Grainger plc

Interim Management Statement

GRAINGER CONTINUES TO DEMONSTRATE STRENGTH THROUGH ROBUST TRADING, RENTS AND FEES

Grainger plc ("Grainger", the "Company" or the "Group"), the UK's largest quoted residential property owner and manager, today announces its interim management statement covering its activities for the four months to 31 January 2012.

Highlights

- Trading sales
  - Strong group sales pipeline of £118.3m (31 January 2011: £76.2m)
  - Completed group sales £62.4m (31 January 2011: £57.3m) of which £44.6m was 210 UK properties sold at an average margin of 41.1% (31 January 2011: 216 units for £37.4m at a margin of 38.7%)
- Growth in gross rents to approximately £30.4m (31 January 2011: £25.0m), following acquisition, in 2011, of HI Tricomm portfolio and remainder of Grainger GenInvest
- Fee income of approximately £2.9m (31 January 2011: £2.2m), supported by revenue generated by new management mandates

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

"We have started this financial year with strong sales, despite continued economic uncertainty. Sales of vacant UK properties during the first four months of the financial year have been achieved at prices 5.8% above our September 2011 valuations. We are also experiencing on-going rental growth and increased fee income generated through our property management activities.

"During the period we have been net sellers across our property portfolios and, as stated previously, we intend to reduce group debt in a managed and cost effective way during the current financial year. This reduction will be weighted toward the second half of our financial year matching our recent sales profile."

Market Review

The lack of resolution of the issues within the Eurozone and the related problems in the banking system continue to cause uncertainty in the UK economy and therefore a drag on confidence in the residential sector. However, in general, house prices have been more resilient against these conditions than might have been expected.

Against this backdrop, our portfolio is geographically weighted towards areas where the excess of demand to supply mitigates the effects of the wider economic uncertainty. Its performance is also assisted by its assets' low average price and largely un-refurbished nature. We continue to manage our assets actively and are maintaining sales velocity at prices above our September 2011 valuation, despite generally low levels of transactions in the wider housing market. We are also achieving good rental growth across our UK portfolios as well as pursuing opportunities to expand our fee income further.

Sales

In the four months to 31 January 2012, the group completed sales of 434 units for a gross consideration of £62.4m (31 January 2011: 228 units sold for £57.3m), including sales from our UK residential portfolios of 210 units for £44.6m at a margin of 41.1% (31 January 2011: 216 units for £37.4m at a margin of 38.7%) and sales from our German portfolio of 224 units for £16.7m at marginally less than book value (31 January 2011: 12 units for £0.5m) and sales from our development division of £1.1m at a margin of 67.5% (31 January 2011: sales of £19.4m at a margin of 69%).

In our UK residential portfolios we are selling vacant properties at 5.8% above September 2011 vacant possession values.

The group sales pipeline (the completed sales referred to above plus contracts exchanged and in solicitors' hands) stood at £118.3m (31 January 2011: £76.2m). Of this £99.6m is within our UK businesses (31 January 2011: £75.5m) and £18.7m is in Germany (31 January 2011: £0.7m). This clearly reflects the cash generative nature of our portfolios.

Rents

Gross rents for the four months are approximately £30.4m (31 January 2011: £25.0m). Of this £21.1m is in the UK (31 January 2011: £15.1m) and has strongly benefitted from the contribution of rents for the entire period following the Hi Tricomm and Grainger GenInvest transactions. Rent of £9.3m derives from our German portfolio (31 January 2011: £9.9m)

Fee income

Fee income for the four months from our property management activities was approximately £2.9m (31 January 2011: £2.2m), supported by our growing activities in this area and leveraging the existing Grainger operating platform.

We continue to explore opportunities to build our fee based income, including ongoing discussions regarding our joint initiative with Bouygues Development.

Our Residential Asset Management Platform (RAMP) provided to Lloyds Banking Group manages the residential assets which are placed into it, following commencement of an insolvency process. As at 31 January 2012, RAMP had 1606 assets under management and since its creation in Spring 2011 has sold, exchanged on or has contracts in solicitors' hands for the sale of approximately 319 units.

Acquisitions activity

In the four months to the end of January 2012, we had completed, exchanged or placed in solicitors' hands some £22.3m of property acquisitions. This compares with the equivalent period in financial year 2011 where we had committed to £118.8m of acquisitions including £105.4m of assets within the Hi Tricomm corporate acquisition. (The Hi Tricomm acquisition also generated a non-recurring acquisition gain in 2011 of £14.9m.)

Debt

Net group debt stood at £1,443m at 31 January 2012 (30 September 2011: £1,454m). The estimated loan to value ratio on our core borrowing (based on September 2011 valuations) at 31 January 2012 stood at 51.7% (30 September 2011: 52.5%). Our interest cover ratio at 31 January 2011 stands at 2.9 times (September 2011: 3.1 times).

Available headroom (committed facilities and cash) amounted to £178m (September 2011: £214m). We will draw our new Forward Start facilities by 30 September 2012.

There is a charge to the income statement for the period of approximately £17m relating to movement on the mark to market valuation of derivatives (2011 a credit of £15m).

Outlook

The composition and location of our assets provide our portfolios with resilience to the pressures on the wider economy. The Company's focus remains on managing our portfolios to maximise value for our shareholders, whilst using our specialist property management skills to secure further recurring income streams.

For further information:

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