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Grainger PLC
11 August 2010

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Grainger plc
Interim Management Statement

Grainger plc ("Grainger", the "Company" or the "Group"), the UK's largest quoted residential property owner today presents its interim management statement covering its activities during the four month period to 31 July 2010.

Highlights

- A further £49.4m of residential sales completed, taking total sales in the ten months to 31 July to £128.4m. In addition a further £26.4m of sales are in solicitors' hands or have contracts exchanged, giving a total sales pipeline of £154.8m.
- Re-entry into residential acquisition market with £67.6m in our acquisitions pipeline.
- Acquisition of Sovereign Reversions plc ('Sovereign') completed. The Company is in ongoing discussions with Moorfield regarding the creation of a new joint venture which would own the Sovereign portfolio.

Commenting on the results to the end of July, Andrew Cunningham, Chief Executive of Grainger said:

"We continue to make strong progress in growing and strengthening the Company and its market leading position. Our portfolio is continuing to prove to be resilient and we are trading well, despite price growth in the general housing market slowing in the last few months reflecting the economic uncertainty. Furthermore we have also taken advantage of market conditions to make well-priced acquisitions which we anticipate will produce good levels of return for our investors in the future."

Market Review
As we predicted at the time of our interim results in May, house price growth in the residential market has slowed over the early summer months. Nevertheless, our portfolio is resilient and we continue to sell well. We recognise the fragility of the market and are reflecting that by acquiring assets that we believe will deliver good levels of long term returns to the Company. Consequently, we are focussing on residential acquisitions which display some or all of the following characteristics:

- good prospects of long term capital appreciation
- high levels of reversionary potential
- development or refurbishment potential
- produce attractive yields

Residential Trading
Together with sales in solicitors' hands or with contracts exchanged, our total sales pipeline to the end of July 2010 amounts to £154.8m:

- In the ten month period to 31 July 2010 we sold 593 vacant units for a consideration of £90.1m at a sales margin of 42.6%. The equivalent figures to the end of July 2009 were 625 units for £86m at a margin of 35.5%. The improvement in margins reflects the overall increase in prices we have achieved. These sales have been made at values approximately 6.9% above our September 2009 vacant possession values, a period in which the average of the Halifax and Nationwide indices has increased by 3%.
- In addition to these sales of vacant units we have also made investment sales (sales with a tenant in place) of £7.3m and one-off sales, primarily of agricultural property, of £31.0m at values 14.3% above last September's valuations.

The total sales pipeline of £154.8m to the end of July 2010 is lower than last year's equivalent figure of £180m as we have taken the strategic decision to reduce significantly our investment sales programme in the second half of the year.

We have increased the number of properties which we refurbish prior to sale and estimate that this activity has produced incremental profit of c £1.4m.

This strong sales performance reflects the ongoing resilience of our trading portfolios, even in uncertain economic conditions.

We continue to see good acquisition opportunities and by the end of July we had completed, exchanged or placed in solicitors' hands some £67.6m of residential property acquisitions.

Home Reversion
In addition to the purchases noted above, we have now completed the acquisition of Sovereign Reversions plc for a consideration of £34.6m (at £2.02 per share, compared to a Sovereign Board net asset value estimate at 31 October 2009 of £2.517 per share). An independent valuation of the market value of Sovereign's property portfolio at 30 April 2010 amounted to £69.3m. As previously announced, Grainger is in discussions with Moorfield, a UK-based real estate investor and fund manager, with a view to establishing a joint venture between Grainger and Moorfield Real Estate Fund II such that Moorfield would become a funding partner in respect of the Sovereign acquisition. We anticipate updating the market on the outcome of these discussions shortly.

Fund management and investments
The portfolio in G:res 1, the market rented fund under our management, was valued at 30 June 2010 and showed an increase in vacant possession values of 3.8% since December 2009. Net asset value per share has improved from 64p to

67p, an increase of 4.7%. In light of growing investor interest in the market rented sector, we are currently investigating options to increase the size of the fund.

The controlled liquidation of the Schroders Residential Property Unit Trust nears completion with only £0.1m of assets remaining to be sold.

Development Division
Activity in this division remains focussed on progressing the planning on various schemes, in particular our site at Newlands near West Waterlooville in Hampshire. Sales activity has been largely restricted to our site at Hornsey Road in North London where we have now successfully completed all the sales from the second phase, selling 33 units for £9.2m. We have also sold two further units which were previously let for £0.5m.

Germany
Unlike the UK where our activities are focussed more towards trading, our German business is primarily rental based, which complements the Groups' varied return profiles. Gross rents to end July amounted to £25.4m, representing a yield of 6.8%, on valuation.

Debt
At 31 July 2010, Group net debt was £1,303m (31 March 2010: £1,308m) and committed undrawn facilities and cash amounted to £285m (31 March 2010: £300m). The estimated loan to value on our core lending syndicate (based on September 2009 asset values) amounted to 54.4%.

Outlook
Although the level of general house price growth we saw in late 2009 and early 2010 has begun to slow, our portfolio continues to perform well. This is due to its low average value per property, its geographic diversity and the unrefurbished condition of many of the units we sell which provide attractive development opportunities for a potential purchaser.

We continue to identify attractive acquisition opportunities and our financial capacity and management expertise will enable us to take advantage of those that we believe will deliver long term shareholder value.

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