

6 August 2014

Grainger plc

Interim Management Statement

GRAINGER REPORTS STRONG PERFORMANCE

Grainger plc ("Grainger", the "Company" or the "Group"), the UK's largest listed residential property owner and manager, today announces its interim management statement covering its activities for the ten months to 31 July 2014.

Highlights – continued positive performance on key metrics

- **Sales** – Total Group sales for the ten month period are approximately £236.5m (31 July 2013: £258.7m), generating an estimated profit from sales of £71.1m (31 July 2013: £59.1m);
- Margins on vacant (normal) sales were approximately 48.6% and prices achieved have been, on average, c.12.7% above September 2013 vacant possession value (31 July 2013: margins of 42.7% and prices achieved 6.7% above September 2012 vacant possession value);
- **Rents** – Gross rents generated approximately £47.3m (31 July 2013: £61.4m), which are in line with expectations, following a number of asset sales in the prior year;
- Rental growth remains strong for assets held throughout the period;
- **Fees** – Fees and other income totalled £10.5m (31 July 2013: £9.9m).

Commenting, Andrew Cunningham, Chief Executive of Grainger, said:

"We have delivered a strong performance across all parts of the business over the period and we anticipate that our assets will continue to outperform the wider housing market. We continue to focus on generating shareholder value through investment, selective disposals, asset management and development opportunities, and the steady strengthening of the UK economy continues to underpin the progress of our business."

Market review

Improvement in the UK economy continues and we are seeing signs of positive movement in house prices in a number of our regional markets in contrast to some recent moderating of house price inflation in London and the south east.

According to Nationwide, UK house prices over the ten month period to the end of July 2014 have risen 9.8%, and the Halifax house price index showed an increase of 7.4% over the nine month period to the end of June 2014.

We anticipate a continuation of the outperformance of our assets compared to the wider market.

Following our strong performance thus far in our financial year, recent measures taken by the Bank of England in the mortgage market and the Mortgage Market Review, have slightly dampened sentiment in the housing market. However, we have not yet seen a significant, sustained impact on the market beyond normal seasonal variations.

The latest English Housing Survey showed a further increase in the number of households privately renting, now the second largest housing tenure in the UK, underpinning our strategic focus on that part of the housing market, particularly via build to rent.

Sales

In the ten months to 31 July 2014, the Group completed sales of 2,358 units for a gross consideration of £236.5m (31 July 2013: 2,091 units sold for £258.7m). This comprised sales from our UK residential portfolios of 2,169 units for £205.5m (31 July 2013: 1,860 units for £240.9m), and sales from our German portfolio of 189 units for £15.3m (31 July 2013: 231 units for £17.6m). In the prior year, sales were increased by sales of tenanted property as part of our deleveraging programme.

Sales from our Development division generated £15.7m (31 July 2013: sales of £0.2m), including the sales we have completed at Macaulay Walk, our development in Clapham Old Town, London. We have seen exceptional demand for this scheme.

The Chelsea Houses Portfolio, acquired in April, is performing well and there are encouraging early indications of strong sales prices to be achieved following our asset management initiatives.

The Group sales pipeline at 31 July 2014 (the completed sales referred to above plus contracts exchanged and in solicitors' hands) stood at £312.8m (31 July 2013: £390.4m). Of this total, £296.9m is within our UK businesses (31 July 2013: £366.3m) and £15.9m is in Germany (31 July 2013: £24.1m). In the prior year the pipeline was also increased by sales of tenanted property as part of our deleveraging programme.

Rents

Gross rents for the period were approximately £47.3m (31 July 2013: £61.5m). Of this £37.8m is from our UK portfolio (31 July 2013: £48.0m) and £9.5m derives from our German portfolio (31 July 2013: £13.5m). The reduction is as anticipated following a number of disposals during 2013. Underlying rents remain resilient with strong growth achieved for both regulated and market let properties.

Fees

Fees and other income for the period from our asset and property management activities was assisted by project completion fees and amounted to approximately £10.5m (31 July 2013: £9.9m).

Acquisitions activity

In the period we completed, exchanged or placed in solicitors' hands some £173.6m of property acquisitions, including the £160m acquisition of the Chelsea Houses Portfolio completed in April 2014 (31 July 2013: £8.7m).

Debt

Group net debt stood at c.£1,063m at 31 July 2014 (31 March 2014: £921m) and consolidated loan to value (LTV) is estimated to be c.50% based on March 2014 valuations (31 March 2014: 45%). We expect to remain within our stated target range of 45% to 50% LTV at our financial year end in September with the figure being influenced by the rate of growth of asset values and the rate of deployment of capital into new opportunities.

Last week's £75m tap issue of our corporate bond which matures in 2020 continues our diversification of our funding sources. When the issue completes on 7 August 2014, headroom will be approximately £265m which will be available for funding appropriate acquisition opportunities as they arise.

Outlook

The Group is well positioned to create opportunities to generate value in both its market rented and reversionary businesses. This position is supported by ongoing positive market fundamentals and significant financial resources.

-ENDS-

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