

INTERIM RESULTS

for the six months ended 31 March 2008

22 May 2008



Agenda

- Introduction
- Operational Highlights
- Financial Results
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- Portfolio Overview
- Update on Strategy
- Outlook
- Key Conclusions
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Operational Highlights

- Normal sales at 4.2% above September vacant possession values
- Planning permission obtained at Newlands Common
- Tender offer for FranconoRheinMain, subsequently unconditional
- Signed development agreement with London Borough of Hammersmith and Fulham for major mixed-use redevelopment in JV with Helical Bar
- Additional bank financing of c.£280m raised
- Strength through increasing diversity of business activities and nature of assets



Financial Summary

	<u>31 March 2008</u>	<u>30 Sept 2007</u>	<u>Growth</u>
Property and related assets (£m)	2,603	2,505	+3.9%
Gross NAV per share (p)	806	828	(2.7%)
Grainger NAV per share (p) (basic)	707	732	(3.4%)
LTV%	58%	53%	-
<hr/>			
	<u>31 March 2008</u>	<u>31 March 2007</u>	
Operating profit before valuation movements (£m)	48.2	38.3	26%
Earnings per share (p)	0.10	6.7	(98.5%)
Dividends per share (p)	2.27p	2.06p	10%

Note: no full revaluation at 31 March 2008. Investment property subject to a directors valuation



Financial Results - Market Value Balance Sheet

	31 March <u>2008</u> £m	30 September <u>2007</u> £m	
Before any contingent tax			
Property related assets			
- wholly owned	2,420	2,322	
- jv/associates	183	183	
<hr/> Total property related assets	2,603	2,505	+3.9%
Other assets and cash	117	105	
<hr/> Gross assets	2,720	2,610	+4.2%
Debt	(1,589)	(1,420)	
Other net liabilities	(94)	(125)	
<hr/> Net assets	1,037	1,065	(2.6%)
Gross net asset value per share (p)	806p	828p	(2.7%)

Note: no full revaluation at 31 March 2008. Investment property subject to a directors' valuation



Financial Results - Analysis of Wholly Owned Assets

			31 March <u>2008</u> Total	30 September <u>2007</u> Total	
	<u>Residential</u>	<u>Development</u>			
UK	2,001	119	2,120	2,069	+2.5%
Germany/Europe	285	15	300	253	+18.6%
	2,286	134	2,420	2,322	+4.2%



Financial Results - Analysis of JV's/associates

			Gross	Liabilities/	Net	Grainger	Grainger		Total
			Assets	Debt	Assets	Share	Share	Loan	Grainger
			£m	£m	£m	%	£m	£m	Investment
<u>Designation</u>									£m
UK	- Residential								
	G:res1	Associate	457	(244)	213	21.6%	46	-	46
	Schroder	Associate	90	-	90	22.4%	20	-	20
	GenInvest	JV	363	(293)	70	50.0%	35	74	109
UK Residential Total			910	(537)	373		101	74	175
UK	- Development								
	Curzon Park	JV	37	(39)	(2)	50.0%	(1)	7	6
	Hammersmith	JV	1	(1)	-	50.0%	-	1	1
Europe	- development	Associate	2	-	2	43.2%	1	-	1
Total March 2008 balance sheet			950	(577)	373		101	82	183
Total September 2007 balance sheet			956	(565)	391		108	75	183



Financial Results - Change in Gross NAV



Financial Results - Net Asset Value Per Share

	31 March	30 September
Pence per Share	<u>2008</u>	<u>2007</u>
Gross net asset value	806	828
Add/(Deduct):		
Mark to market adjustments	(7)	6
Deferred tax on revaluation surpluses (undiscounted)	(216)	(221)
NNNAV	583	613



Financial Results - Summary Operating Contributions

£m

	<u>March 2008</u>	<u>March 2007</u>
UK core portfolio	47.5	42.6
Home reversion	9.0	4.3
Europe	5.2	3.9
Development	(0.1)	0.9
Fund management and residential investments	3.3	3.6 *
	64.9	55.3
Direct and administrative overheads	(16.7)	(17.0)
Operating profit before revaluation and fair value gains	48.2	38.3

* March 2007 includes G:res1 trading in the period to 16 November 2006 when it was 100% owned by the group. Results from that date are shown within share of profit from associates



Financial Results - Post Tax Earnings

£m	<u>March 2008</u>	<u>March 2007</u>
Operating profit before valuation and fair value movements	48.2	38.3
Valuation/Fair value movements		
Revaluation surpluses	0.1	0.6
Fair value of derivatives	(3.4)	(0.2)
	44.9	38.7
Interest	(41.0)	(28.9)
Joint ventures/associates	(3.7)	2.3
Profit before taxation	0.2	12.1
Taxation	(0.1)	(3.4)
Profit after taxation	0.1	8.7



Financial Results - Cashflow

£m	March 2008	March 2007
Income		
Rents and other income net of overheads	9	4
Property sales	80	74
Net proceeds from sale of equity in G:res1	-	159
Working capital movements	(1)	(10)
	88	227
Interest, tax and dividends	(48)	(33)
Net operating income	40	194
Loan movements	126	210
Available for property spend	166	404
Acquisitions/spend		
UK residential	(104)	(270)
Development	(17)	(11)
Europe	(32)	(34)
Investment in JV/Associates	(4)	(96)
Other	(1)	-
Total property spend	(158)	(411)
Cash movement	8	(7)



Financial Results - Debt Analysis

£m	<u>31 March 2008</u>	<u>30 September 2007</u>
Gross debt	1,591	1,422
Cash	(89)	(80)
Net debt (before deducting costs)	1,502	1,342
Available headroom (whole Group)	440	226
Average maturity (years)	4.8	5.4
Hedging level	78%	74%
Blended interest rate	6.4%	6.1%
LTV	58%	53%

The maturity of the gross debt is as follows:-

<u>Years</u>	<u>£m</u>	<u>%</u>
0-1	17	1
1-2	11	1
2-5	940	59
>5	613	39
	1,581	100



- UK Main syndicated debt
 - LTV at 31 March 2008, 58%
 - Two tier covenant structure
 - purchase restriction 70% LTV
 - default 80% LTV
 - Cash flow covenant, 1.25 x interest; currently 2.6 x
 - Headroom on UK facility £282m



The Market - UK Residential - Market Commentary

- Inevitable short term decline in values – demands careful purchasing approach
- Pressure has come from decrease in supply of finance
- Oversupply in certain speculative markets where we have virtually no exposure
- Medium and long term supported by imbalance between supply and demand, housebuilders restricting supply further
- Affordability still better than early 1990's (high base and mortgage rates) and stronger economy (continued GDP growth and low unemployment) with possible further reductions in base rates in 2008
- Grainger has a robust portfolio even in more challenging markets



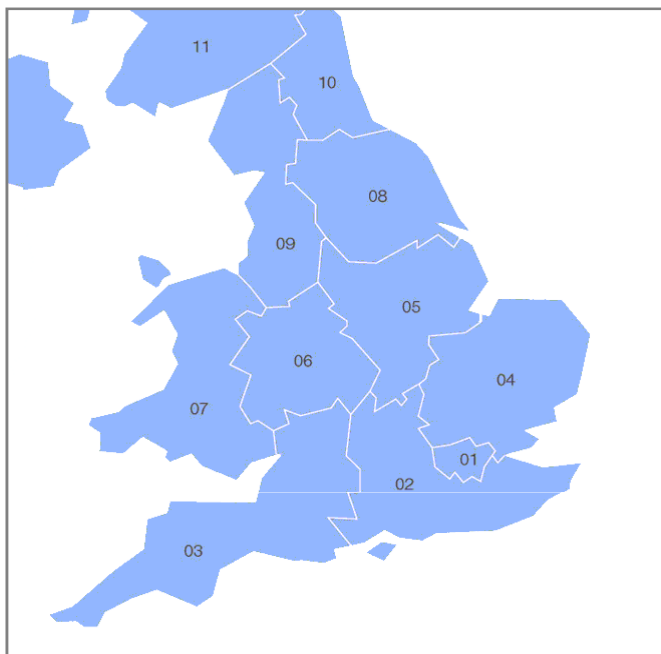
Portfolio Overview - Portfolio Analysis – Wholly Owned

	<u>No of units</u>	<u>Book value £m</u>	<u>Gross Market Value £m</u>	<u>Vacant Possession Value £m</u>	<u>Reversionary Surplus £m</u>	<u>VP%</u>	<u>Gross rents £m</u>
Regulated	7,582	731	1,213	1,561	348	78%	35.0
Home reversion	6,166	471	559	812	253	69%	5.4
Assured	655	117	124	140	16	89%	4.5
Vacant	217	25	36	40	4	90%	-
Other	50	54	69	86	17	80%	1.0
<hr/>							
UK - residential	14,670	1,398	2,001	2,639	638		45.9
UK - development	-	108	119	119	-		-
<hr/>							
Total UK	14,670	1,506	2,120	2,758	638		45.9
<hr/>							
German portfolio	4,757	276	285				28.0
<hr/>							
Europe - development	-	15	15				-
<hr/>							
Total	19,427	1,797	2,420				73.9

- Reversionary surplus on Grainger wholly owned portfolio £638m



Portfolio Overview - UK Portfolio Location



		Number of units	Investment Value		Vacant Possession Value	
			£m	%	£m	%
01	Central London	609	216	10.8%	276	10.5%
01	Inner London	1,167	292	14.6%	365	13.8%
01	Outer London	1,330	222	11.1%	291	11.0%
02	South East	2,540	334	16.7%	447	16.9%
03	South West	1,496	164	8.2%	219	8.3%
04	East	1,525	166	8.3%	221	8.4%
05	East Midlands	975	95	4.7%	129	4.9%
06	West Midlands	1,228	172	8.6%	229	8.7%
07	Wales	193	18	0.9%	27	1.0%
08	Yorkshire	955	82	4.1%	114	4.3%
09	North West	1,833	165	8.2%	223	8.5%
10	North East	453	46	2.3%	60	2.3%
11	Scotland	348	27	1.4%	35	1.3%
12	Northern Ireland	18	2	0.1%	3	0.1%
		14,670	2,001	100%	2,639	100%

- 53% (by investment value) of our properties in London and South East – forecast future high growth areas
- (N.B: analysis excludes ground rents, garages and other property or our share of joint venture assets)



Portfolio Overview - Core portfolio - Characteristics

- Gross asset value £1,442m

- Model does not rely on high price inflation – net rental income and reversionary surplus
- Primarily (90% by value) regulated properties or vacant ex regulated
- Diverse portfolio assembled over a number of years; actively managed with high latent value
- Continuing demand for relatively low average value properties (average £206K)
- Liquid portfolio - always a market clearing price for a house
- High margins on sale give price flexibility – only selling 8-9% of portfolio per annum
- Geographic spread mitigates against cluster risk, but 53% by value in London and South East
- Unique irreplaceable long term cashflows generated by this portfolio



Portfolio Overview - Home Reversions - Characteristics

- Gross Asset Value £559m

- Grainger is market leader with 37% of market (March 2008 figures from SHIP) through our various marketing initiatives
- Winner of 'Best Home Reversion Provider' for second year running
- Core skills in distribution and product innovation
- Major 2007 acquisitions (CAT and CHARM) performing in line with expectations
- Strong market position and Grainger infrastructure in management and development allow us to investigate other potential sectors of the retirement market



Portfolio Overview - Fund Management and JV's/associates

- Gross Asset Value £183m

- Fund manager for G:res1, showed value increase of 8% to December 2007 (last valuation), Grainger equity £46m
- Property and asset advisor to Schroders ResPUT: Grainger equity £20m (22.4%)
- Grainger GenInvest: 50/50 JV with Genesis, Grainger equity £35m
- Property and asset management activities produce £7m of fee income on annualised basis
- Growing appetite for institutional investment in residential and related asset classes with established operating company



Portfolio Overview - Property and Asset Management Services

- Provides unique perspective of owner/manager
- Combines long term asset management, day to day property management and specialist sales and acquisitions teams on nationwide basis
- Provides services to JV's/associates as well as owned portfolio (total 24,272 units of which 4,757 in Germany)
- Operates from seven UK offices with over 100 dedicated property management staff
- At forefront of professionalism of residential property management with consistent standards in terms of quality of service and tenant care – investing for the future
- Clear market leader with scaleable and marketable model



Portfolio Overview - Development

- Gross balance sheet value at 31 March 2008 (including share of JV's) £138m (cost £127m)
- Expected end development value:
 - with planning consent £271m
 - without planning consent £608m

£879m
- Resolution to grant planning for 100,000 sq.metres commercial space, 1,550 new homes at West Waterlooville
- JV with Helical Bar for mixed use development at Hammersmith Town Hall
- Focus on larger long term residential led mixed use schemes, often with partners and intention for build to let if circumstances are favourable
- Committed expenditure of only £60m at 31 March 2008



Portfolio Overview - Hammersmith

- JV with Helical Bar for mixed-use development at Hammersmith Town Hall



- 290 new homes
- 11,000 sq.m civic office building
- 5,200 sq. m retail, cafes and restaurants
- Preferred developer status obtained



Portfolio Overview - Development



Newlands Common

Units	1,550
Timescale	Infrastructure Start 2008

Current Developments



Hornsey

Units	150 (private)
Timescale	Completion Aug-Nov 08



Portfolio Overview - Development – Status of Major Projects

Project	Description	Status	Gross Development Value of schemes		
			Committed Development Expenditure £m	With planning permission £m	Without planning permission £m
Hornsey Road Islington	212 residential units, community buildings	Under construction	23	41	
West Waterlooville	100,000 sq. m commercial 1,550 new homes and 1,000 reserve	Section 106 finalised	14	126	
Macaulay Road, Clapham	97 residential units, 30,000 sq. ft. retail	Consent granted and demolition commenced	1	57	
Barnsbury Complex Islington	141 residential units	Detailed planning consent obtained	5	25	
Wards Corner	198 residential	Conditional development agreement signed			85
Gateshead College	263 residential units	Detailed planning application pending	12		73
Newbury	330 residential units, 50,000 sq.ft retail	Preferred developer status, conditional development agreement early 2008			82
Curzon Park	Mixed use joint venture with Development Securities including 400,000 sq. ft. residential; 800,000 sq.ft; office, 20,000 sq.ft. retail; 118 bed hotel	Outline application submitted	1		199
Hammersmith	Mixed use joint venture with Helical Bar including 290 residential units, 5,202 sq.m commercial space, 11,000 sq.m council offices, a public square, a bridge linking Hammersmith with the river, and 200 car parking spaces	Preferred developer status given	1		89
Others			3	22	80
			60	271	608



Portfolio Overview - Strategy for Germany

- **Grainger Model**
- Acquisitions in areas of population growth
- Smaller lot sizes – build portfolio on property characteristics
- Platform and pipeline established, although current acquisitions limited
- Potential for capital growth after long term stagnation
- Attracting third party equity to apply co-investing fund management model
- Grainger's reputation as a professional landlord differentiates us from financial purchasers
- Critical mass will be achieved with acquisition of FranconoRheinMain (gross assets c. €500m)
- Opportunities to improve rental and capital returns through asset management activities



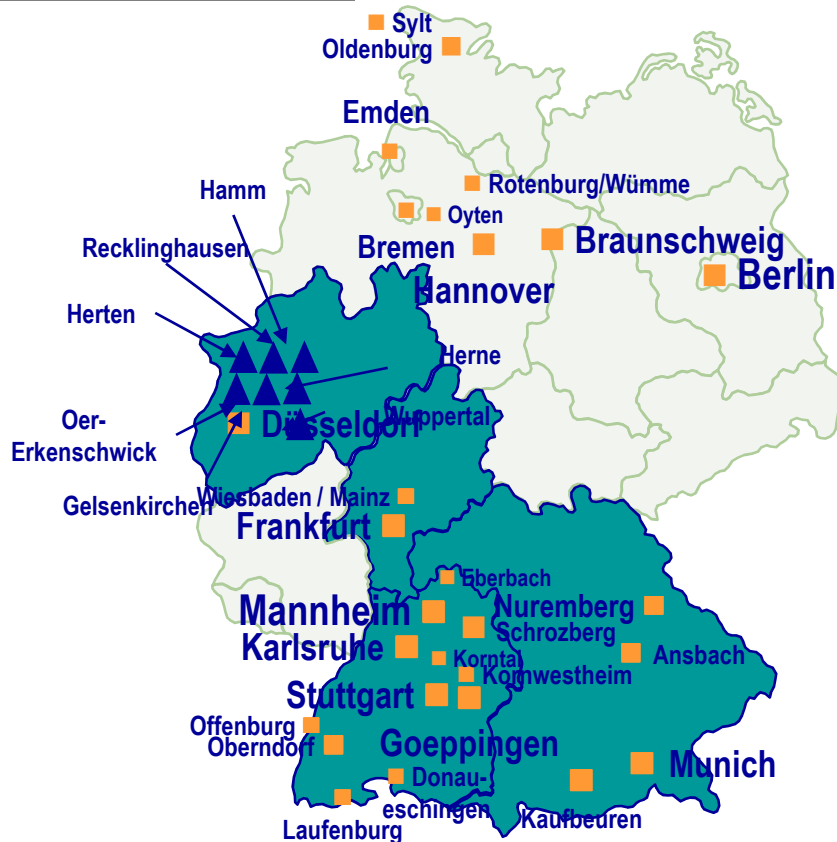
Acquisition of FranconoRheinMain

- Cost to Grainger c. €46m of equity
- Portfolio of 2,300 units, value €146.7m at 31 December 2007
- Will enable Grainger to achieve critical mass with portfolio worth c. €500m
- Immediate focus will be on integration of the two businesses and driving returns through asset management activities



Portfolio Overview - Germany

Portfolio overview



Portfolio Overview (post FRM)

- 6,948 residential units¹⁾
- 352 commercial units¹⁾
- 1 nursing home in Northern Germany
- 491,073 sq. metres in total¹⁾
- €504m book value²⁾
- €35m annualised gross running rent²⁾
- Approx. 5% under market rent

1) As at March 08 for FRM numbers

2) As at December 07 for FRM numbers



Update on Strategy and Outlook

- Long term strategy unchanged
- Tactical flexibility in the short term
- Maximise efficiency of capital structure through introduction of third party equity and debt
- Strong operational platform and access to deals in order to diversify income streams
- Unique brand as long term holder, asset manager, manager, trader and developer of residential property
- Leverage operational platform, balance sheet and reputation to become the UK's leading integrated residential co-investor, developer, operating company and fund manager



Key Conclusions

- Core portfolio has strong defensive characteristics
- Grainger is not wholly dependent on UK house price growth; substantial in-built reversion (£638m)
- Increasingly diversified business model – with potential to grow and diversify income
- Strong liquidity and debt position = financial firepower
- Market leadership and structure offers great opportunities



Appendices - Detailed Profit and Loss Account

	31 March 2008				31 March 2007			
	UK Residential £m	UK Development £m	Europe £m	Total £m	UK Residential £m	UK Development £m	Europe £m	Total £m
Gross rents/other income	27.4	0.6	8.0	36.0	21.4	0.7	4.3	26.4
Property expenses	(5.9)	(0.1)	(2.8)	(8.8)	(4.9)	(0.3)	(0.6)	(5.8)
	21.5	0.5	5.2	27.2	16.5	0.4	3.7	20.6
Trading profits/(loss)	36.0	(0.6)	-	35.4	32.1	0.3	-	32.4
Profits on sale of fixed assets	0.2	-	-	0.2	1.4	0.2	0.2	1.8
Interest income from financial assets	2.1	-	-	2.1	0.5	-	-	0.5
	38.3	(0.6)	-	37.7	34.0	0.5	0.2	34.7
Direct overheads	(8.8)	(2.1)	(1.1)	(12.0)	(8.8)	(2.1)	(1.6)	(12.5)
Operating contributions	51.0	(2.2)	4.1	52.9	41.7	(1.2)	2.3	42.8
Administrative expenses				(4.7)				(4.5)
				48.2				38.3
Joint ventures/associates	(3.4)	(0.5)	0.2	(3.7)	(1.3)	3.7	(0.1)	2.3
Net interest payable				(41.0)				(28.9)
				3.5				11.7
Derivative/fair value movements				(3.4)				(0.2)
Revaluation movements	0.1	-	-	0.1	0.6	-	-	0.6
Profit before tax				0.2				12.1



Appendices - Detailed UK Residential Income Account

		<u>£m</u>		
	<u>Core</u>	<u>Home Reversion</u>	<u>Fund management and residential investments</u>	<u>Total</u>
Gross rents/other income	21.3	2.8	3.3	27.4
Property expenses	(5.3)	(0.6)	-	(5.9)
	16.0	2.2	3.3	21.5
Trading Profits	31.3	4.7	-	36.0
Profit on sale of fixed assets	0.2	-	-	0.2
Interest income from financial assets	-	2.1	-	2.1
	31.5	6.8	-	38.3
	47.5	9.0	3.3	59.8
Divisional overheads	(4.4)	(1.6)	(2.8)	(8.8)
Operating contribution	43.1	7.4	0.5	51.0



Appendices – Grainger NAV – Sensitivity Analysis

Without discounting tax

		Discount rate		
		8.90%	7.0%	5.90%
HPI	0%	707p	735p	756p
	2%	739p	776p	802p
	4%	781p	827p	860p
	5%	805p	857p	894p
	6%	832p	891p	932p

Note

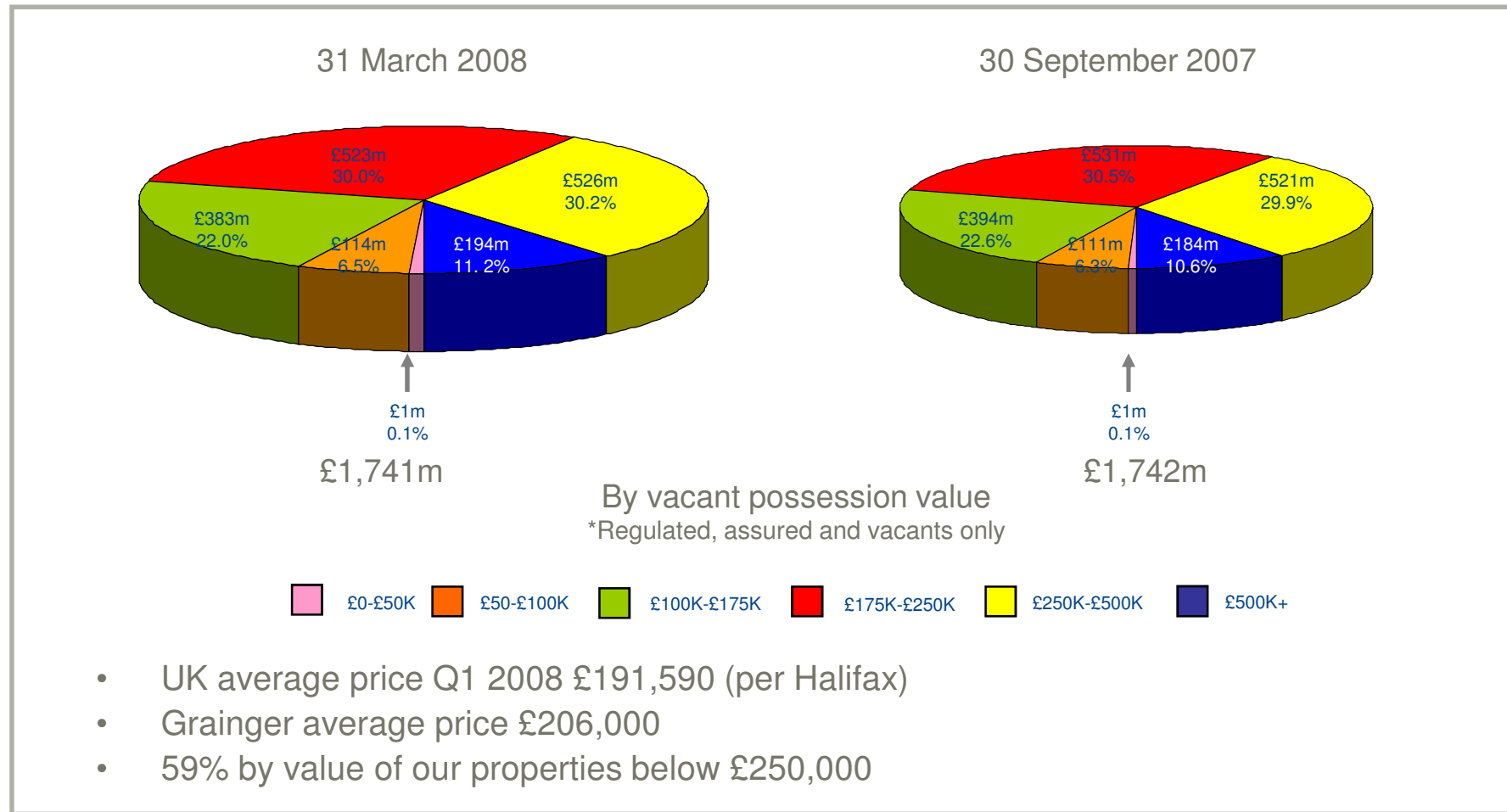
- Grainger NAV brings in the present taxed value of reversionary surpluses in our long term portfolio
- Grainger WACC: 5.90%
- Full sensitivity available on Grainger website: graingerplc.co.uk

Discounting tax

		Discount rate		
		8.90%	7.0%	5.90%
HPI	0%	848p	859p	866p
	2%	881p	899p	912p
	4%	922p	950p	970p
	5%	946p	980p	1,005p
	6%	973p	1,014p	1,043p



Appendices - Portfolio Affordability



Appendices - Portfolio Overview - Portfolio Analysis – JV's and associates

		Gross Market Value <u>£m</u>	Gross Vacant Possession Value <u>£m</u>	Grainger Share %	Grainger Equity <u>£m</u>	Grainger Share of Reversionary Surplus <u>£m</u>
	<u>No of units</u>					
G:res1	2,186	437	482	21.6	46	10
Schroders	702	86	95	22.4	20	2
Grainger GenInvest	1,640	354	406	50.0	35	26
Total	4,528	877	983		101	38
UK - development	-	36				
	4,528	913				

- Grainger's share of reversionary surplus £38m



Appendices - Analysis of JV's/Associate Income

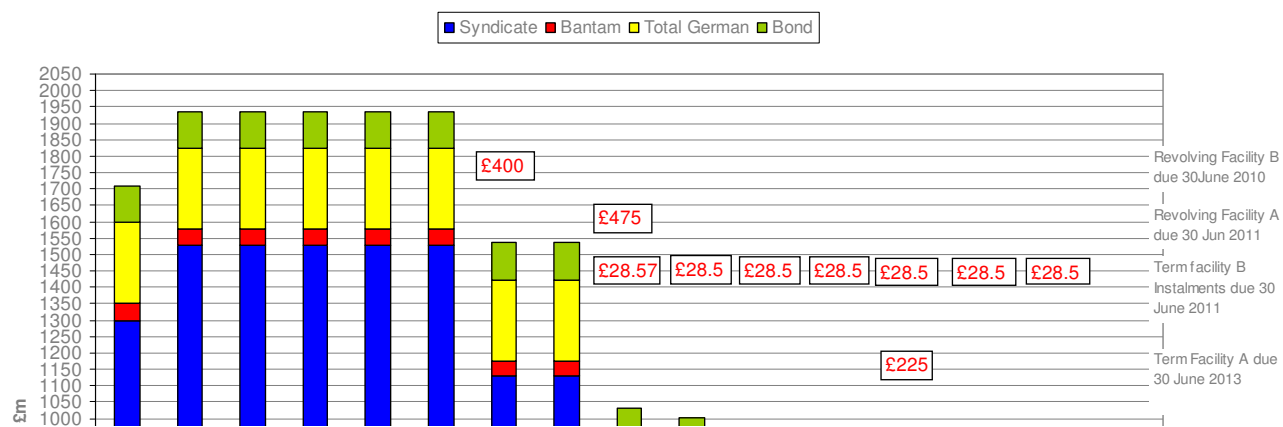
<u>£m</u>	<u>2007 Designation</u>	<u>Net rents</u>	<u>Fixed asset profit</u>	<u>Revaluation gain/(loss)</u>	<u>Interest</u>	<u>Other Cost</u>	<u>Profit/ Loss</u>	<u>Grainger Share £m</u>
G:res1	Associate	8.1	1.5	-	(6.5)	(3.0)	0.1	-
Schroders	Associate	1.7	0.9	(0.7)	0.1	(0.8)	1.2	0.3
Grainger GenInvest portfolios	JV	2.8	0.1	-	(10.2)	-	(7.3)	(3.7)
UK residential total		12.6	2.5	(0.7)	(16.6)	(3.8)	(6.0)	(3.4)
UK development	JV	-	-	-	(1.0)	-	(1.0)	(0.5)
Europe development	Associate	-	-	-	0.4	-	0.4	0.2
Total		12.6	2.5	(0.7)	(17.2)	(3.8)	(6.6)	(3.7)



Appendices – Committed Facilities

As at 31 March 2008

£m



Appendices - Glossary of Terms

Property	
Assured periodic tenancy ("APT")	Market rented tenancy arising from succession from regulated. Tenant has security of tenure.
Assured shorthold tenancy ("AST")	Market rented tenancy where landlord may obtain possession if appropriate notice served.
Assured tenancy ("AT")	Market rented tenancy where tenant has right to renew.
Investment value ("IV")	Open market value of a property subject to relevant tenancy in place.
Home reversion	Rent free tenancy where tenant has right of occupation until possession is forfeited (usually on death). If tenant retains an equity interest in the property this is a partial life tenancy.
PRS	Private Rented Sector
Regulated tenancy	Tenancy regulated under 1977 Rent Act, rent (usually sub market) set by rent officer and tenant has security of tenure.
Tenanted residential ("TR")	Activity covering the acquisition, renting out and subsequent sale (usually on vacancy) of residential units subject to a tenancy agreement.
Vacant possession value ("VP")	Open market value of a property free from any tenancy.
Financial	
Cap	Financial instrument which, in return for a fee, guarantees an upper limit for the interest rate on a loan.
Contingent tax	The amount of tax that would be payable should assets be sold at the market value shown in the accounts.
Dividend cover	Earnings per share divided by dividends per share.
Earnings per share ("EPS")	Profit after tax attributable to shareholders divided by the weighted average number of shares in issue in the year.



Appendices - Glossary of Terms

Financial (continued)	
Gearing	The ratio of borrowings, net of cash, to market net asset value.
Hedging	The use of financial instruments to protect against interest rate movements.
IFRS	International Financial Reporting Standards
Interest cover	Profit on ordinary activities before interest and tax divided by net interest payable
Goodwill	On acquisition of a company, the difference between the fair value of net assets acquired and the purchase price paid.
Net asset value ("NAV")	Shareholders' funds adjusted for the market value of property assets held as stock.
Net net asset value (triple net or "NNNAV")	NAV adjusted for contingent tax liabilities which would accrue if assets sold at market value and for the market value of long term debt and derivatives
Grainger NAV	NNNAV adjusted for the taxed discounted reversionary surplus on core UK residential portfolios
Return on capital employed	Growth in NNNAV plus dividends paid per share as a percentage of opening NNNAV
Return on shareholders equity	Profit before financing costs plus all revaluation surpluses as percentage of opening gross capital
Swap	Financial instrument to protect against interest rate movements.
Total shareholder return ("TSR")	Return attributable to shareholders on basis of share price growth with dividends reinvested.
Weighted average cost of capital ("WACC")	The weighted average cost of funding the Group's activities through a combination of shareholders' funds and debt.

