million ("**Institutional Placement**"); and
  - 5-for-37 accelerated non-renounceable entitlement offer to raise ~\$125 million ("**Entitlement Offer**") (together with the Institutional Placement, the "**Offer**")
- The offer price per New Security has been set at \$1.66 ("**Offer Price**"), which represents
  - a 6.5% discount to the last closing price of \$1.775 per stapled security on 21 August 2018,
  - a 4.8% discount to TERP at the 5-day VWAP<sup>1</sup>, and
  - a 5.5% discount to TERP at the last closing price<sup>2</sup>
- At the \$1.66 Offer Price and based on NSR's guidance for FY19, the New Securities issued under the Offer will generate an estimated FY19 EPS yield of 5.9%<sup>3</sup>

## Use of proceeds

- Proceeds will be used to reduce gearing levels to ensure sufficient headroom for growth and longer-term financial flexibility, taking into account the strategic initiatives announced today, as well as:
  - \$57 million in acquisition opportunities settled, contracted or under exclusive due diligence since 1 July 2018
  - Additional \$100 million of acquisition opportunities under consideration
  - More than 10 development and expansion projects currently underway and at various stages of completion

## Ranking

- New Securities will rank pari passu with existing Stapled Securities from allotment, and will be entitled to the distribution for the six months ending 31 December 2018

## Underwriting

- The Offer is fully underwritten by J.P. Morgan Securities Australia Limited and Morgan Stanley Australia Securities Limited as Joint Lead Managers and Underwriters

1 – Theoretical Ex-Rights Price ("TERP") of \$1.74 per Stapled Security at the 5-day volume weighted average price, including New Securities issued under the Institutional Placement

2 – TERP of \$1.76 per Stapled Security at the last closing price, including New Securities issued under the Institutional Placement

3 – Based on mid point of FY19 EPS guidance

# SOURCES AND USES

SOURCES	A\$m
Institutional Placement proceeds	50.0
Entitlement Offer proceeds	125.4
<b>Total</b>	<b>175.4</b>

USES	A\$m
Identified acquisition opportunities	56.7
Costs relating to the Offer	3.9
Repayment of debt	114.8
<b>Total</b>	<b>175.4</b>



PERSONAL  
STORAGE



BUSINESS  
STORAGE



TRAILER  
HIRE



MOVING  
SUPPLIES

# PRO FORMA BALANCE SHEET

\$M	Actual 30 June 2018	Identified acquisitions	Offer	Pro-forma 30 June 2018
Cash	21.3			21.3
Investment Properties <sup>1</sup>	1,431.4	56.7		1,488.1
Intangibles	46.0			46.0
Other Assets	49.9			49.9
<b>Total Assets</b>	<b>1,548.6</b>	<b>56.7</b>	<b>-</b>	<b>1,605.3</b>
Debt <sup>2</sup>	596.4	60.0	(171.5)	484.9
Other Liabilities	61.9			61.9
<b>Total Liabilities</b>	<b>658.3</b>	<b>60.0</b>	<b>(171.5)</b>	<b>546.8</b>
Net Assets	890.3	(3.3)	171.5	1,058.5
Securities on Issue	559.1		105.7	664.8
NTA per Security	1.51			1.52
<b>Gearing</b>	<b>37.9%</b>			<b>29.5%</b>

1 – Net of Finance Lease Liability

2 – Debt movements include transaction costs

# TIMETABLE

EVENT	DATE
Trading halt and announcement of Institutional Placement and Entitlement Offer	22 August 2018
Institutional Placement and institutional component of the Entitlement Offer (together the " <b>Institutional Offer</b> ") opens	22 August 2018
Institutional Offer Closes	23 August 2018
Trading in National Storage stapled securities resumes on an ex-entitlement basis	24 August 2018
Record date for determining entitlement to subscribe for new stapled securities under the Entitlement Offer	24 August 2018
Retail Offer Booklet despatched	29 August 2018
Retail component of the Entitlement Offer (" <b>Retail Offer</b> ") opens	29 August 2018
Early Retail Offer period closes – last day to apply for new stapled securities and be issued on the Initial Allotment Date	31 August 2018
Settlement of new stapled securities under the Institutional Offer and Early Retail Offer	3 September 2018
Initial Allotment Date – quotation and normal trading of new stapled securities issued under the Institutional Placement, Institutional Offer and Early Retail Offer	4 September 2018
Retail Offer closes	7 September 2018
Settlement of new stapled securities issued under the Retail Offer (other than those issued on the Initial Allotment Date)	13 September 2018
Final Allotment Date – in relation to new stapled securities issued under the Retail Offer (other than those issued on the Initial Allotment Date)	14 September 2018
Normal trading of new stapled securities issued under the Retail Offer (other than those issued on the Initial Allotment Date)	17 September 2018
Holding statements sent to participants under the Retail Offer	18 September 2018

Note: The above timetable is indicative only and subject to change. NSR reserves the right to vary these dates or to withdraw the offer at any time. Subject to the requirements of the Corporations Act, the ASX listing rules and any other applicable laws, NSR, in consultation with the underwriters, reserves the right to amend this timetable at any time



# KEY INVESTMENT RISKS

Investors should carefully consider the risk factors described below, in addition to the other information in this document and publicly available information of NSR, before making an investment decision. If you require further information regarding the appropriateness or potential risks of this investment, you should seek appropriate financial advice. An investment in NSR is subject to risks, both specific to NSR and more general risks. Many of these risks are beyond the control of NSR and, if they were to eventuate, may impact adversely on the performance, or value, of an investment in NSR. This summary details some of the major risks that you should be aware of when investing in NSR, however it is not intended to be exhaustive. Investors should be aware that the list of risks described below may not cover all possibilities and should also consider risks specific to their situation. Additional risk factors and uncertainties that are not known to NSR at the time of this Offer, or which are considered immaterial, may in the future materially impact NSR's assets, financial condition or operations and may have an adverse effect on an investment in NSR.

## Key risks relating to NSR

### 1.1 General commercial property risks

Risks commonly associated with commercial property investment apply equally to an investment in NSR, including levels of occupancy, capital expenditure requirements, development and refurbishment risk, environmental or compliance issues, changes to government and planning regulations, including zoning and damage caused by flood or other extreme weather (to the extent that it is not or could not be insured against).

### 1.2 Self-storage property operational risks

Storage property and business market conditions vary from state to state around Australia and New Zealand as well as within each state or local area. Conditions and localised demand are influenced by factors such as housing activity (new and existing), retail activity, new competition, and employment.

### 1.3 Monthly storage agreements

Storage units are typically rented on a month to month basis. There is no guarantee that existing storage customers will not default under, or will renew, their storage agreements. Where an existing customer does not renew their storage agreement for whatever reason, there is no guarantee that other storage customers will be found.

### 1.4 Competition

The entry of new competing self-storage centres or discounting by existing competing self-storage centres may adversely affect the occupancy level and rental rates of the self-storage centres operated or managed by NSR.

### 1.5 Valuations

Valuations ascribed to NSR's assets will be influenced by a number of ongoing factors including supply and demand for self-storage centres and general property market conditions. Valuations represent only the analysis and opinion of qualified experts at a certain point in time. There is no guarantee that a property will achieve a capital gain on its sale or that the value of the property will not fall as a result of the assumptions on which the relevant valuations are based proving to be incorrect.

### 1.6 Property liquidity

NSR may be required to dispose of some of its property assets in response to adverse business conditions. Given the relatively illiquid nature of property investments, NSR may not be able to realise the property assets in a timely manner or at an optimal sale price in line with the asset's valuation. This may affect NSR's net asset value or trading price per Stapled Security.

### 1.7 Exposure to Australian Prime Storage Fund ("APSF")

The management agreement in place with APSF may be terminated in certain circumstances. If terminated, NSR will not receive management fee income that would otherwise be payable in accordance with the management agreement in place in respect of APSF. APSF has a first right to acquire additional "prime" self-storage centres subject to certain conditions. This may adversely affect NSR's ability to acquire additional prime self-storage centres in certain circumstances.

### 1.8 Risk of joint venture development funds

NSR is currently a joint venture participant in APSF. This imposes restrictions which would not apply if NSR was the 100% owner of the assets and operations of APSF, including in relation to changes in relevant business plans, distribution policies, capital, borrowings and capital expenditure. For further information please refer to paragraph 1.6 above.

### 1.9 Leasehold interests

NSR operates a number of self-storage centres from properties owned by third parties under lease arrangements. There is no guarantee that those leases will be able to be renewed or able to be renewed on suitable terms (including in relation to rent payable). The leases may also be subject to certain termination rights which, if triggered, may result in the lessor terminating the lease. This may adversely affect NSR's ability to continue to operate the self-storage centres at those locations, and the fair value attributed to them.

### 1.10 Insurance risk

There is no certainty that appropriate insurance will be available for all risks on acceptable commercial terms or that the cost of insurance premiums will not continue to rise. Some risks are not able to be insured at acceptable premiums. Examples of losses that are generally not insured against include war or acts of terrorism and natural phenomena such as earthquake or cyclone. If any of NSR's assets are damaged or destroyed by an event for which NSR does not have cover, or a loss occurs which is in excess of the insured amounts, NSR could incur a capital loss and lost income which could reduce returns for holders of Stapled Securities (including New Securities). Any failure by the company or companies providing insurance (or any reinsurance) may adversely affect NSR's right of recovery under its insurance.

### 1.11 Future acquisitions and expansion

NSR may consider opportunities to make further acquisitions of self-storage assets. NSR may also develop and expand the lettable area at a number of NSR's centres. The rate at which NSR is able to expand will reflect market forces and the availability of capital at the time. Forecast distributions may be affected by such actions. The risks faced by NSR in relation to any future development projects will depend on the terms of the transaction at the time. There can be no assurance that NSR will successfully identify, acquire and integrate further self-storage assets, or successfully implement acquisitions on time and on budget. Furthermore, there is no guarantee that any acquisition will perform as expected. Future acquisitions may also expose NSR to unanticipated business risks and liabilities.

# KEY INVESTMENT RISKS CONT'D

## 1.12 Banking obligation risk

NSR is subject to a number of undertakings and financial covenants under its current debt facility arrangements, including in relation to gearing levels and interest cover ratios. An event of default can occur under its current debt facility if NSR fails to maintain these financial covenants. This may be caused by unfavourable movements in interest rates (to the extent rates are not hedged) or deterioration in the income or the value of NSR's properties and/or businesses. To the extent that an event of default occurs, the lender may require immediate repayment of the debt facility. NSR may need to dispose of assets at less than valuation, raise additional equity or reduce or suspend distributions in order to repay the debt facility, if this occurs.

## 1.13 Funding

NSR's ability to raise funds from either debt or equity sources in the future depends on a number of factors, including the state of debt and equity markets, the general economic and political climate and the performance, reputation and financial strength of NSR. Changes to any of these underlying factors could lead to an increase in the cost of funding, limit the availability of funding, and increase the risk that NSR may not be able to refinance its debt and/or interest rate hedges before expiry or may not be able to refinance them on substantially the same terms as the existing facility or hedge instruments. If alternative financing is not available, this could adversely affect NSR's ability to acquire new properties and to fund capital expenditure, and NSR may need to realise assets at less than valuation, which may result in financial loss to NSR.

Possible increases in the interest rate, the cost of interest rate hedges and the level of financial covenants required by lenders may adversely impact on the operational and financial results of NSR and the level of distributions available to holders of Stapled Securities (including the New Securities).

## 1.14 Environmental issues

Unforeseen environmental issues may affect the properties in the property portfolio owned by NSR. These liabilities may be imposed irrespective of whether or not NSR is responsible for the circumstances to which they relate. NSR may also be required to remediate sites affected by environmental liabilities. The cost of remediation of sites could be substantial. If NSR is not able to remediate the site properly, this may adversely affect its ability to sell the relevant property or to use it as collateral for future borrowings. Material expenditure may also be required to comply with new or more stringent environmental laws or regulations introduced in the future, for example in relation to climate change.

## 1.15 Forecast distributions

No assurances can be provided in relation to the payment of future distributions. Future determination as to the payment of distributions by NSR will be at the discretion of NSR and will depend upon the availability of profits, the operating results and financial condition of NSR, future capital requirements, covenants in relevant debt facilities, general business and financial conditions and other factors considered relevant by NSR.

## 1.16 Stapled structure

There are inherent risks associated with a stapled structure. For example, the boards of NSH and NSFS may not agree on certain matters that involve the approval of each of these boards.

## 1.17 No assurance of liquidity or trading price

No assurances can be provided that the Stapled Securities (including the New Securities) will trade at any particular price or as to liquidity of trading or that any capital growth in NSR will translate into a higher price at which the Stapled Securities (including the New Securities) trade. The historical

performance of Stapled Securities provides no guidance as to the future performance of Stapled Securities (including the New Securities).

## 1.18 Insolvency

In the event of any liquidation or winding up of NSR the claims of NSR's creditors will rank ahead of those of its investors. Under such circumstances NSR will first repay and discharge all claims of its creditors. Any surplus assets will then be distributed to NSR's investors. All investors will rank equally in their claim and will be entitled to an equal share per Stapled Security.

## 1.19 Employees

NSR's future performance is dependent on the ability to recruit, train, retain and motivate senior executives and employees. There is a risk that NSR may be unable to attract or retain key personnel and specialist skills and may lose corporate memory. NSR relies upon the expertise and experience of the senior management team. As a consequence, if the services of key personnel were no longer available this may have an adverse impact on the financial performance of NSR. However, NSR's senior management team are considered internally to be stable and committed and succession planning is undertaken periodically by the NSH Board and Managing Director.

## 1.20 Occupational health and safety

There is a risk that liability arising from occupational health and safety matters at a property in NSR's portfolio may be attributable to NSR as the registered proprietor. To the extent that any liabilities may be incurred by NSR, this may impact upon the financial position and performance of NSR (to the extent not covered by insurance). In addition, penalties may be imposed upon NSR which may have an adverse impact on NSR.

## 1.21 Compliance

NSR is subject to strict regulatory and compliance arrangements under the Corporations Act, ASX and ASIC policy. If NSFS breaches the terms of its Australian Financial Services Licence, ASIC may take action to suspend or revoke the licence which would adversely impact the ability of NSFS to operate NSPT. Being listed on the ASX imposes various listing obligations with which NSR must comply on an ongoing basis.

## 1.22 Litigation, disputes and default

There is a risk that NSR or a member of the NSR group may become involved in litigation or disputes, which could adversely affect its financial performance.

## 1.23 Contractual risk

NSR has entered into letters of offer and conditional agreements to acquire certain storage assets owned by third parties, referred to in this document as "Total Acquisitions". Failure of a third party to comply with the agreements could result in a delay in, or failure to complete, the Total Acquisitions. Further, if any of the conditions are waived and the Total Acquisitions proceed, there may be an adverse impact on the financial position and performance of NSR. If any of the conditions are not satisfied or waived within the time specified, the Total Acquisitions may not proceed or may be delayed.

## 1.24 Post-acquisition performance

If the Total Acquisitions are successful, the risks identified in this section in relation to NSR's ownership and operation of self-storage sites, including (but not limited to) "General Commercial Property Risks", "Environmental Issues" and "Occupational Health and Safety" will also apply to the assets acquired by NSR as part of the Total Acquisition.

# KEY INVESTMENT RISKS CONT'D

## **2.0 General market and regulatory risks**

### **2.1 Economic and market conditions**

NSR may be adversely impacted by many factors including fluctuations in general economic conditions including interest rates, inflation, consumer confidence levels which may adversely affect the demand for storage space and general market levels. A number of factors affect the performance of the stock markets, which could affect the price at which NSR's securities trade on the ASX. Among other things, movements of international and domestic stock markets, interest rates, exchange rates, inflation and inflationary expectations and overall economic conditions, economic cycles, investor sentiment, political events and levels of economic growth, both domestically and internationally as well as government taxation and other policy changes or changes in law may affect the demand for, and price of, Stapled Securities.

### **2.2 Interest rates**

Unfavourable movements in interest rates relating to NSR's debt facility could lead to increased interest expense, to the extent that interest rates are not hedged. This could impact the level of distributions available to holders of Stapled Securities (including New Securities).

Further, the risk that changes in prevailing market interest rates and the strength of capital markets will influence NSR's interest costs and its ability to refinance debt respectively.

### **2.3 Inflation**

Lower than expected inflation rates generally or specific to the sectors in which NSR operates could reduce the rate of increase in inflation-linked revenues. Higher than expected inflation is likely to increase operating and development costs. Such changes could adversely impact NSR's financial performance.

### **2.4 Derivatives**

NSR uses derivative instruments to hedge its exposure to interest rates. The mark-to-market valuation of derivative instruments could change quickly and significantly. Such movements may have an adverse effect on the financial performance and financial position of NSR.

### **2.5 Dilution risk**

Investors who do not participate in the Offer will have their investment in NSR diluted. Further, and in addition to the Offer, NSR may issue securities to finance future acquisitions or pay down debt which may, under certain circumstances, dilute the value of securityholders' interests in NSR and the proportional beneficial ownership in the underlying assets of NSR.

### **2.6 Changes in law**

Changes in law, government legislation, regulation and policy in jurisdictions in which NSR operate may adversely affect the value of its portfolio and/or NSR's future earnings and performance as well as the value of NSR's securities quoted on the ASX.

### **2.7 Taxation risk**

There may be tax implications arising from applications for Stapled Securities (including New Securities), the receipt of distributions (if any) and returns of capital from NSR, and on the disposal of Stapled Securities. Future tax reforms could impact on the distributions from NSR and the value of securities, possibly with retrospective effect. Investors should note that Australian tax laws are complex and constantly subject to change.

### **2.8 Accounting standards**

The Australian Accounting Standards to which NSR adheres are set by the Australian Accounting Standards Board (AASB) and are consequently outside the control of NSR and the directors of NSH and NSFS. Changes to accounting standards issued by AASB or changes to the commonly held views on the application of those standards could materially and adversely affect the financial performance and position reported in NSR's financial statements.

### **2.9 Equity raising and underwriting risk**

NSR has entered into an underwriting agreement under which the Underwriters have agreed to fully underwrite the Offer, subject to the terms and conditions of the underwriting agreement between the parties. If certain conditions are not satisfied or certain events occur, the Underwriters may terminate the underwriting agreement. Termination of the underwriting agreement would have an adverse impact on the proceeds raised under the Offer and NSR's sources of funding for acquisitions. If the underwriting agreement is terminated NSR may not be able to complete the acquisitions, which may have a material adverse effect on NSR's financial performance, financial position and security price.

# INTERNATIONAL OFFER RESTRICTIONS

This document does not constitute an offer of new stapled securities ("New Securities") of NSR in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

## Hong Kong

**WARNING:** This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## Japan

The New Securities have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the New Securities may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires New Securities may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of New Securities is conditional upon the execution of an agreement to that effect.

NSR has made a notification in compliance with the Investment Trust Law of Japan. Neither the Financial Services Agency of Japan nor the Kanto Local Finance Bureau has passed upon the accuracy or adequacy of this document or otherwise approved or authorised the offering of New Securities to investors resident in Japan.

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Securities are not being offered to the public within New Zealand other than to existing security holders of NSR with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Securities may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

## Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore ("MAS") and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (the "SFA") in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. NSR is not a collective investment scheme authorised under Section 286 of the SFA or recognised by the MAS under Section 287 of the SFA and the New Securities are not allowed to be offered to the retail public. This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Securities may not be circulated or distributed, nor may the New Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore. Any offer is not made to you with a view to the New Securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

# INTERNATIONAL OFFER RESTRICTIONS CONT'D

## Switzerland

The New Securities may not be distributed in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Securities may be publicly distributed or otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing material relating to the New Securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Securities will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA), and the offer of New Securities has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of New Securities. This document is personal to the recipient only and not for general circulation in Switzerland.

## United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Securities have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

## Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of New Securities only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such New Securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Securities or the offering of New Securities and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Securities or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Securities in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements.

These resale restrictions may in some circumstances apply to resales of the New Securities outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Securities.

NSR as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon NSR or its directors or officers. All or a substantial portion of the assets of NSR and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against NSR or such persons in Canada or to enforce a judgment obtained in Canadian courts against NSR or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

## *Statutory rights of action for damages and rescission*

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Securities purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against NSR if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against NSR. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Securities during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against NSR, provided that (a) NSR will not be liable if it proves that the purchaser purchased the New Securities with knowledge of the misrepresentation; (b) in an action for damages, NSR is not liable for all or any portion of the damages that NSR proves does not represent the depreciation in value of the New Securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Securities were offered.

# INTERNATIONAL OFFER RESTRICTIONS CONT'D

## Canada (British Columbia, Ontario and Quebec provinces) Cont'd

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations. Prospective purchasers of the New Securities should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the New Securities as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Securities (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

## United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Securities.

This document is issued on a confidential basis to "professional investors" (within the meaning of the Alternative Investment Fund Managers Directive) who are also "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom. The New Securities may not be offered or sold in the United Kingdom by means of this document or any other document except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Securities has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to NSR.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The New Securities are being marketed in the United Kingdom in compliance with the National Private Placement Regime (within the meaning of The Alternative Investment Fund Managers Regulations 2013). NSR's most recent annual report and other information it has lodged with the Australian Securities Exchange can be found on the websites of NSR ([www.nationalstorage.com.au](http://www.nationalstorage.com.au)) and the ASX ([www.asx.com.au](http://www.asx.com.au)).

# THANK YOU

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A photograph of a white building wall with vertical paneling. On the right side, there is a large yellow square sign with a black border. The sign contains the text "NATIONAL" in black and "STORAGE" in yellow, both in a bold, sans-serif font. To the left of the sign is a black door frame.

**NATIONAL  
STORAGE**

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