

20 January 2012

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Dear Shareholder

May I first take the opportunity of wishing you a happy and prosperous New Year. I do hope you had a good Christmas. As we move into 2012 it is an appropriate moment to reflect on the Group's successes in 2011 and its potential in 2012 and beyond, as well as to comment on some recent shareholder developments.

As has been reported in the media, at the recent Annual General Meeting Laxey Partners and three other shareholders voted against a number of resolutions including the re-election by rotation of Andrew Jacobs, the Group's CEO. All other shareholders who voted supported Andrew Jacobs's re-election, effectively for a further term of 3 years. Accordingly, the resolution was passed and Andrew Jacobs was duly re-elected.

Laxey was also quoted in the media questioning the performance of the CEO and his approach. As a shareholder they, like others, are entitled to their view. I would like to take this opportunity to explain why all the members of your Board (except for the Laxey representative) believe Laxey's criticisms are misplaced and that our strategy is the appropriate one now and for the foreseeable future.

At the onset of the economic crisis in 2008, your Board took the decision to adopt a cautious approach by slowing the store opening programme, and focusing instead on exploiting the potential of the existing stores within our portfolio, and at the same time reducing operating and financing costs. The success of this strategy has been reflected this year in the significant growth in the Group's profit, an increase in the dividend by 200%, and an increase in the net asset value of the business.

The last 12 months have also seen the Group make significant operational progress in line with this strategy. We have continued to extend our leases on sites on more favourable terms thereby decreasing rental costs and increasing the value of those leasehold sites. We have also renewed our planning consents at Reading, which will allow us to create a new larger purpose-built self-storage facility. This will be funded by the sale of the old site for residential development, a highly profitable project for us.

Most importantly, the team has recently achieved a major success at Maidenhead which we announced on January 5th. In conjunction with Lidl we have been masterminding the planning for a combined supermarket and 60,000 sq. ft. self-storage facility. Consent has now been granted for this new development and construction will start this year with the storage facility opening in 2013. We are very optimistic on the significant potential of this new facility given the affluence of the area and the high footfall generated by Lidl customers. The innovative financing of the scheme agreed with Lidl, will require only a small capital input from Lok'nStore and so allows us to continue to expand the Group's operating footprint without stretching our balance sheet.

The Maidenhead deal is typical of the type of opportunity your Board is pursuing, and we believe validates our strategy of a prudent but active approach during the current uncertain economic times.

Looking to the future, we reported recently that we had completed the refinancing of the company's £40 million loan agreement on highly favourable terms with Lloyds TSB Bank plc. Our facility is secure for 5 years until 2016, and requires no capital repayments during its term. Given the current economic climate securing this facility is a strong independent validation of management, our strategy, and our record of delivery against the business objectives.

Lloyds Bank Corporate Markets has said in its marketing material about its relationship with Lok'nStore *"This is a great business with a clear strategy. The management team is prudent, with a good track record. We know that there are opportunities out there and that Lok'nStore are well-placed to continue the steady growth they've demonstrated over the past decade. The new £40m revolving credit facility on a five year term will underpin that growth strategy."*

This new facility enables the Board to continue our strategy of prudent value-creating growth. We recently expanded our interest in document storage with the acquisition of Saracen, which will add significantly to our capabilities in this complementary area. The Group is well placed to exploit further exciting growth opportunities in the current economic conditions.

Your Board firmly believes that its approach in the current uncertain economic times is working very well. We are not prepared to risk the significant progress made, and hard-fought gains won, by pursuing over-rapid and highly leveraged expansion where value creation is uncertain. We believe this would be particularly injudicious when there are many alternative opportunities to secure growth with lower risk. We are pursuing these strenuously on your behalf.

We have a strong, dedicated and dynamic executive management team, led expertly by Andrew Jacobs, which has delivered a year of record profits and dividend growth. This team remains totally committed to working for the interest of all shareholders, steadily growing value despite the difficult economic conditions. We do hope you agree.

Yours sincerely



Simon Thomas
Chairman Lok'nStore Group plc.