

News Release

Public Storage, Inc.
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For Release: Immediately
Date: October 27, 2005
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Public Storage, Inc. Reports Results for the Third Quarter Ended September 30, 2005

GLENDAL, California –Public Storage, Inc. (NYSE and PCX: PSA), announced today operating results for the quarter ended September 30, 2005.

Operating Results for the Quarter Ended September 30, 2005:

Net income for the three months ended September 30, 2005 was \$128,344,000 compared to \$97,515,000 for the same period in 2004, representing an increase of \$30,829,000 or 32%. This increase is primarily due to improved operations from our Same Store, newly developed and acquired self-storage facilities, an increase in equity earnings of real estate entities, improved tenant reinsurance operations, a gain on the disposition of real estate assets, and higher interest income. These items were partially offset by increases in depreciation and interest expense. Equity in earnings of real estate entities increased primarily as a result of our pro-rata share of gain from the sale of real estate recorded by one of the entities that we have an interest in, but do not consolidate, in the quarter ended September 30, 2005.

Net income allocable to our common shareholders (after allocating net income to our preferred and equity stock shareholders) was \$79,262,000 or \$0.62 per common share on a diluted basis for the three months ended September 30, 2005 compared to \$48,597,000 or \$0.38 per common share on a diluted basis for the same period in 2004, representing an increase of \$0.24 per common share, or 63%. The increases in net income allocable to common shareholders and earnings per common diluted share are due primarily to the impact of the factors described above with respect to the increase in net income. Weighted average diluted shares decreased to 128,742,000 for the three months ended September 30, 2005 from 128,826,000 for the three months ended September 30, 2004.

For the three months ended September 30, 2005 and 2004, we allocated \$43,726,000 and \$40,471,000 of our net income, respectively, to our preferred shareholders based on distributions paid. The year-over-year increase is due to the issuance of additional preferred securities, partially offset by the redemption of preferred securities that had higher dividend rates than the newly preferred securities issued. For the three months ended September 30, 2004, we also recorded an additional allocation of net income to our preferred shareholders and a corresponding reduction of net income allocation to our common shareholders of \$3,072,000 or \$0.02 per common share with respect to our redemption of our Series M and Series D Preferred stock, pursuant to Emerging Issues Task Force Topic D-42 ("EITF Topic D-42").

Operating Results for the Nine Months Ended September 30, 2005:

Net income for the nine months ended September 30, 2005 was \$333,021,000 compared to \$258,942,000 for the same period in 2004, representing an increase of \$74,079,000, or 29%. This increase is primarily due to improved operations from our Same Store, newly developed and acquired self-storage facilities, reduced minority interest in income, an increase in equity earnings of real estate entities, improved tenant reinsurance operations, increased gains on the disposition of real estate assets and higher interest income. These items were partially offset by increases in depreciation and interest expense. Equity in earnings of real estate entities increased due to our pro-rata share of gain from the sale of real estate recorded by one of the entities that we have an interest in, but do not consolidate, in the nine months ended September 30, 2005.

Minority interest in income declined primarily due to a reduction in redemption and restructuring costs associated with preferred partnership units in 2004, combined with the redemption of preferred partnership units during 2005. We allocated income to minority interests pursuant to EITF Topic D-42 totaling \$874,000 and \$2,063,000 for the nine months ended September 30, 2005 and 2004, respectively. In addition, during the nine months ended September 30, 2004, we allocated \$8.0 million to preferred minority interests as a result of a special distribution associated with a restructuring.

Net income allocable to our common shareholders (after allocating net income to our preferred and equity stock shareholders) was \$188,744,000 or \$1.46 per common share on a diluted basis for the nine months ended September 30, 2005 compared to \$118,728,000 or \$0.92 per common share on a diluted basis for the same period in 2004, representing an increase of \$0.54 per common share, or 59%. The increases in net income allocable to common shareholders and earnings per common diluted share are due primarily to the impact of the factors described above with respect to the increase in net income, partially offset by an increase in net income allocated to our preferred shareholders. Weighted average diluted

shares increased to 128,844,000 for the nine months ended September 30, 2005 from 128,545,000 for the nine months ended September 30, 2004.

For the nine months ended September 30, 2005 and 2004, we allocated \$126,286,000 and \$117,293,000 of our net income, respectively, to our preferred shareholders based on distributions paid. The year-over-year increase is due to the issuance of additional preferred securities, partially offset by the redemption of preferred securities at higher dividend rates than the newly preferred securities issued. We also recorded allocations of income to our preferred shareholders with respect to the application of EITF Topic D-42 totaling \$1,904,000 (or \$0.01 per common share) and \$6,795,000 (or \$0.05 per common share) for the nine months ended September 30, 2005 and 2004, respectively.

Funds from Operations:

For the three months ended September 30, 2005, funds from operations (“FFO”) increased to \$0.97 per common share on a diluted basis as compared to \$0.76 for the same period in 2004, representing an increase of \$0.21 per common share, or 27.6%. For the nine months ended September 30, 2005, FFO increased to \$2.66 per common share on a diluted basis as compared to \$2.11 for the same period in 2004, representing an increase of \$0.55 per common share, or 26.1%.

For the three and nine months ended September 30, 2005 and 2004, FFO per common share has been impacted as a result of (i) the application of EITF Topic D-42 in connection with the redemption of preferred securities, (ii) in the case of the first quarter of 2004, the payment of a special distribution to certain preferred unit holders in connection with the restructure of the securities, (iii) FFO per common share for the nine months ended September 30, 2005 includes the impact of a gain on the sale of non-real estate assets previously used by our containerized storage business, totaling approximately \$1,143,000 (\$0.01 per share), which occurred during the first quarter of 2005, and (iv) losses incurred in our tenant reinsurance business and property casualty losses as a result of the impact from hurricanes.

The following table provides a summary of the impact of these items that have occurred during the three and nine months ended September 30, 2005 and 2004:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2005	2004	Percentage Change	2005	2004	Percentage Change
FFO per common share, as reported.....	\$ 0.97	\$ 0.76	27.6%	\$ 2.66	\$ 2.11	26.1%
Aggregate impact from the application of EITF Topic D-42 in connection with the redemption of preferred securities	-	0.03		0.02	0.09	
Special distribution paid to preferred unitholders in connection with restructuring the terms of the units	-	-		-	0.06	
Gain on the sale of non-real estate assets previously used by our containerized storage business.....	-	-		(0.01)	-	
Tenant insurance claims expense and casualty losses from hurricanes	0.01	0.02		0.01	0.02	
FFO per common share prior to the impact of the above items.....	\$ 0.98	\$ 0.81	21.0%	\$ 2.68	\$ 2.28	17.5%

FFO is a term defined by the National Association of Real Estate Investment Trusts. FFO is a supplemental non-GAAP financial disclosure and it is generally defined as net income before depreciation and does not include gains or losses on the disposition of real estate assets. FFO computations do not consider our scheduled principal payments on debt, capital improvements, distributions, or other obligations of the Company. FFO is not a substitute for our cash flow or net income as a measure of our liquidity or operating performance or our ability to pay dividends. Other REITs may not compute FFO in the same manner; accordingly, FFO may not be comparable among REITs. FFO is presented because management and many analysts consider FFO to be one measure of the performance of real estate companies and because we believe that FFO is helpful to investors as an additional measure of performance of a REIT. See the attached reconciliation of net income to funds from operations included in the selected financial data attached to this press release.

Property Operations:

We derive substantially all of our revenues from the ownership and management of self-storage facilities. In order to evaluate the performance of our overall self-storage portfolio, we analyze the operating performance of our stabilized self-storage facilities.

At September 30, 2005, our "Same Store" portfolio consists of 1,260 facilities, which represents the facilities that we have consolidated in our financial statements and have been operating on a stabilized basis throughout 2003, 2004, and the first nine months of 2005. During the quarter ended September 30, 2005, we removed a total of 9 facilities from the Same Store pool because the operations of these facilities were no longer comparable to prior periods. These 9 facilities included 8 facilities located in New Orleans that were damaged by the impact of Hurricane Katrina and one facility located in Houston that was partially condemned due to eminent domain proceedings. The new Same Store pool of 1,260 facilities should not be compared to the pool of 1,269 facilities presented in prior press releases when evaluating trends in operations.

The following table summarizes the pre-depreciation historical operating results of the Same Store facilities:

Selected Operating Data for the Same Store Facilities (1,260 Facilities):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2005	2004	Percentage Change	2005	2004	Percentage Change
	(Dollar amounts in thousands, except weighted average data)					
Revenues:						
Rental income, net of discounts.....	\$ 197,329	\$ 188,991	4.4%	\$ 577,941	\$ 552,453	4.6%
Late charges and administrative fees collected....	9,528	8,171	16.6%	26,811	24,312	10.3%
Total revenues (a).....	206,857	197,162	4.9%	604,752	576,765	4.9%
Cost of operations:						
Payroll expense	20,096	20,357	(1.3)%	61,911	61,149	1.2%
Property taxes	19,261	18,375	4.8%	56,816	54,735	3.8%
Advertising and promotion.....	5,182	4,373	18.5%	17,740	15,402	15.2%
Repairs and maintenance.....	6,172	6,351	(2.8)%	19,084	19,034	0.3%
Utilities.....	4,657	4,313	8.0%	12,831	12,130	5.8%
Property insurance.....	1,929	2,241	(13.9)%	6,145	6,923	(11.2)%
Telephone reservation center.....	2,217	2,760	(19.7)%	5,976	8,367	(28.6)%
Other costs of management	7,413	6,846	8.3%	22,425	21,459	4.5%
Total cost of operations (a).....	66,927	65,616	2.0%	202,928	199,199	1.9%
Net operating income (before depreciation)	\$ 139,930	\$ 131,546	6.4%	\$ 401,824	\$ 377,566	6.4%
Gross margin.....	67.6%	66.7%	1.3%	66.4%	65.5%	1.4%
Weighted average for the period:						
Square foot occupancy (b).....	91.7%	91.9%	(0.2)%	91.2%	91.1%	0.1%
Realized annual rent per occupied square foot (c).	\$ 11.74	\$ 11.22	4.6%	\$ 11.53	\$ 11.03	4.5%
REVPAF (d).....	\$ 10.77	\$ 10.31	4.5%	\$ 10.51	\$ 10.05	4.6%
Weighted average at September 30:						
Square foot occupancy				91.6%	92.0%	(0.4)%
In place annual rent per occupied square foot (e).....				\$ 12.83	\$ 12.20	5.2%
Total net rentable square feet (in thousands).....				73,311	73,311	-

- a) See attached reconciliation of these amounts to our consolidated self-storage revenues and operating expenses. Revenues and cost of operations do not include revenues and expenses generated at the facilities with respect to tenant reinsurance, retail sales and truck rentals. "Other costs of management" included in cost of operations principally represents all the indirect costs incurred in the operations of the facilities. Indirect costs principally include supervisory costs and corporate overhead cost incurred to support the operating activities of the facilities.
- b) Square foot occupancies represent weighted average occupancy levels over the entire period.
- c) Realized annual rent per occupied square foot is computed by dividing annualized rental income, net of discounts, by the weighted average occupied square footage for the period. Realized annual rent per occupied square foot takes into consideration promotional discounts, bad debt costs, credit card fees and other costs that reduce rental income from the contractual amounts due. Realized annual rent per occupied square foot excludes late charges and administrative fees collected, and it is presented because we believe annual realized rent per occupied square foot is an important measure of our operations.

- d) Annualized rental income per available square foot (“REVPAF”) represents annualized rental income, net of discounts, divided by total available net rentable square feet. REVPAF excludes late charges and administrative fees collected. REVPAF is presented because we believe it is useful in evaluating our operations.
- e) In place annual rent per occupied square foot represents annualized contractual rents per occupied square foot without reductions for promotional discounts, and excludes late charges and administrative fees.

The growth in rental income during the remainder of 2005 will depend upon various factors, including our ability to maintain high occupancy levels, and increase rental rates charged to both new and existing customers. The following table summarizes additional selected financial data with respect to our Same Store facilities:

	Three Months Ended					Full Year
	March 31	June 30	September 30	December 31		
Media advertising expense (in 000’s):						
2004.....	\$ 3,290	\$ 1,956	\$ 1,988	\$ 3,060	\$ 10,294	
2005.....	\$ 3,522	\$ 2,940	\$ 2,309			
REVPAF:						
2004.....	\$ 9.77	\$ 10.06	\$ 10.31	\$ 10.27	\$ 10.10	
2005.....	\$ 10.25	\$ 10.51	\$ 10.77			
Weighted average realized annual rent per occupied square foot for the period:						
2004.....	\$ 10.90	\$ 10.99	\$ 11.22	\$ 11.31	\$ 11.10	
2005.....	\$ 11.41	\$ 11.41	\$ 11.74			
Weighted average square foot occupancy levels for the period:						
2004.....	89.7%	91.5%	91.9%	90.8%	91.0%	
2005.....	89.9%	92.1%	91.7%			

Effects of Hurricanes:

In August 2005, all eight of our facilities located in New Orleans were damaged as a result of the impact of Hurricane Katrina. All of the facilities were closed for operations for several weeks following the hurricane; however, all but three of these facilities have since reopened. The five that are operating are not operating at full capacity, as many units are offline due to damage. Two of the three facilities that remain closed will not be able to reopen at all without substantial restoration and repair work.

During the quarter ended September 30, 2005, our net operating income (before depreciation) for these eight facilities was \$531,000 compared to \$1,020,000 for the same period last year, a reduction of \$489,000, or 48%. For the first six months of 2005, net operating income (before depreciation) was \$1,980,000 as compared to \$1,877,000 for same period in 2004, an increase of \$103,000 or 5%. With respect to the two facilities that have been significantly damaged and should remain inoperable for the foreseeable future, net operating income (before depreciation) was \$129,000 for the third quarter of 2005 compared to \$255,000 for the same period last year and \$463,000 for the first six months of 2005 compared to \$454,000 for same period in 2004.

Notwithstanding that five of our facilities in New Orleans are currently operating, we believe that the indirect economic effects of the hurricane on the city may have a negative impact on our facilities’ operating results, and these effects are expected to continue for an indeterminate time period.

We have third-party insurance coverage, subject to certain deductibles, that covers restoration of physical damage to our facilities. We also have business interruption insurance, subject to certain deductibles, that principally covers loss of income due to units being offline as a result of physical damage. Loss of income occasioned entirely by indirect economic effects is generally not covered.

We estimate that the cost to restore our facilities will be approximately \$6.2 million, of which approximately \$210,000 will be repairs and maintenance expense that will be incurred in the fourth quarter of 2005. We expect our insurers to pay for approximately \$2.8 million of these costs. We recorded a casualty loss with respect to the damage to our self-storage facilities amounting to approximately \$196,000 in the quarter ended September 30, 2005, which represents the excess of the net book value of assets damaged over the insurance proceeds we expect to receive. We recorded a similar casualty loss during the same quarter in 2004 of \$1,250,000.

No income from business interruption proceeds has been recorded during the quarter, as certain specific deductible limits have not yet been reached based upon losses incurred to date.

The above estimates are subject to change as we and our insurers (i) more fully evaluate the extent of physical damage, which may not be fully determinable until commencement of demolition, (ii) develop detailed restoration plans and (iii) evaluate the impact of local conditions in the building labor and supplies markets on restoration costs. In addition, we have not yet determined whether restoration of the two most significantly damaged facilities in New Orleans will be economically viable; however, if we did not restore these facilities we could apply the insurance proceeds towards the development of facilities in other locations.

Our tenant insurance subsidiary reinsures policies against claims for losses to goods stored by tenants in our facilities, for tenants who elect such coverage. Included in cost of operations for tenant reinsurance for the third quarter of 2005 is \$500,000 in estimated losses with respect to tenant claims as a result of damage sustained from the impact of Hurricane Katrina. During the same period last year, we recorded \$1.5 million for estimated losses from tenant claims for the series of hurricanes that occurred during the third quarter of 2004.

On October 24, 2005, Hurricane Wilma struck southern Florida, where we have 111 facilities in the Miami, West Palm Beach, and Tampa areas. We are currently assessing damage and do not expect to have damage estimates for several weeks. The impact of this hurricane will be recorded in our operating results for the quarter ending December 31, 2005.

Development, Acquisition and Disposition Activities:

During the third quarter of 2005, we opened one newly developed facility representing the conversion of an existing commercial facility into a self-storage facility at an incremental cost of \$4.5 million containing 135,000 net rentable square feet. We also completed three projects whereby we converted space at former containerized storage facilities into self-storage space at a total cost of \$5.7 million, adding an aggregate 151,000 net rentable square feet of self-storage space.

At September 30, 2005, there were 57 projects that were either under construction or were expected to begin construction generally within the next year, comprised of seven newly developed self-storage facilities (579,000 net rentable square feet) with total estimated cost of \$81.0 million, 38 projects (2,309,000 net additional rentable square feet) which expand existing self-storage facilities and enhance their visual appeal for a total estimated cost of \$177.1 million, and 12 projects (926,000 net rentable square feet) to convert space at former containerized storage facilities into self-storage space for a total estimated cost of \$33.2 million. These projects will be fully funded by us. Opening dates for these facilities are estimated through the next 24 months. The development of these facilities is subject to various risks and contingencies.

During the third quarter of 2005, we acquired seven facilities from third parties, with an aggregate of 549,000 net rentable square feet, for an aggregate cost of approximately \$42.3 million in cash. These acquisitions were funded entirely by us.

In addition to the facilities acquired in the quarter ended September 30, 2005, we acquired six additional facilities for approximately \$68.9 million with 504,000 net rentable square feet between October 1, 2005 and October 26, 2005. At October 26, 2005, we are under contract to acquire five additional facilities (total approximate net rentable square feet of 385,000) at an aggregate cost of approximately \$64.1 million, including the assumption of debt on one of these facilities totaling approximately \$4.8 million. We anticipate that these acquisitions will be funded entirely by us. Each of these contracts is subject to significant contingencies, and there is no assurance that any of these facilities will be acquired.

During the third quarter of 2005, we acquired a minority interest in an affiliated partnership that we consolidate for financial reporting purposes for an aggregate acquisition cost of approximately \$14.6 million in cash.

On August 5, 2005 we acquired the third party institutional investor's partnership interest in PSAC Storage Investors, LLC for approximately \$41.4 million in cash. The institutional investor along with Mr. Hughes, the Company's Chairman of the Board, were partners in PSAC Storage Investors, LLC, a partnership that owns an interest in our consolidated development joint venture. As a result of the acquisition, we began consolidating the accounts of PSAC Storage Investors, LLC, during the third quarter of 2005. In addition, the acquisition allows us to terminate the partnership and the development joint venture as of November 17, 2005, which we intend to do. Upon termination, we will acquire Mr. Hughes' interest in PSAC Storage Investors, LLC, for approximately \$64.5 million, pursuant to the terms of the partnership agreement.

As of September 30, 2005, Mr. Hughes' interest in PSAC Storage Investors, LLC's is presented as debt on our balance sheet. In addition, Mr. Hughes' accrued preferred return (at 7.9972%) from the date of our acquisition of our interest through September 30, 2005 of approximately \$789,000 has been presented as interest expense. As a result of this acquisition, on August 5, 2005, the recording of minority interest in income with respect to the Consolidated Development Joint Venture ceased. Prior to the acquisition on August 5, 2005, a total of approximately \$826,000 in income was allocated to the Consolidated Development Joint Venture during the quarter ended September 30, 2005, which is net of \$322,000 in depreciation expense.

As previously reported, in an eminent domain proceeding, one of our self-storage facilities located in the Portland, Oregon market was condemned. We received the proceeds from the disposal of this facility during the third quarter of 2005 and recorded a gain of approximately \$5.2 million. The operations of this facility prior to its disposition, and the gain on

disposition were classified as “discontinued operations” for all periods presented on our September 30, 2005 income statement. This property was not previously included in our Same Store pool.

Issuance and Redemption of Preferred Securities:

On August 23, 2005, we issued 8,000,000 depositary shares, with each depositary share representing 1/1,000 of a share of 6.45% Cumulative Preferred Stock, Series F. The offering resulted in \$200 million of gross proceeds. On October 3, 2005, we issued an additional 2,000,000 depositary shares, with each depositary share representing 1/1,000 of a share in our 6.45% Series F Preferred Stock resulting in \$50 million of gross proceeds.

In December 2005, we expect to call for redemption our 8.60% Cumulative Preferred Stock, Series Q with a redemption value of \$172,500,000, plus redemption costs. As a result, we will recognize an EITF Topic D-42 charge of \$5,634,000 in the fourth quarter of 2005.

Common Stock Activity:

As previously reported, the Board of Directors has authorized the repurchase of up to 25,000,000 shares of the Company’s common stock. As of June 30, 2005, we have repurchased a total of 22,201,720 shares of our common stock. No additional shares were repurchased between July 1, 2005 and October 27, 2005.

Distributions Declared:

On October 27, 2005, the Board of Directors declared a quarterly distribution of \$0.50 per regular common share and \$0.6125 per share on the depositary shares each representing 1/1,000 of a share of Equity Stock, Series A. Distributions were also declared with respect to the Company’s various series of preferred stock. All the distributions are payable on December 29, 2005 to shareholders of record as of December 15, 2005.

Third Quarter Conference Call:

A conference call is scheduled for Friday, October 28, 2005, at 9:00 a.m. (PDT) to discuss the third quarter 2005 earnings results. The participant toll free number is (877) 516-1540 (conference ID number 9827945). A simultaneous audio web cast may be accessed by using the link at www.publicstorage.com under “Investor Relations” (conference ID number 9827945). A replay of the conference call may be accessed through November 28, 2005 by calling (800) 642-1687 or by using the link at www.publicstorage.com under “Investor Relations.” Both forms of replay utilize conference ID number 9827945.

About Public Storage, Inc.:

Public Storage, Inc., an S&P 500 company, is a fully integrated, self-administered and self-managed real estate investment trust that primarily acquires, develops, owns and operates self-storage facilities. The Company’s headquarters are located in Glendale, California. The Company’s self-storage properties are located in 37 states. At September 30, 2005 the Company had interests in 1,487 storage facilities with approximately 91 million net rentable square feet.

Forward Looking Statements:

When used within this document, the words “expects,” “believes,” “anticipates,” “should,” “estimates,” and similar expressions are intended to identify “forward-looking statements” within the meaning of the Private Securities Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors, which may cause the actual results and performance of the Company to be materially different from those expressed or implied in the forward-looking statements. Such factors and risks are described from time to time in Public Storage’s filings with the Securities and Exchange Commission including in Item 1A to the Company’s Annual Report on Form 10-K for the year ended December 31, 2004, “Risk Factors” and in Item 2A to the Company’s Quarterly Report on Form 10-Q for the quarters ended March 31, 2005 and June 30, 2005 and include changes in general economic conditions and in the market in which the Company operates and the impact of competition from new and existing storage and commercial facilities and other storage alternatives, which could impact rents and occupancy levels at the Company’s facilities; difficulties in the Company’s ability to evaluate, finance and integrate acquired and developed properties into the Company’s existing operations and to fill up those properties, which could adversely affect the Company’s profitability; the impact of the regulatory environment as well as national, state, and local laws and regulations including, without limitation, those governing Real Estate Investment Trusts, which could increase the Company’s expense and reduce the Company’s cash available for distribution; consumers’ failure to accept the containerized storage concept which would reduce the Company’s profitability; difficulties in raising capital at reasonable rates, which would impede the Company’s ability to grow; delays in the development process, which could adversely affect the Company’s profitability; and economic uncertainty due to the impact of war or terrorism could adversely affect our business plan. We disclaim any obligation to

publicly release the results of any revisions to these forward-looking statements reflecting new estimates, events or circumstances after the date of this report.

More information about Public Storage, Inc. is available on our website, www.publicstorage.com. The Company's Form 10-Q for the quarter ended September 30, 2005, which will be certified by the Company's CEO/President and Chief Financial Officer, will be posted to our website, when it is filed with the Securities and Exchange Commission.

Additional financial data attached.

PUBLIC STORAGE, INC.
SELECTED FINANCIAL DATA
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
(In thousands, except per share data)				
Revenues:				
Rental income:				
Self-storage facilities (a).....	\$ 243,822	\$ 219,743	\$ 706,634	\$ 638,520
Commercial properties (a).....	2,918	2,707	8,693	8,064
Containerized storage facilities (a).....	4,480	5,048	12,305	15,099
Tenant reinsurance premiums.....	6,332	6,210	18,499	18,266
Interest and other income	7,376	3,300	16,698	7,240
	<u>264,928</u>	<u>237,008</u>	<u>762,829</u>	<u>687,189</u>
Expenses:				
Cost of operations:				
Self-storage facilities (a).....	80,308	74,002	242,429	223,953
Commercial properties (a).....	1,122	1,031	3,292	3,200
Containerized storage facilities (a).....	3,676	3,073	9,692	8,741
Tenant reinsurance.....	3,017	4,204	7,560	11,089
Depreciation and amortization.....	47,917	44,354	144,136	135,447
General and administrative.....	5,621	5,527	16,890	15,983
Interest expense.....	2,471	-	5,928	100
	<u>144,132</u>	<u>132,191</u>	<u>429,927</u>	<u>398,513</u>
Income from continuing operations before equity in earnings of real estate entities and minority interest in income	120,796	104,817	332,902	288,676
Equity in earnings of real estate entities	9,853	3,184	20,382	11,646
Asset impairment charge due to casualty loss from hurricanes	(196)	(1,250)	(196)	(1,250)
Minority interest in income:				
Allocable to preferred minority interests:				
Based upon ongoing distributions	(3,591)	(5,176)	(12,556)	(16,907)
Special distribution and EITF Topic D-42 allocation (b) ..	-	-	(874)	(10,063)
Other partnership interests	(3,652)	(4,345)	(12,925)	(12,928)
Income from continuing operations	123,210	97,230	326,733	259,174
Gain/(loss) on disposition of real estate.....	(142)	1,286	(89)	1,286
Discontinued operations (a).....	5,276	(1,001)	6,377	(1,518)
Net income	<u>\$ 128,344</u>	<u>\$ 97,515</u>	<u>\$ 333,021</u>	<u>\$ 258,942</u>
Net income allocation:				
Allocable to preferred shareholders:				
Based on distributions paid.....	\$ 43,726	\$ 40,471	\$ 126,286	\$ 117,293
Based on redemptions of preferred stock.....	-	3,072	1,904	6,795
Allocable to equity shareholders, Series A	5,356	5,375	16,087	16,126
Allocable to common shareholders	79,262	48,597	188,744	118,728
	<u>\$ 128,344</u>	<u>\$ 97,515</u>	<u>\$ 333,021</u>	<u>\$ 258,942</u>
Per common share:				
Net income per share – Diluted	<u>\$ 0.62</u>	<u>\$ 0.38</u>	<u>\$ 1.46</u>	<u>\$ 0.92</u>
Net income per share – Basic	<u>\$ 0.62</u>	<u>\$ 0.38</u>	<u>\$ 1.47</u>	<u>\$ 0.93</u>
Weighted average common shares – Diluted.....	<u>128,742</u>	<u>128,826</u>	<u>128,844</u>	<u>128,545</u>
Weighted average common shares – Basic.....	<u>128,006</u>	<u>128,085</u>	<u>128,191</u>	<u>127,635</u>

- (a) The historical operations of a self-storage facility that was condemned in July 2005, a commercial facility that we sold in 2004, and the historical operations of the containerized storage facilities that we have closed are included in "Discontinued operations." Discontinued operations includes a gain on sale of non-real estate assets previously used by the discontinued containerized storage operations totaling approximately \$1,143,000 during the nine months ended September 30, 2005. Discontinued operations for the three and nine months ended September 30, 2005, includes a gain of \$5,180,000 relating to the condemnation of a self-storage facility pursuant to an eminent domain proceeding.
- (b) On March 17, 2005, we redeemed all outstanding 9.5% Series N (\$40,000,000) preferred units and on March 29, 2005 we redeemed all outstanding 9.125% Series O (\$45,000,000) preferred units. In accordance with the SEC's clarification of EITF Topic D-42, we allocated \$874,000 to minority interests, representing costs incurred when these

units were originally issued. As previously reported, in the first quarter of 2004 the holders of \$200 million of the Series N preferred units agreed, in exchange for a special distribution of \$8.0 million, to a reduction in the distribution rate on their preferred units from 9.50% per year to 6.40% per year, effective March 22, 2004. This \$8.0 million special distribution was reflected as minority interest in income in the nine months ended September 30, 2004, along with \$2,063,000 in costs incurred when the \$200 million in units were originally issued, in accordance with EITF Topic D-42. The ongoing distributions reflect a partial period for the time the units were outstanding during each period.

**PUBLIC STORAGE, INC.
SELECTED FINANCIAL DATA**

	September 30, 2005	December 31, 2004
	(unaudited)	
	(In thousands, except share and per share data)	
<u>ASSETS</u>		
Cash and cash equivalents	\$ 531,774	\$ 366,255
Operating real estate facilities:		
Land and building, at cost	5,747,868	5,510,750
Accumulated depreciation	(1,449,887)	(1,320,200)
	4,297,981	4,190,550
Construction in process	50,899	47,277
Land held for development	8,404	8,883
	4,357,284	4,246,710
Investment in real estate entities	333,482	341,304
Goodwill	78,204	78,204
Intangible assets, net	99,732	104,685
Other assets	71,152	67,632
Total assets	\$ 5,471,628	\$ 5,204,790
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Notes payable	\$ 115,060	\$ 129,519
Debt to joint venture partner	35,654	16,095
Due to affiliate (a)	64,513	-
Preferred stock called for redemption	-	54,875
Accrued and other liabilities	162,401	145,431
Total liabilities	377,628	345,920
Minority interest – preferred	225,000	310,000
Minority interest – other	32,007	118,903
Shareholders' equity:		
Preferred Stock, \$0.01 par value, 50,000,000 shares authorized, 1,699,236 shares issued (in series) and outstanding (3,980,186 at December 31, 2004), at liquidation preference:		
Cumulative Preferred Stock, issued in series	2,520,900	2,102,150
Common Stock, \$0.10 par value, 200,000,000 shares authorized, 128,034,490 shares issued and outstanding (128,526,450 at December 31, 2004)	12,803	12,853
Equity Stock, Series A, \$0.01 par value, 200,000,000 shares authorized, 8,744.193 shares issued and outstanding (8,776.102 at December 31, 2004)	-	-
Paid-in capital	2,435,068	2,457,568
Cumulative net income	3,065,894	2,732,873
Cumulative distribution paid	(3,197,672)	(2,875,477)
Total shareholders' equity	4,836,993	4,429,967
Total liabilities and shareholders' equity	\$ 5,471,628	\$ 5,204,790

- (a) Represents amount due to Mr. Hughes, the Company's Chairman of the Board. Mr. Hughes and an institutional investor were partners in PSAC Storage Investors, LLC, a partnership that is a partner with the Company in our development joint venture. In August 2005, we acquired all the institutional investor's interest in PSAC Storage Investors, LLC and began to consolidate the accounts of PSAC Storage Investors, LLC as of August 2005. PSAC Storage Investors, LLC has exercised its right to terminate the development joint venture effective November 17, 2005. As a consequence, we have notified PSAC Storage Investors, LLC that we will exercise our right to buy, on November 17, 2005, all of the partnership interests in PSAC Storage Investors, LLC pursuant to the partnership agreement. The only remaining interest in PSAC Storage Investors, LLC is the partnership interest held by Mr. Hughes which has been classified as a liability in the above consolidated balance sheet.

Selected Financial Data
Computation of Funds from Operations (a)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(Amounts in thousands, except per share data)			
<u>Computation of Funds from Operations (FFO) allocable to</u>				
<u>Common Stock</u>				
Net income.....	\$ 128,344	\$ 97,515	\$ 333,021	\$ 258,942
Add back – depreciation and amortization	47,917	44,354	144,136	135,447
Add back – depreciation and amortization included in Discontinued Operations	20	352	88	1,173
Add back – our pro rata share of depreciation from equity investments	8,822	8,521	26,265	25,055
Eliminate – depreciation with respect to non-real estate assets	(51)	(1,030)	(1,733)	(3,256)
Eliminate – our pro rata share of gain on sale of real estate included in equity of earnings of real estate entities	(5,458)	(136)	(7,164)	(62)
Eliminate – loss (gain) on sale of real estate	142	(1,286)	89	(1,286)
Eliminate – gain on sale of real estate assets included in discontinued operations	(5,180)	-	(5,180)	-
Add back – minority interest share of income	7,243	9,521	26,355	39,898
Consolidated FFO	181,799	157,811	515,877	455,911
Allocable to preferred minority interest:				
Based upon ongoing distributions (b)	(3,591)	(5,176)	(12,556)	(16,907)
Special distribution and EITF Topic D-42 allocation (b)	-	-	(874)	(10,063)
Allocable to minority interest – other partnership interests	(4,255)	(5,902)	(16,071)	(17,779)
Remaining FFO allocable to our shareholders	173,953	146,733	486,376	411,162
Less: allocations to preferred and equity stock shareholders:				
Preferred shareholder distributions	(43,726)	(40,471)	(126,286)	(117,293)
Issuance costs on redeemed preferred shares	-	(3,072)	(1,904)	(6,795)
Equity Stock, Series A distributions	(5,356)	(5,375)	(16,087)	(16,126)
Remaining FFO allocable to our common shareholders (a)	\$ 124,871	\$ 97,815	\$ 342,099	\$ 270,948
 <u>Weighted average common shares outstanding:</u>				
Common shares outstanding	128,006	128,085	128,191	127,635
Weighted average stock options and restricted stock units outstanding using treasury method	736	741	653	910
Weighted average common shares for purposes of computing fully- diluted FFO per common share	128,742	128,826	128,844	128,545
FFO per common share (a) (c)	\$ 0.97	\$ 0.76	\$ 2.66	\$ 2.11

- (a) Funds from operations (“FFO”) is a term defined by the National Association of Real Estate Investment Trusts (“NAREIT”). It is generally defined as net income before depreciation with respect to real estate assets and gains and losses on real estate assets. FFO is presented because management and many analysts consider FFO to be one measure of the performance of real estate companies and because we believe that FFO is helpful to investors as an additional measure of the performance of a REIT. FFO computations do not consider scheduled principal payments on debt, capital improvements, distribution, and other obligations of the Company. FFO is not a substitute for our cash flow or net income as a measure of our liquidity or operating performance or our ability to pay dividends. Other REITs may not compute FFO in the same manner; accordingly, FFO may not be comparable among REITs.
- (b) On March 17, 2005, we redeemed all outstanding 9.5% Series N (\$40,000,000) preferred units, and on March 29, 2005 we redeemed all outstanding 9.125% Series O (\$45,000,000) preferred units and, in accordance with the SEC’s clarification of EITF Topic D-42, we allocated \$874,000 to minority interests, representing costs incurred when these units were originally issued. As previously reported, in the first quarter of 2004 the holders of \$200 million of the Series N preferred units agreed, in exchange for a special distribution of \$8.0 million, to a reduction in the distribution rate on their preferred units from 9.50% per year to 6.40% per year, effective March 22, 2004. This \$8.0 million special distribution was reflected as minority interest in income in the nine months ended September 30, 2004, along with \$2,063,000 in costs incurred when the \$200 million in units were originally issued, in accordance with EITF Topic D-42. The ongoing distributions reflect a partial period for the time the units were outstanding during each period.
- (c) FFO per common share for the nine months ended September 30, 2005 was positively impacted by a gain on sale of non-real estate assets previously used by our discontinued containerized storage business totaling approximately \$1,143,000 or \$0.01 per common share.

Public Storage, Inc.
Selected Financial Data
Computation of Funds Available for Distribution (b)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(Amounts in thousands)			
Computation of Funds Available for Distribution (“FAD”):				
FFO allocable to our common shareholders (a).....	\$ 124,871	\$ 97,815	\$ 342,099	\$ 270,948
Add: Stock-based compensation expense.....	1,196	709	3,579	2,115
Impact of application of EITF Topic D-42.....	-	3,072	2,778	8,858
EITF Topic D-42 charges included in equity in earnings of real estate entities	-	1,228	131	2,171
Less: Capital expenditures to maintain facilities	(3,916)	(10,653)	(13,286)	(20,297)
Funds available for distribution (“FAD”) (b)	<u>\$ 122,151</u>	<u>\$ 92,171</u>	<u>\$ 335,301</u>	<u>\$ 263,795</u>
Distribution to common shareholders.....	<u>\$ 64,157</u>	<u>\$ 57,719</u>	<u>\$ 179,822</u>	<u>\$ 172,474</u>
Distribution payout ratio (b).....	<u>52.5%</u>	<u>62.6%</u>	<u>53.6%</u>	<u>65.4%</u>

- (a) Funds from operations (“FFO”) is a term defined by the National Association of Real Estate Investment Trusts (“NAREIT”). It is generally defined as net income before depreciation and gains and losses on real estate assets. FFO is presented because management and many analysts consider FFO to be one measure of the performance of real estate companies and because we believe that FFO is helpful to investors as an additional measure of the performance of a REIT. FFO computations do not consider scheduled principal payments on debt, capital improvements, distribution, and other obligations of the Company. FFO is not a substitute for our cash flow or net income as a measure of our liquidity or operating performance or our ability to pay dividends. Other REITs may not compute FFO in the same manner; accordingly, FFO may not be comparable among REITs.
- (b) Funds available for distribution (“FAD”) represents FFO, plus 1) impairment charges with respect to real estate assets, 2) the non-cash portion of stock-based compensation expense, and 3) income allocation to preferred equity holders in accordance with EITF Topic D-42, less capital expenditures. The distribution payout ratio is computed by dividing the distribution paid to common shareholders by FAD. FAD is presented because many analysts consider it to be a measure of the performance of real estate companies and because we believe that FAD is helpful to investors as an additional measure of the performance of a REIT. FAD is not a substitute for our cash flow or net income as a measure of our liquidity, operating performance, or our ability to pay dividends. Other REITs may not compute FAD in the same manner; accordingly, FAD may not be comparable among REITs.

Public Storage, Inc.
Selected Financial Data
Reconciliation of Same Store Revenues and Cost of Operations
To Consolidated Self-Storage Rental Income and Cost of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
(Amounts in thousands)				
Revenues for the 1,260 Same Store facilities.....	\$ 206,857	\$ 197,162	\$ 604,752	\$ 576,765
Revenues for non-Same Store facilities (a):				
Development facilities (year opened):				
2001 and 2002.....	5,607	5,000	16,131	13,883
2003	3,355	2,520	9,410	5,906
2004	1,505	399	3,759	546
2005	154	-	204	-
Acquisition facilities (year acquired):				
2004	7,926	95	22,376	95
2005	2,748	-	4,625	-
Expansion facilities	11,248	10,797	32,983	30,953
Combination facilities	4,422	3,770	12,394	10,372
Consolidated self-storage revenues (b).....	\$ 243,822	\$ 219,743	\$ 706,634	\$ 638,520
Cost of operations for the 1,260 Same Store facilities	\$ 66,927	\$ 65,616	\$ 202,928	\$ 199,199
Cost of operations for non-Same Store facilities (a):				
Development facilities (year opened):				
2001 and 2002.....	1,913	1,797	5,893	5,834
2003	1,047	1,171	3,146	3,301
2004	525	389	1,703	792
2005	187	-	304	-
Acquisition facilities (year acquired):				
2004	3,005	103	9,362	103
2005	1,195	-	2,146	-
Expansion facilities	4,007	3,480	11,940	10,564
Combination facilities	1,502	1,446	5,007	4,160
Consolidated self-storage cost of operations (b).....	\$ 80,308	\$ 74,002	\$ 242,429	\$ 223,953

- (a) We consolidate the operating results of additional self-storage facilities that are not Same Store facilities. Such facilities are not included in the Same Store pool either because they were not stabilized for the entire period from January 1, 2003 through September 30, 2005, or because we acquired these facilities from third parties after December 31, 2002.
- (b) Self-storage revenues and cost of operations do not include revenues and expenses generated at the facilities with respect to tenant reinsurance, retail sales and truck rentals.