

12 February 2008

Grainger plc

Interim Management Statement

Grainger plc ("Grainger" or the "Company"), the UK's largest quoted residential property owner, today presents its interim management statement covering its activities for the four months to 31 January 2008.

Highlights

- 207 residential properties sold for gross consideration of £38.8m
- Values of UK sales achieved 4.5% in excess of September 2007 valuations
- A total of £116m spent on new property acquisitions and developments
- Planning permission granted at Newlands Common, West Waterlooville
- Conditional acquisition of listed German residential property company, FranconiaRheinMain AG, which will bring Grainger's total property assets in Germany to over 6,800 units with a total value of c€500m.

Commenting on the four months results to January, Rupert Dickinson, Chief Executive of Grainger said:-

"We have been active across all of our business divisions since our year end in September 2007. Margins have held up and we are selling properties at above last September valuations, despite sales volumes being lower because of a reduced number of vacancies and a slowing of the sales process. We continue to recycle our capital and purchase assets for our long term portfolios in the UK and Germany where we have identified good opportunities and we expect to continue this over the latter part of the year.

"We are very encouraged that Government has announced a review of the Private Rented Sector as we believe that an efficient, professionally managed sector is a vital component of the UK housing market and another method by which Government can meet its targets for housing provision over the coming years. We look forward to active participation in the debate."

Market Review

The continuing impact of the liquidity crisis has slowed down the level of house price growth that Grainger has experienced in recent times. Notwithstanding this, the Halifax All Houses All Buyer Index for the twelve months to the end of January showed growth of 4.5% and, although the three month movement to that date showed a fall of 1.0%, the January index itself was unchanged from December.

Despite this, sale prices on our portfolio have held up and we are particularly pleased that across our whole UK portfolio we have achieved sales values 4.5% in excess of September valuations. Within this there are some regional variations with London and the South East (where the majority of our portfolio is located) performing most strongly. However, the overall result further demonstrates the reality of the strong defensive qualities of our UK residential portfolio: geographically diverse, low average value and generally in need of refurbishment when they are marketed for sale. These assets continue to attract interest from prospective home-owners and investors.

Core Portfolio

We have sold a total of 153 units for £30.1m since 30 September 2007 and our estimated trading margin is 49.4%. The equivalent figures to the end of January 2007 were 217 units sold for £37.6m at a margin of 47.6%. We have also completed or exchanged on the purchase of £61.0m worth of properties, including the £34.6m acquisition of the Ranton Estate in Staffordshire in January 2008.

Retirement Solutions

Sales values in this division amounted to £8.7m and, although purchasing activity was slower than expected in the relatively quiet months of December and January, we have acquired £18.7m of reversionary assets in the period. We are pleased to report good performance from our two major recent acquisitions. Sales realisations from the CHARM portfolio have exceeded expectations and we have reduced the vacancies on the CAT portfolio from 229 on acquisition to 79.

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The fund was last valued on 31 December 2007. At that time it indicated an increase in net asset value of 8% to £1.08 per share over the year to that date. Investors in the fund, in which Grainger has retained a 21.6% stake, also received a dividend of 0.2p per share.

Development Division

Our key achievement during the period under review was obtaining planning permission for our major residential-led, mixed use 132 hectare development site, Newlands Common, located near West Waterlooville in Hampshire. We will now be able to progress with the infrastructure works with a view to commencing sales in 2008/09.

Following the period end Grainger, in joint venture with Helical Bar plc, has been selected as preferred partner by Hammersmith and Fulham Council as the developer of a major mixed-use site in Hammersmith. Grainger and Helical Bar will be working with the Council with the aim of signing a formal development agreement in due course.

As mentioned in our annual report, we have relatively few developments expected to reach completion in this financial year so the overall financial result for this division will be below that of last year.

Europe

We continue to be active in the German market where we continue to see good acquisition opportunities. In the four months to 31 January we completed or notarised the acquisition of a further 602 units for €49.6m, and we estimate the total value of our portfolio to be in the region of €348m.

We have also recently announced our offer for FranconoRheinMain AG for a total expected consideration of approximately €45m. When complete, our German assets will stand at approximately €500m, representing in excess of 6,800 units, and will present us with the opportunity to put financing in place that is more appropriate to a portfolio of this size.

Debt

At 31 January, group net debt was c. £1.46 billion and our estimated loan to value ratio was 56.6% (30 September 2007: £1.33 billion and loan to value 53.0%). Our available headroom amounted to £219m. As reported to shareholders in our year-end results in November, as a result of acquisitions of long term reversionary assets which are not earnings accretive in the early period of ownership, our average debt levels over the four month period have been some £398m higher than last year and this is likely to continue to be the case to the end of September 2008. As anticipated this will result in profits after interest costs and fair value adjustments for the full year being lower than in the preceding year.

Outlook

We are pleased with our progress across all our divisions. We are continuing to acquire assets but we are doing so with caution and only acting on the right opportunities. In the short term market conditions will continue to make trading and growth from asset valuation increases more challenging. Over the long term we remain confident that our strategy and performance will continue to deliver shareholder value.

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Notes to Editors:

Grainger plc is the UK's largest listed residential property owner, trader and development company. Listed on the FTSE-250, the Company aims to deliver shareholder value through combining its core activities in the management and trading of portfolios of regulated and assured tenancies and in the fields of residential development, fund management, equity release and asset management. In addition, Grainger is expanding its operations into continental Europe and owns a portfolio of properties in Germany, which at 30 September 2007, comprised more than 4,500 units with a market value in excess of £240 million.