

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000 immediately.

If you have sold or transferred all your ordinary shares in Grainger plc, please forward this document, together with the accompanying form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

grainger plc

annual general meeting

Notice of the ninety-sixth Annual General Meeting of the Company to be held at the registered office of Grainger plc, Citygate, St. James' Boulevard, Newcastle upon Tyne NE1 4JE on 10 February 2009 at 12.15 p.m. is set out in this document.

Registered in England and Wales with registered number 125575

Definitions

The following definitions apply throughout this document, unless the context requires otherwise:

'Annual General Meeting' or 'AGM'	the annual general meeting of the Company to be held on 10 February 2009 at 12.15 p.m. at the registered office of the Company;
'Board' or 'Directors'	the board of directors of the Company;
'Company'	Grainger plc;

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Directors

Robin Broadhurst
Chairman*

Stephen Dickinson
Deputy chairman*

Rupert Dickinson
Chief executive

Andrew Cunningham
Deputy chief executive
and finance director

Robert R S Hiscox*

John Barnsley*

Bill Tudor John*

Henry Pitman*

Baroness Margaret Ford*

* Non-executive

**Registered
and Head Office**

Citygate
St. James' Boulevard
Newcastle upon Tyne
NE1 4JE

Letter from the chairman

16 December 2008

Dear Shareholder

The next Annual General Meeting of the Company is to be held at the registered office of Grainger plc, Citygate, St. James' Boulevard, Newcastle upon Tyne NE1 4JE, on 10 February 2009. You will see from the Notice of Annual General Meeting, which is set out on page 4 of this document, that there are ten resolutions which are proposed for approval, eight of which relate to the routine business of the Annual General Meeting and two of which relate to special business. Details of these resolutions are set out below and in the Notice of Annual General Meeting:

Routine Business

Resolutions 1 and 2 seek the approval of the annual report and accounts for the year ended 30 September 2008 which accompanies this document and the directors' remuneration report for the same period which is set out in pages 45 to 51 of the Company's annual report and accounts (Grainger Facts). Resolution 3 relates to the proposed payment of a dividend of 3.91p per share to be paid on 16 February 2009 to all holders of 5p ordinary shares on the register of members of the Company at the close of business on 9 January 2009 in respect of all ordinary shares then registered in their names.

Resolutions 4, 5 and 6 relate to the re-election of directors of the Company in accordance with the provisions of the Combined Code and the articles of association of the Company. John Barnsley and Rupert Dickinson will retire by rotation and offer themselves for re-election. Margaret Ford was appointed as director of the Company since the last annual general meeting and will retire and offer herself for re-election pursuant to the provisions of the Company's articles of association and the Combined Code. It is considered that each of these directors brings valuable skills and experience to the Board. Following formal performance evaluation, the Board considers that the performance of each Director standing for re-election continues to be effective and that each demonstrates commitment to their role. Biographical details of all the Directors are set out on pages 38 and 39 of the Company's report and accounts (Grainger Facts) which accompanies this circular.

In addition Stephen Dickinson will be retiring as a director and Deputy Chairman at the Annual General Meeting and will not be seeking re-election. Further details of Stephen's outstanding contribution to the development of the Group are set out in my statement in the report and accounts.

Resolutions 7 and 8 are to re-appoint PricewaterhouseCoopers LLP as auditors and authorise the directors to agree their remuneration.

Special Business

Resolution 9 – Directors' Power to Disapply Pre-emption Rights

This resolution, which will be proposed as a special resolution, supplements the directors' authority to allot shares in the Company given to them by resolution 3 passed at the extraordinary general meeting of the Company on 24 February 2005. This authority has been conferred at successive annual general meetings of the Company. It is now proposed by your Directors that this authority be renewed.

Section 89 of the Companies Act 1985 requires a company proposing to allot equity securities for cash to offer them first to existing shareholders in proportion to their existing shareholdings. If this resolution is passed, the requirement imposed by section 89 will not apply to allotments by the Directors in two cases:

1. in connection with a rights (or similar) issue; and
2. allotments of shares for cash (including the sale of shares held by the Company in treasury) up to a total nominal value of £345,860 (representing 5% of the Company's issued share capital at the date of the notice convening the Annual General Meeting).

The Board confirms its intention that equity securities equivalent to no more than 7.5% of the issued share capital of the Company will be allotted for cash on a non pre-emptive basis during any rolling three-year period, in line with institutional investor guidelines.

As in previous years, this authority will lapse not later than next year's annual general meeting except in so far as commitments to allot shares have been entered into before that date, and a resolution to renew the authority will be proposed at each future annual general meeting.

In the previous three years, the Company has not issued any shares on a non pre-emptive basis for cash (excluding shares issued under employee share schemes).

Resolution 10 – Company's Authority to Purchase Shares

This resolution, which will be proposed as a special resolution, seeks to renew the authority for the Company to purchase its own shares in the market up to a maximum of 13,834,410 shares (approximately 10% of the Company's issued ordinary share capital at the date of the notice convening the Annual General Meeting). The proposed resolution sets out the maximum number of shares which may be purchased, the maximum and minimum prices which the Company may pay for its shares and the date of expiry of the authority conferred by this resolution. As in previous years, this authority will lapse no later than next year's annual general meeting.

This authority gives the Company greater flexibility in managing its capital resources. Your Directors would only intend to exercise this authority to ensure that the Company maintains an efficient capital structure. The authority will only be exercised when, in the light of market conditions, your Directors believe that the effect of such purchases would be to increase shareholder value, having taken into consideration the impact of such purchases on both earnings and net asset values per share, and that the purchases would be in the best interests of the Company's shareholders generally. Any shares purchased under the authority may be cancelled (and the number of the Company's shares in issue will be reduced accordingly) or may be held in treasury so as to be available to be sold at a later date, subject to the restrictions set out in resolution 10 or its equivalent in force at the time.

The total number of ordinary shares covered by options or warrants as at 12 December 2008, the latest practicable date prior to publication of this document, is 901,409 representing 0.65% of the issued ordinary share capital of the Company (0.72% of the issued ordinary share capital of the Company assuming full exercise of the power to purchase shares contained in this resolution).

RECOMMENDATION

Your Directors believe that all the proposals referred to above are in the best interests of the Company and its shareholders as a whole and unanimously recommend that you vote in favour of all the proposed resolutions as they intend to do in respect of their own beneficial shareholdings.

Yours sincerely



Robin Broadhurst
Chairman

Notice of Annual General Meeting

Notice is hereby given that an annual general meeting of the Company will be held at the registered office of Grainger plc, Citygate, St. James' Boulevard, Newcastle upon Tyne NE1 4JE on 10 February 2009 at 12.15 p.m. for the following purposes:

As routine business, to consider and, if thought fit, pass the following resolutions 1 to 8, as ordinary resolutions of the Company:

1. That the directors' report and the audited financial statements for the year ended 30 September 2008 be approved and adopted.
2. That the remuneration committee report for the year ended 30 September 2008 be approved.
3. That a dividend of 3.91p per share be paid on 16 February 2009 to all holders of 5p ordinary shares on the register of members of the Company at the close of business on 9 January 2009, in respect of all ordinary shares then registered in their names.
4. That Margaret Ford be re-elected as a director.
5. That John Barnsley be re-elected as a director.
6. That Rupert Dickinson be re-elected as a director.
7. That PricewaterhouseCoopers LLP be re-appointed auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
8. That the remuneration of PricewaterhouseCoopers LLP be fixed by the directors.

As special business, to consider and, if thought fit, pass the following resolutions which shall be proposed as special resolutions of the Company:

9. That pursuant to the general authority conferred by resolution 3 passed at the extraordinary general meeting on 24 February 2005 insofar as it relates to securities that are not treasury shares within the meaning of the Companies Act 1985 (the 'Act') the directors be empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority so conferred or where the equity securities are held by the Company as qualifying shares (to which section 162A to 162G of the Act apply) in each case as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with any rights issue, open offer or other pre-emptive offer to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of such equity securities, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

Notice of Annual General Meeting

(b) otherwise than pursuant to paragraph (a) above, the allotment of equity securities up to an aggregate nominal amount of £345,860

and shall expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution or 15 months from the date of this resolution (whichever is earlier) except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

10. That the Company be generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 (the 'Act') to make one or more market purchases (within the meaning of section 163(3) of the Act) on the London Stock Exchange of ordinary shares of 5p each in the capital of the Company provided that:

- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 13,834,410;
- (b) the minimum price which may be paid for such shares is 5p per ordinary share;
- (c) the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall not be more than 5% above the average of the market values for an ordinary share as derived from the list maintained by the UKLA pursuant to Part VI of the Financial Services and Markets Act 2000 for the five business days immediately preceding the date on which the ordinary shares are purchased;
- (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next annual general meeting or 15 months from the date of this resolution (whichever is earlier); and
- (e) the Company may make a contract or contracts to purchase ordinary shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the board



Marie Glanville
Company Secretary
16 December 2008

Citygate
St. James' Boulevard
Newcastle upon Tyne
NE1 4JE

Notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this meeting or to appoint someone else to vote on your behalf.

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered in the register of members of the Company as at 6.00pm on 8 February 2009 shall be entitled to attend and vote at the meeting convened above in respect of the number of shares registered in their names at that time. This time will still apply for the purpose of determining who is entitled to attend and vote if the AGM is adjourned from its scheduled time by 48 hours or less. If the AGM is adjourned for longer, members who wish to attend and vote must be on the Company's register of members by 6.00p.m. two days before the time fixed for the adjourned meeting. Changes to entries on the register of members after the relevant time shall be disregarded in determining the rights of any persons to attend or vote at the meeting.
2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company. Any such member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Capita Registrars. A proxy need not be a member of the Company. Appointing a proxy will not prevent a shareholder from attending in person and voting at the meeting. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to him or her.
3. A form of appointment of proxy is enclosed. To appoint a proxy using this form in hard copy form, this form must be completed and signed, sent or delivered by post, courier or by hand to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney of the company. If you return more than one proxy appointment, that received last by the registrar before the latest time for the receipt of proxies will take precedence.
4. Alternatively CREST members may use the CREST electronic proxy appointment service in accordance with the procedures set out below. The form of proxy includes a vote withheld option. Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against any particular resolution.
5. The appointment of a proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed should be deposited with the Company's registrar at the address shown on the proxy form not later than 12.15p.m. on 8 February 2009 or 48 hours before the time for holding any adjourned meeting or in the case of a poll not taken on the same day as the meeting or adjourned meeting for the taking of the poll at which it is to be used or lodged using the CREST proxy voting service – see below.
6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order

for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

7. Copies of the directors' service contracts with the Company and the register of interests of the directors and their families in the share capital of the Company are available for inspection at the registered office of the Company during usual business hours (Saturdays, Sundays and public holidays excepted) and will be available at the place of the AGM from 15 minutes prior to and during the AGM.
8. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
9. The above statement as to proxy rights does not apply to a person who receives this notice of general meeting as a person nominated to enjoy 'information rights' under section 146 of the Companies Act 2006. If you have been sent this notice of meeting because you are such a nominated person, the following statements apply: (a) you may have a right under an agreement between you and the member of the Company by whom you were nominated to be appointed or to have someone else appointed as a proxy for this general meeting; and (b) if you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to that member as to the exercise of voting rights.
10. As at 6.00pm on 15 December 2008 the Company's issued share capital (excluding 452,912 shares held as treasury shares) comprised 138,344,195 ordinary shares of 5p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00pm on 15 December 2008 was 138,344,195.