Preliminary Annual Results

November 2012*

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* Updated 1032 GMT, 09/01/2013

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Executive Directors

- Andrew Cunningham, Chief Executive
- Mark Greenwood, Finance Director
- Nick Jopling, Executive Director, Property
- Peter Couch, Chief Operating Officer and Director of Retirement Solutions

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Agenda

1. Introduction	*Andrew Cunningham*
2. Key transactions	*Nick Jopling*
3. Financial highlights	*Mark Greenwood*
4. Summary and outlook	*Andrew Cunningham*
5. Appendices	

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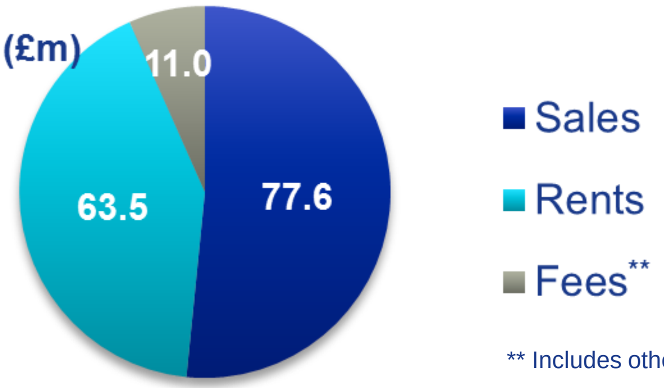
Grainger at a glance

grainger = residential

The UK's largest listed residential property owner and manager

Operating profit* (£m)



* Operating profit before valuation movements, overheads and CHARM

** Includes other income of £1.0m

£m	Market Value	Rent per annum	Reversionary surplus
Reversionary assets (Regulated tenancies, Retirement Solutions, Development assets)	1,487	39	500
Rental assets (Market rented UK & Germany)	743	51	44

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The UK housing market 2012

- Nationwide and Halifax: house prices fell (1.3)% for the year and by (1.3)% the previous year
- House prices continued to show regional variations
- Growth in renting
  - 16.5% or 3.65m households rent privately, a rise of over 1m in the last 10 years
  - Over 25% of people privately rent in London
- Changes to political landscape influencing housing market
  - Montague Review
  - Planning reform
  - Welfare Reform Act
  - Funding support
- Local authority support
  - Growing recognition of renting

Strategic objectives

Location	Active management to rebalance portfolio to economically strong areas
Rents	Increase our exposure to the growing rental market through innovative and value added transactions
Fees	Improve returns through leveraging operational platform
Gearing	Align operational and financial gearing with the business activities going forward

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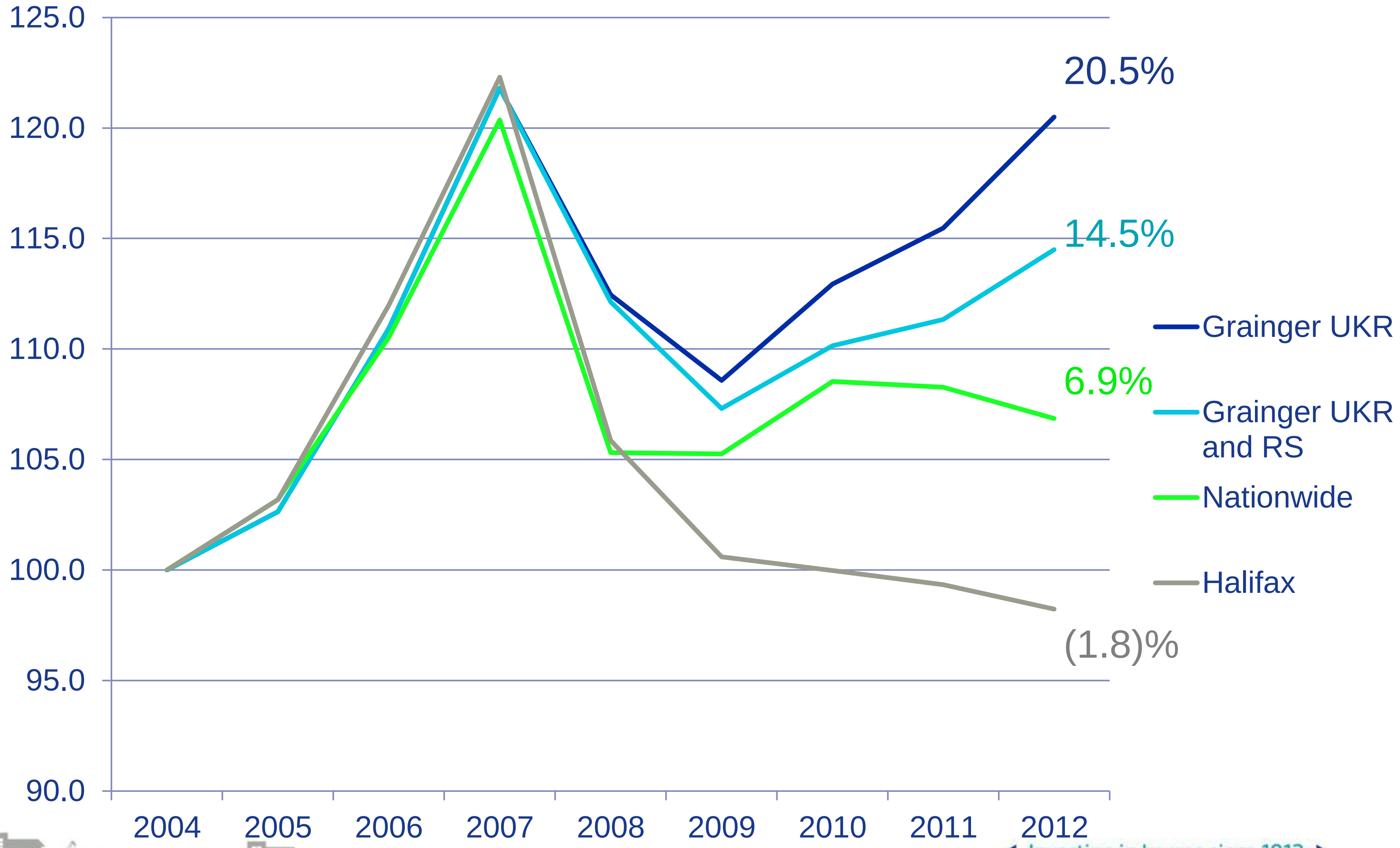
Strategy in action

		Result
Location	62% of UK portfolio in London and SE 90% of German portfolio in four most affluent regions	Outperformance in valuation and sales
Rents	Innovative transactions to increase exposure to the rental market such as build to rent and RP provision	HI Tricomm, Royal Borough of K&C, and For Profit Registered Provider of social housing
Fees	Continuing demand for our operational expertise from new high quality partners	Fee income up by 45% to £10m
Gearing	Reduction in financial gearing and more efficient cost base in light of increased assets under management	Debt reduced by £260m and will fall to £1bn by end of 2013. LTV down to 55%. Cost savings of 5% anticipated.

Outperforming the market



* Based on vacant possession values

Finding opportunities

- Bought for £3.8m in March 2010
- Spent £3.2m

- Sales and rental income of £0.9m to date
- Remaining value of £9.5m (VP)

- Bought for £9.3m in March 2006
- Spent £10.3m

- Sales and rental income of £28.4m to date
- Remaining value of £8.9m (VP)

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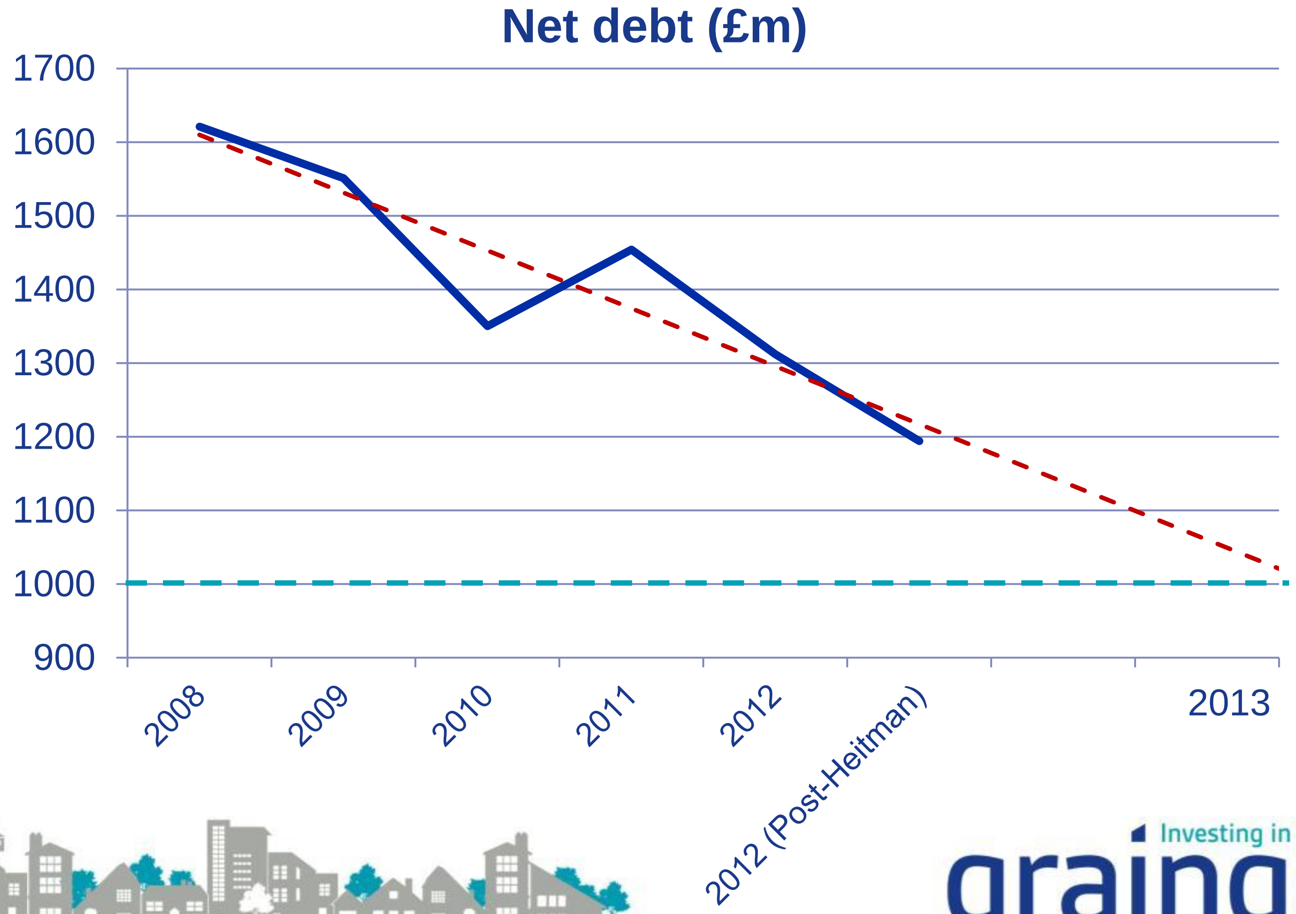
Increased fee income and new partners

- **Fee income increased by 45% in the year**

Reduced debt

- **Debt reduced by £260m in the year**
- **LTV down to 55%**



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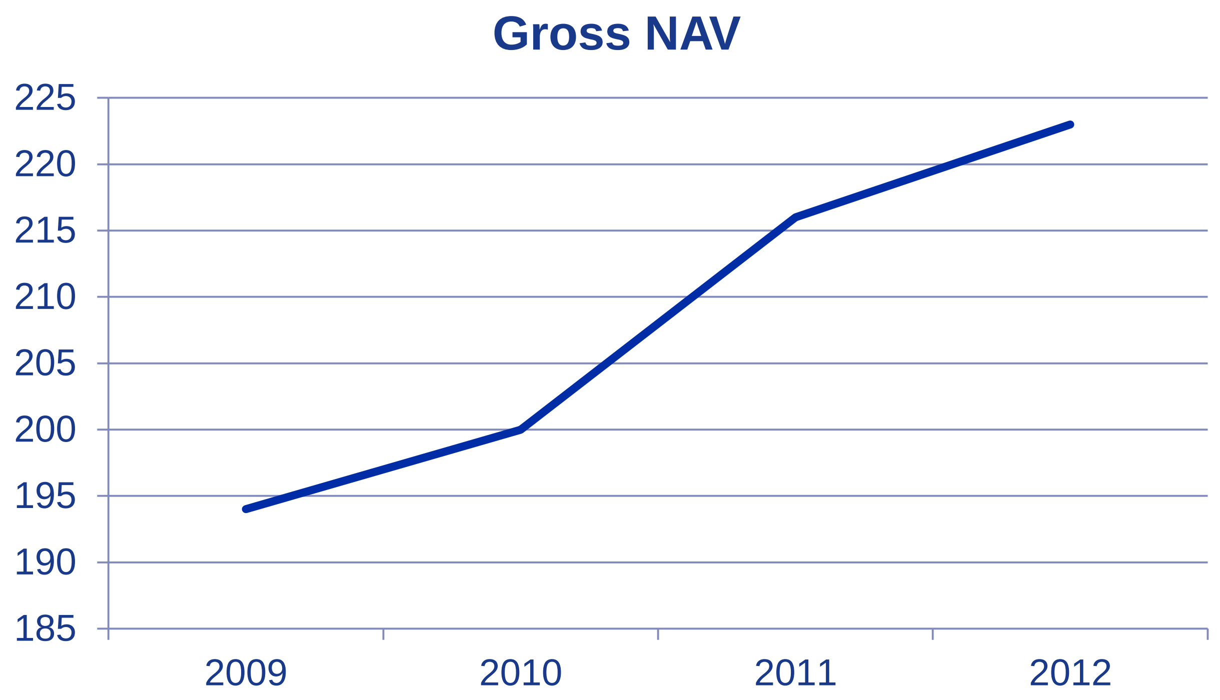
Growth in net assets

- **Growth in net assets of 3.2% for the year, 15% since 2009**



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Agenda

1. Overview of the business — *Andrew Cunningham*
2. Key transactions — *Nick Jopling*
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Key transaction 1

125 year lease on two high profile sites in the UK's highest value Local Authority, Royal Borough of Kensington & Chelsea

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Key transaction 1

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

Delivering on the Group's strategy

SALES

- Sales of high end apartments to repay cost of development, as well as providing development profit and development management fees

FEES

- Grainger will asset and property manage both sites, earning fees on top of the development management fees (under sales)

RENTS

- Remaining stock rented out at either market or affordable rent levels
- Grainger has 125 year income from share of net rent

Key transaction 2

HEITMAN
A REAL ESTATE INVESTMENT MANAGEMENT FIRM

Heitman invests in Germany with Grainger*

- Delivers on our long stated strategy for Germany
- World class partner
- Leveraging our hard and soft asset base

- Sales receipt reduces debt
- Fee revenue meets Group strategy
- Platform for future

*Grainger takes a 25% share ownership of the new entity

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Strategy in Germany

- Germany is an attractive investment
  - attractive gross and net yield
  - stable capital values
  - low cost of debt
- Asset managing remaining portfolio including a sales programme with a target of c€25m
- Focus on bedding Heitman partnership down
- Would consider further investment partnerships using remaining leverage of hard and soft assets

Key transaction 3

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- Formal registration of our For Profit Registered Provider of social housing by the Homes and Communities Agency
- Takes advantage of the increasingly blurred lines between private renting and social housing
- Grainger Trust is a ring fenced subsidiary that provides access to new markets
- Initial acquisition of social housing stock at Berewood
  - Includes Affordable Rent (80% of market rent) and shared ownership

Key transaction 3

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- Long term income returns targeted at an ungeared IRR of 7.5 – 8%
- Additional value to Grainger through fee income at asset and property management level
- Value enhancing to strategic sites and development land in our ownership or control
- Closes the circle of Grainger = Residential

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Agenda

1.	Overview of the business	*Andrew Cunningham*
2.	Case studies and the market	*Nick Jopling*
3.	Financial highlights	*Mark Greenwood*
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Financial highlights

Income statement	September 2012	September 2011	Movement
Operating profit (£m)*	126.4	126.2	0.2%
Recurring profit (£m)	34.6	48.3	(28.4%)
(Loss)/Profit before tax (£m)**	(1.7)	26.1	
Dividends per share (p)***	1.92	1.83	4.9%
Balance Sheet			
Gross NAV per share****	223p	216p	3.2%
NNNAV per share****	157p	153p	2.5%
Net debt (£m)	1,194	1,454	(18.0%)
of which - syndicate	745 (62%)	911 (63%)	
LTV - core facility	48%	52%	
LTV - Group basis	55%	61%	

* Before valuation movements and non-recurring items
** After charges on interest rate derivatives of £31.2m (2011: £28.0m)
*** 2011 including equivalent of tender offer at half year (0.53p)
**** NAV figures calculated in accordance with EPRA definitions

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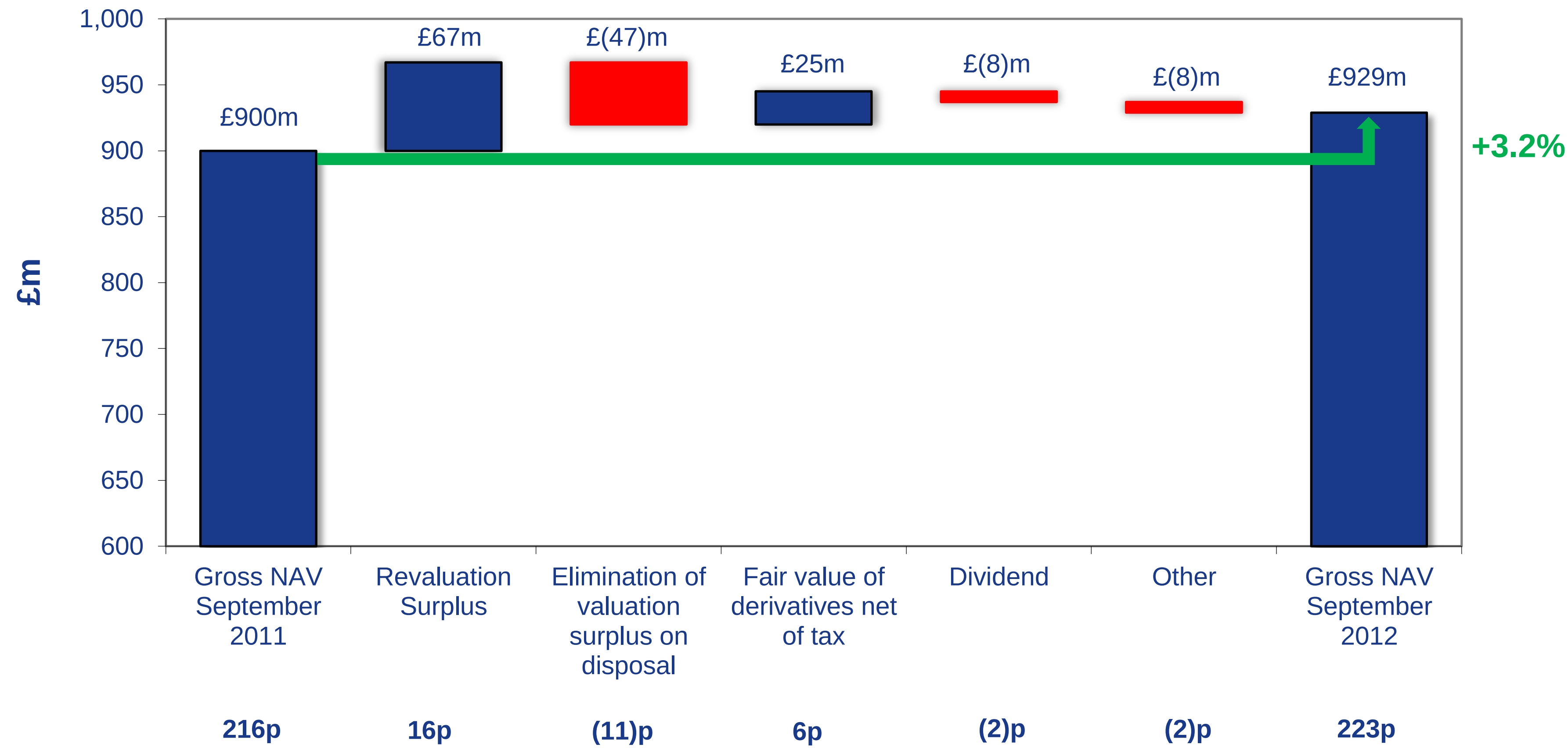
Profit summary

	2012 £m	2011 £m
Profit on sale of assets	77.6	81.0
Net Rents	63.5	62.4
Fees/ other income	11.0	8.0
Charm	7.1	7.1
Overheads/ other expenses	(32.8)	(32.3)
OPBVM*	**126.4**	**126.2**
Finance costs, net	(90.7)	(76.3)
JV’s and associates	(1.1)	(1.6)
Recurring profit before tax	**34.6**	**48.3**
Valuation movements including derivatives	(24.6)	(14.0)
Non-recurring items	(11.7)	(8.2)
(Loss)/ profit before tax	**(1.7)**	**26.1**

* OPBVM - Operating profit before valuation movements/non-recurring items

Movement in gross NAV



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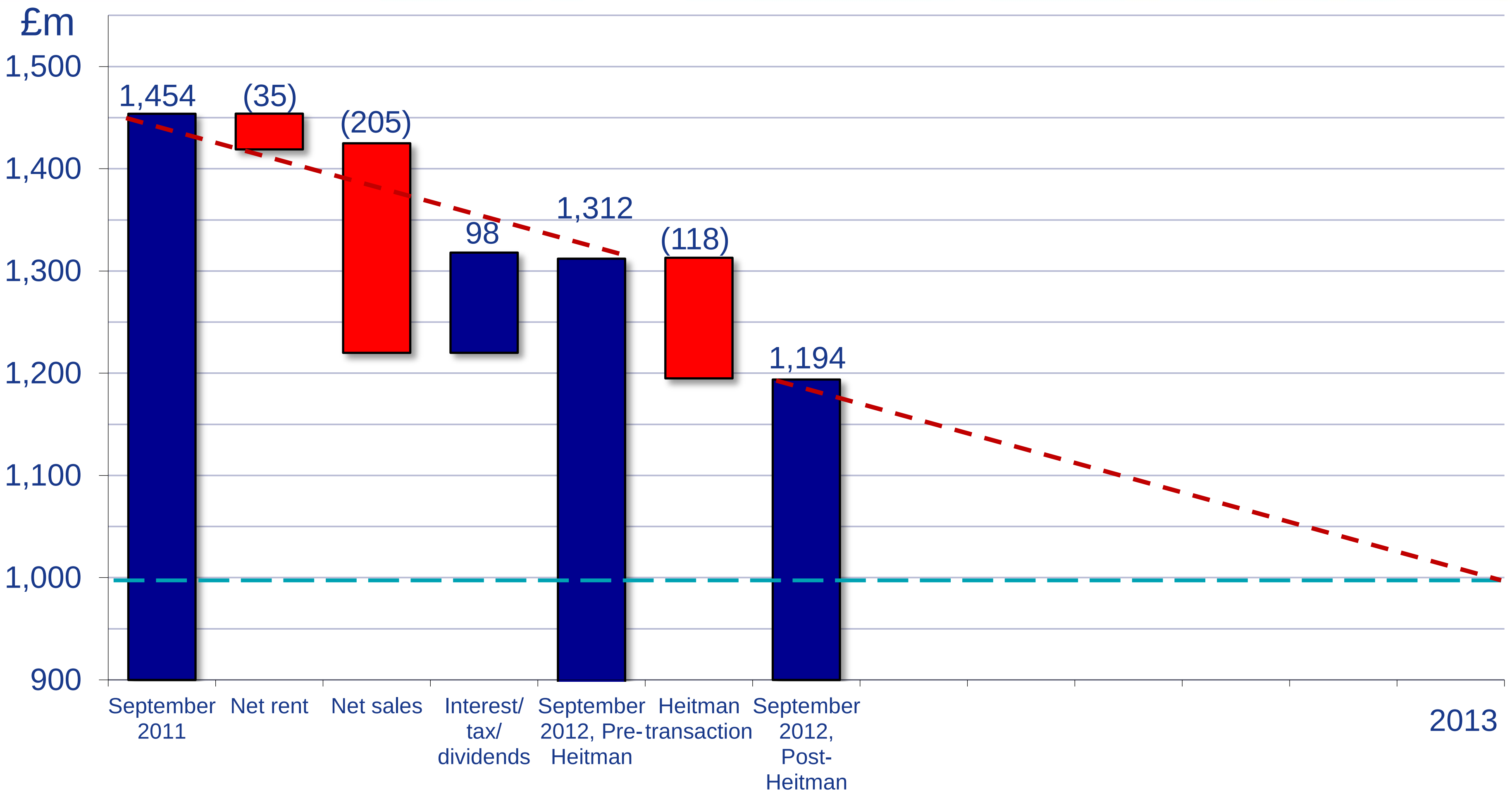
Movement in net debt



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Group debt analysis

	September 2012 £m	September 2011 £m
Balance sheet debt	1,267	1,545
Cash	73	91
Net debt	1,194	1,454
Available cash and undrawn committed facilities	148	214
Average debt maturity (years)	5.5	5.9
Hedging level on gross debt	84%	73%
LTV - core facility	48%	52%
Interest cover - core facility	3.0:1	3.1:1
LTV on a Group basis	55%	61%
Average cost of debt*	6.1%	5.4%
Average interest rate**	6.0%	5.3%

* For the period including costs
** As at balance sheet date excluding costs

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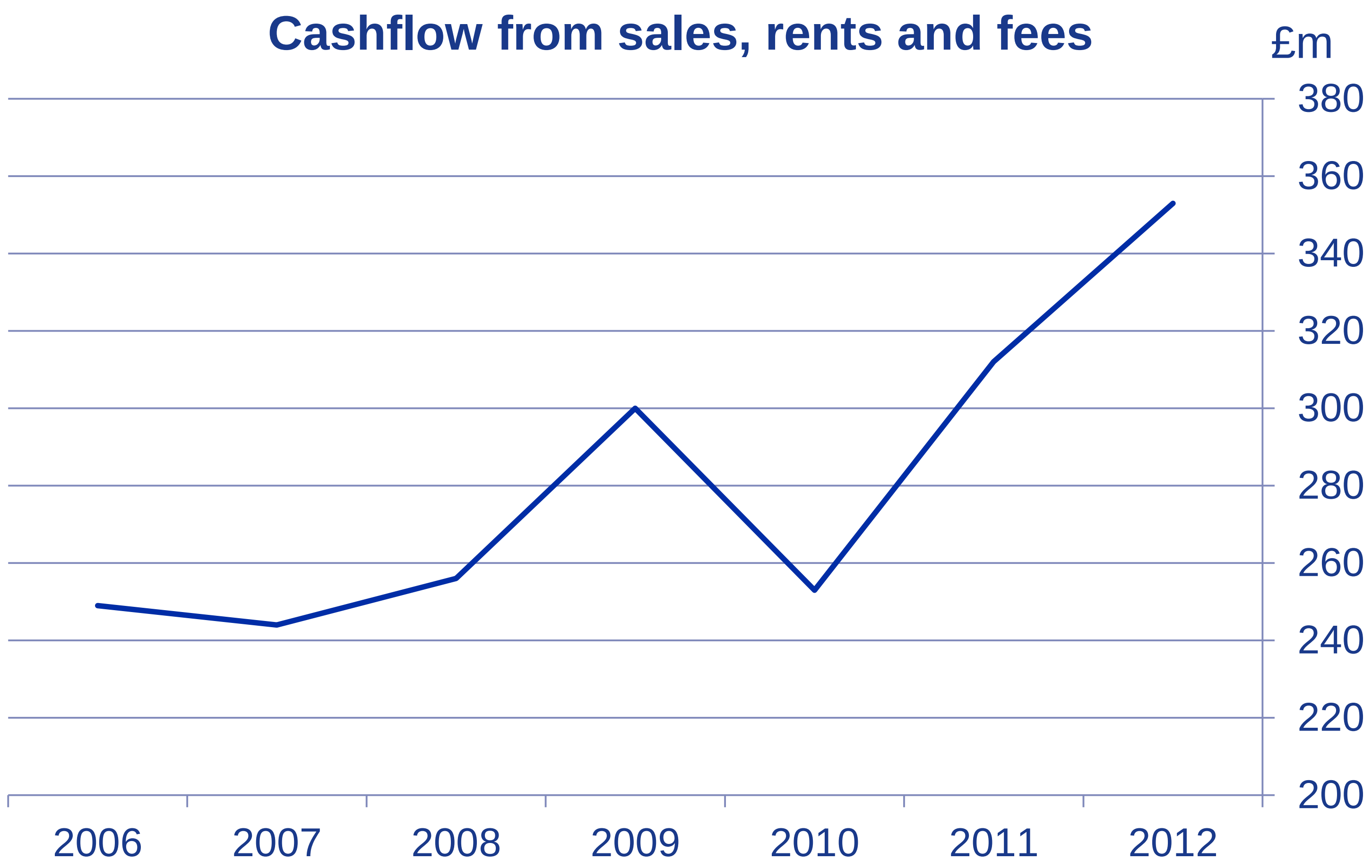
Historical cashflows



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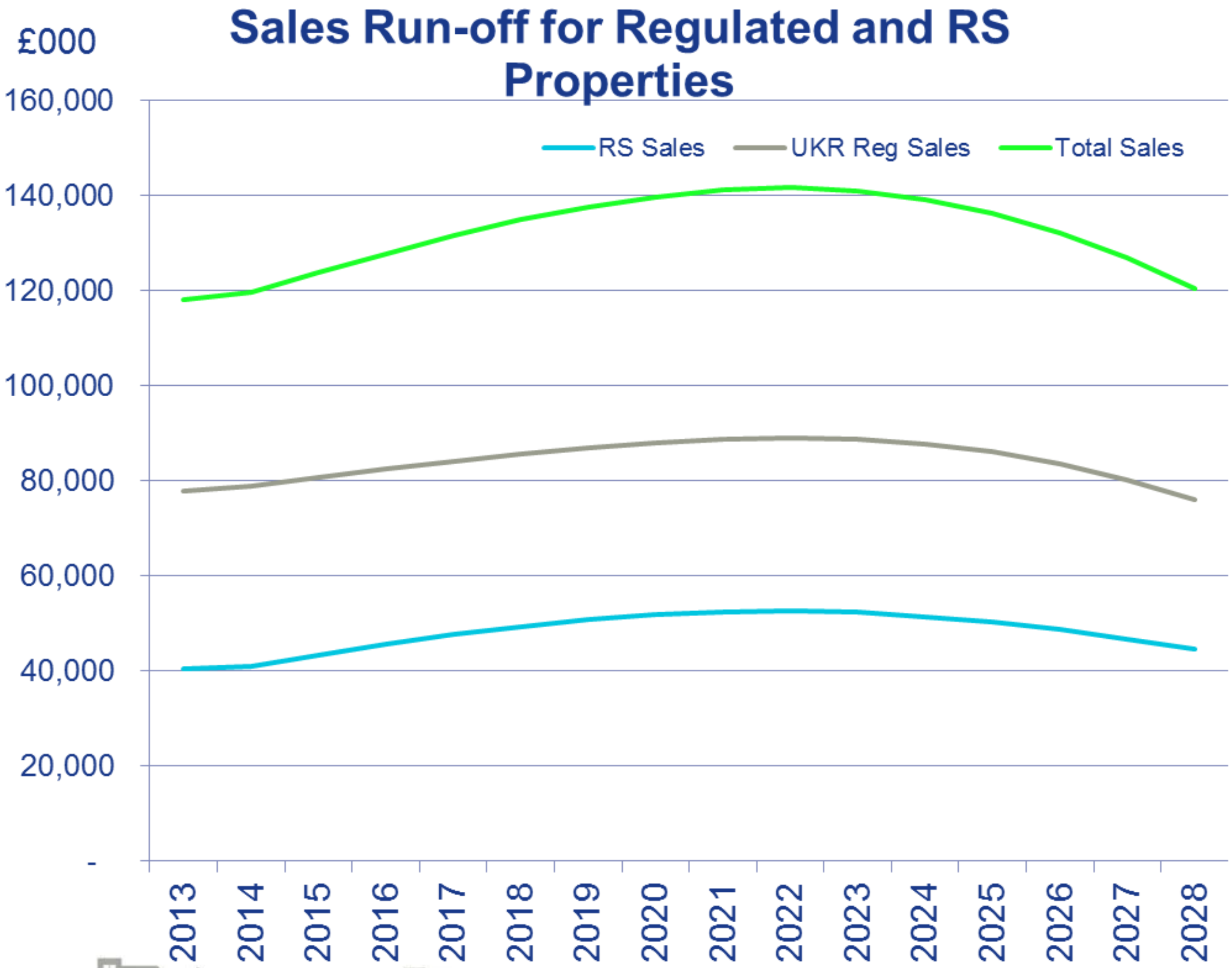
Sales on vacancy



- Normal sales on vacancy
- Strong and stable cashflows
- Does not include rents or fees

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Summary and outlook

Reshape the business to reflect long term changes in the housing market

Location	We have a well located, highly reversionary portfolio which provides good cashflow and opportunities to add value
Rents	The Grainger of the future will have a higher proportion of rental income and we will continue to seek innovative ways of growing the business
Fees	Our operational platform enables us to enhance returns and reduce capital invested by working with high quality partners
Gearing	Lower levels of gearing which is more appropriate to economic circumstances and to our changing business model but also provides headroom to take advantage of opportunities

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END

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Appendices

Portfolio summary

	No. of units	Market value £m	VP Value £m	Reversionary surplus £m	VP %	Gross rent £m	Gross sales proceeds £m	Profit on sale £m
Reversionary Assets								
Regulated	5,094	903	1,210	307	75%	34	44	9
Vacant	205	55	55	-	100%	-	108	46
RS Reversion	4,754	360	553	193	65%	5	31	12
CHARM	938	99	99	-	100%	-	8	1
	10,991	1,417	1,917	500	74%	39	191	68
Development*	-	70	70	-	-	-	19	4
Reversionary Assets Total	**10,991**	**1,487**	**1,987**	**500**		**39**	**210**	**72**
Market Rented Assets								
Germany	6,396	363	363	0	100%	27	24	1
AST	1,206	238	265	27	90%	13	13	-
Tricomm (MOD)	317	106	106	0	100%	9	-	-
Other	50	36	53	17	68%	2	11	5
Market Rented Total	**7,969**	**743**	**787**	**44**	**94%**	**51**	**48**	**6**
Overall Total	**18,960**	**2,230**	**2,774**	**544**	**80%**	**90**	**258**	**78**
30 September 2011	20,282	2,371	2,942	571	81%	86	223	81

Assets under management	
UK	18,474
Germany	18,460
Total AUM	**36, 934**

* The gross development value of sites within the development portfolio is £496m of which £243m relates to sites with current planning permission.

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Grainger UK portfolio

IPD region:
Relative change in valuation

High — Low

UK		No. of units	Vacant possession value, £m	Market value, £m	Market value, %
1	London (Total)	3,741	1,150	903	50%
2	South East	1,850	293	212	12%
3	South West	1,723	283	239	13%
4	East	1,208	154	112	6%
5	East Midlands	504	55	39	2%
6	West Midlands	948	137	101	6%
7	Wales	133	14	9	0%
8	Yorkshire	615	66	47	3%
9	North West	1,252	131	93	5%
10	North East	348	37	28	2%
11	Scotland	231	20	13	1%
12	Northern Ireland	11	1	1	0%
Total		**12,564**	**2,341**	**1,797**	**100%**

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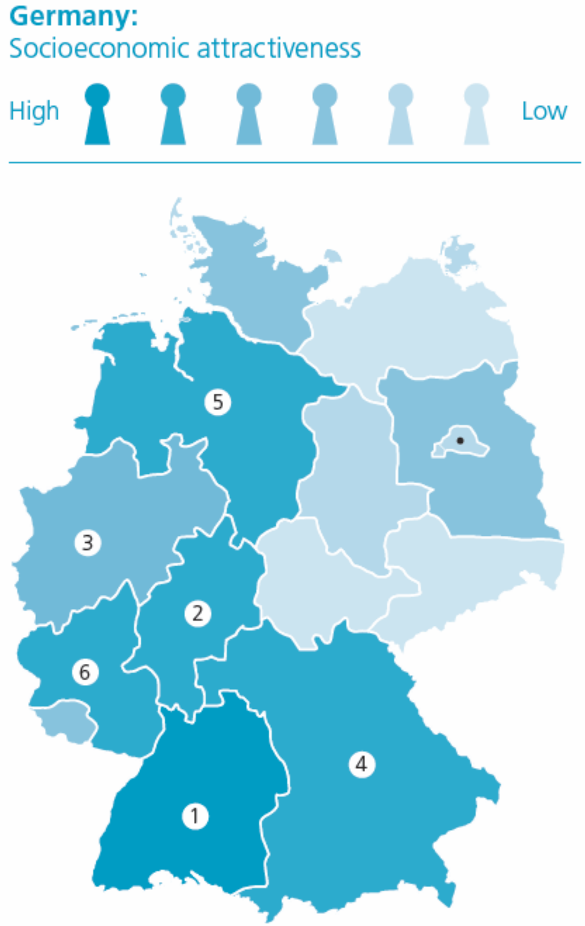
Grainger German portfolio



PRE-HEITMAN Germany	No of Units	Market value €m	% of market value
1 Baden – Württemberg	1,489	119	26%
2 Hesse	1,329	100	22%
3 Northrhine – Westphalia	1,655	100	22%
4 Bavaria	560	56	12%
5 Lower Saxony	749	36	8%
6 Rhineland – Palatinate	230	18	4%
7 Other	384	27	6%
Total	**6,396**	**456**	**100%**

82%

POST-HEITMAN Germany	No of Units	Market value €m	% of market value
1 Baden – Württemberg	250	17	8%
2 Hesse	1,329	100	47%
3 Northrhine – Westphalia	1,231	70	33%
4 Bavaria	73	5	2%
5 Lower Saxony	16	1	0%
6 Rhineland – Palatinate	230	18	9%
7 Other	44	2	1%
Total	**3,173**	**213**	**100%**

90%

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Gross NAV balance sheet

	September 2012 £m	September 2011 £m
Property related assets		
- wholly owned	2,012	2,371
- jv/associates	59	59
Total property related assets	2,071	2,430
Other assets	275	34
Cash	73	91
Gross assets	2,419	2,555
Debt	(1,267)	(1,545)
Other net liabilities	(223)	(110)
Net assets	929	900
Gross NAV per share (p)	223p	216p

Gross net assets are before any deferred or contingent tax and excluding the fair value of interest derivatives.

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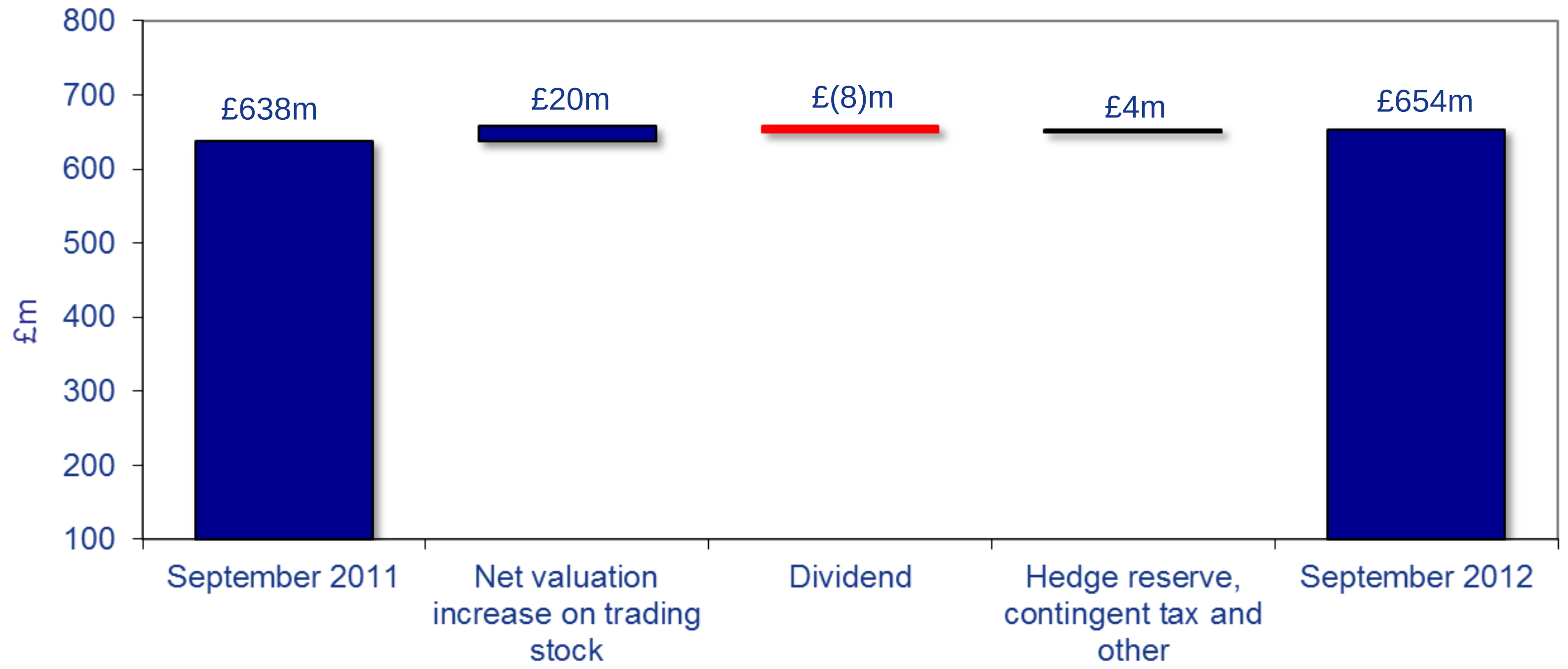
Movement in NNNAV

NNNAV up 2.5% since 30 Sept 2011 and 12.5% since 30 Sept 2010



September 2011	Net valuation increase on trading stock	Dividend	Hedge reserve, contingent tax and other	September 2012
153p	5p	(2)p	1p	157p

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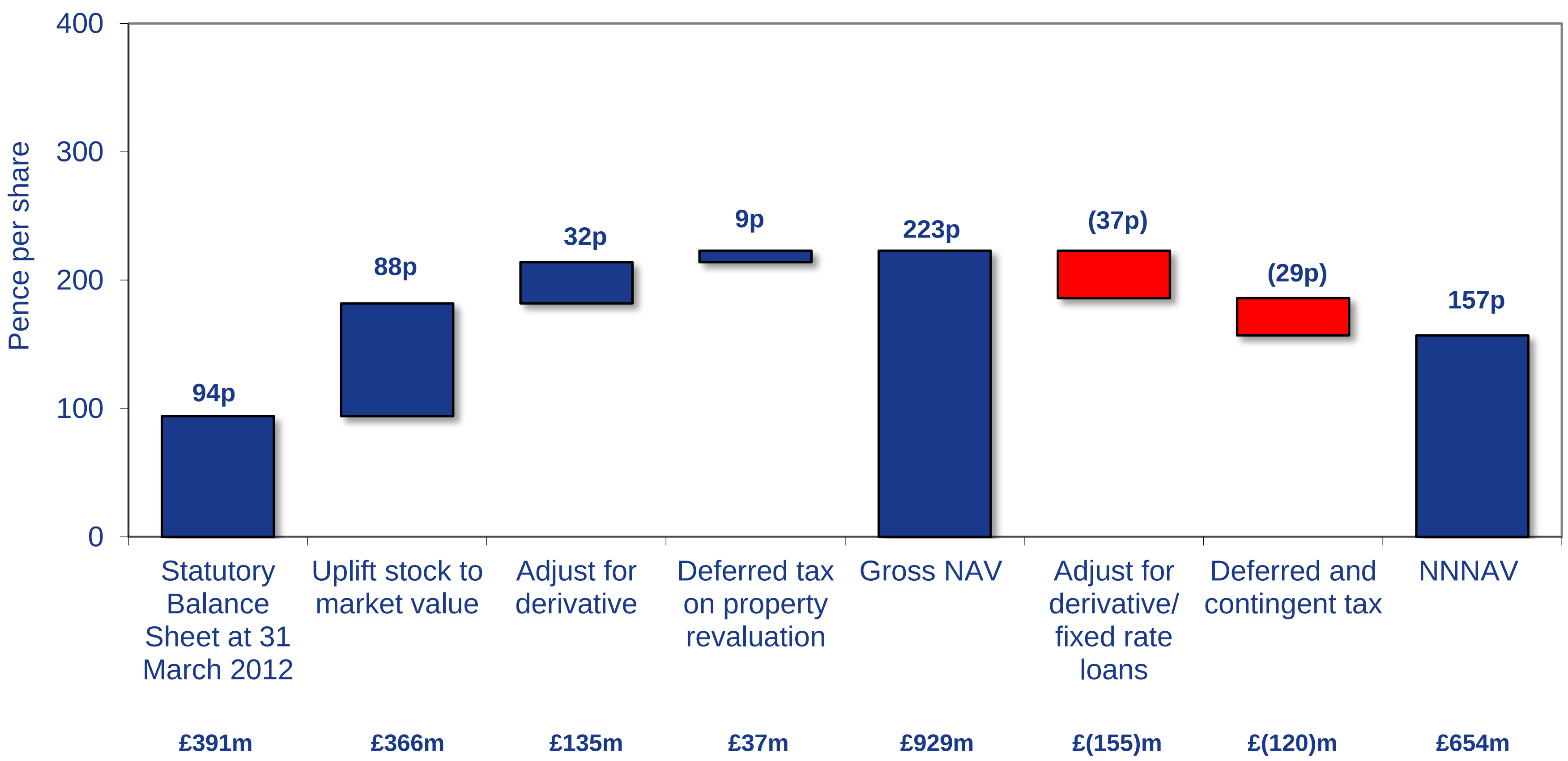
NAV Reconciliation as at 30 September 2012



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Effect of Heitman JV

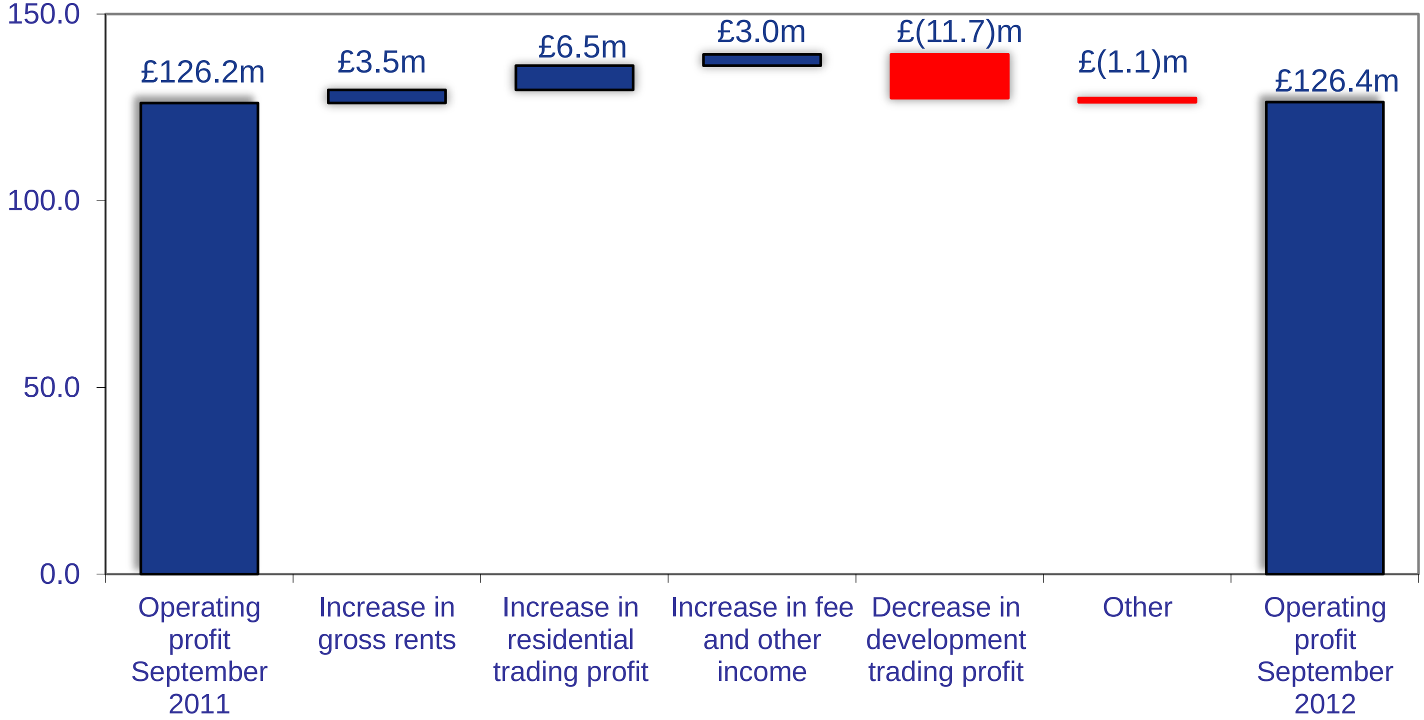
Grainger plc pro forma statutory balance sheet

	30.9.12 Prior to Heitman	Adjustment for Heitman	30.9.12 After Heitman	Adjustment on completion	Pro forma
				At Sept FX rate	
Property related assets					
- wholly owned	1,833	(185)	1,648	-	1,648
- JV and associates	61		61	17	78
Total property related assets	**1,894**	**(185)**	**1,709**	**17**	**1,726**
Other assets	87	(1)	86	-	86
Held for sale assets	40	182	222	(182)	40
Gross assets	**2,021**	**(4)**	**2,017**	**(165)**	**1,852**
Net debt	(1,312)	118	(1,194)	43	(1,151)
Held for sale liabilities	-	(130)	(130)	122	(8)
Other liabilities	(313)	11	(302)	-	(302)
Net assets	**396**	**(5)**	**391**	**-**	**391**

	Annualised Profit Sold £
Net rental income	10.4
Admin expenses	(2.1)
Interest payable	(6.8)
Recurring Profit	1.5
Net valuation gain	2.9
Profit before tax	4.4

Note:
For 2013 this profit is replaced with a 25% share of the results of the associate, management fees and the reduced interest cost in the UK.

Movement in operating profit*



* Operating profit is before valuation movements and non-recurring items (OPBVM)

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Property sales and margins

	Full Year 2012				Full Year 2011			
	Units sold	Sales	Profit	Margin	Units sold	Sales	Profit	Margin
Trading Stock - Sales on vacancy	605	113.9	49.6	44%	561	106.5	46.8	44%
Development	-	18.9	3.4		-	22.1	15.1	
Sales of tenanted and other	395	68.8	21.0		607	63.2	17.2	
Investment Property/CHARM sales	504	56.8	3.6		517	31.5	1.9	
Overall total	**1,504**	**258.4**	**77.6**		**1,685**	**223.3**	**81.0**	

	2012				2011			
	Units	Sales £m	Profit £m	Margin %	Units	Sales £m	Profit £m	Margin %
Sales on vacancy								
UKR	390	89.2	37.4	42.0%	423	88.5	37.8	42.8%
RS	323	38.7	13.3	34.4%	217	27.6	10.0	36.0%
	713	127.9	50.8	39.7%	640	116.2	47.8	41.2%
Tenanted and other	497	87.2	22.4	25.6%	607	63.9	17.2	26.9%
Residential Total	1,210	215.1	73.1	34.0%	1,247	180.1	65.0	36.1%
Development	-	18.9	3.4	18.0%	-	22.1	15.1	68.2%
UK Total	1,210	234.0	76.5	32.7%	1,247	202.2	80.1	39.6%
Germany	294	24.4	1.1	4.4%	438	21.1	0.9	4.4%
Overall Total	1,504	258.4	77.6	30.0%	1,685	223.3	81.0	36.3%

Regular, resilient cashflows

Financial Years Ended 30 September

(£m)	2012	2011	2010	2009	2008	2007	2006
Gross rents							
UK Residential	58	51	39	41	42	39	47
Retirement Solutions	5	5	6	6	6	2	-
Development	-	-	1	1	1	2	1
Germany	27	30	30	30	22	10	5
Total	**90**	**86**	**76**	**78**	**71**	**53**	**53**
Property Sales net of sales fees							
UK Residential	172	148	118	139	137	125	124
Retirement Solutions	38	27	29	27	27	19	12
Development	18	22	19	46	10	39	56
Germany	24	21	4	3	2	2	1
Total	**252**	**218**	**170**	**215**	**176**	**185**	**193**
Fees/ other income	**11**	**8**	**7**	**7**	**9**	**6**	**3**
Overall Total	**353**	**312**	**253**	**300**	**256**	**244**	**249**
Group overheads	**(31)**	**(32)**	**(29)**	**(30)**	**(30)**	**(34)**	**(32)**
Net Interest Payable	**(91)**	**(76)**	**(77)**	**(79)**	**(89)**	**(65)**	**(57)**
	Recessionary / Low growth; Euro crisis still destabilising financial markets		Recessionary / Low growth; massive cuts in public spending announced	Oct 2008, Govt rescues RBS/Lloyds April 2009, Govt announce record budget deficit	Mar 2008, Bear Stearns collapse Sep 2008, Lehmans bankrupt	Aug 2007, Credit markets freeze Sep 2007, Run on Northern Rock	Property market booming

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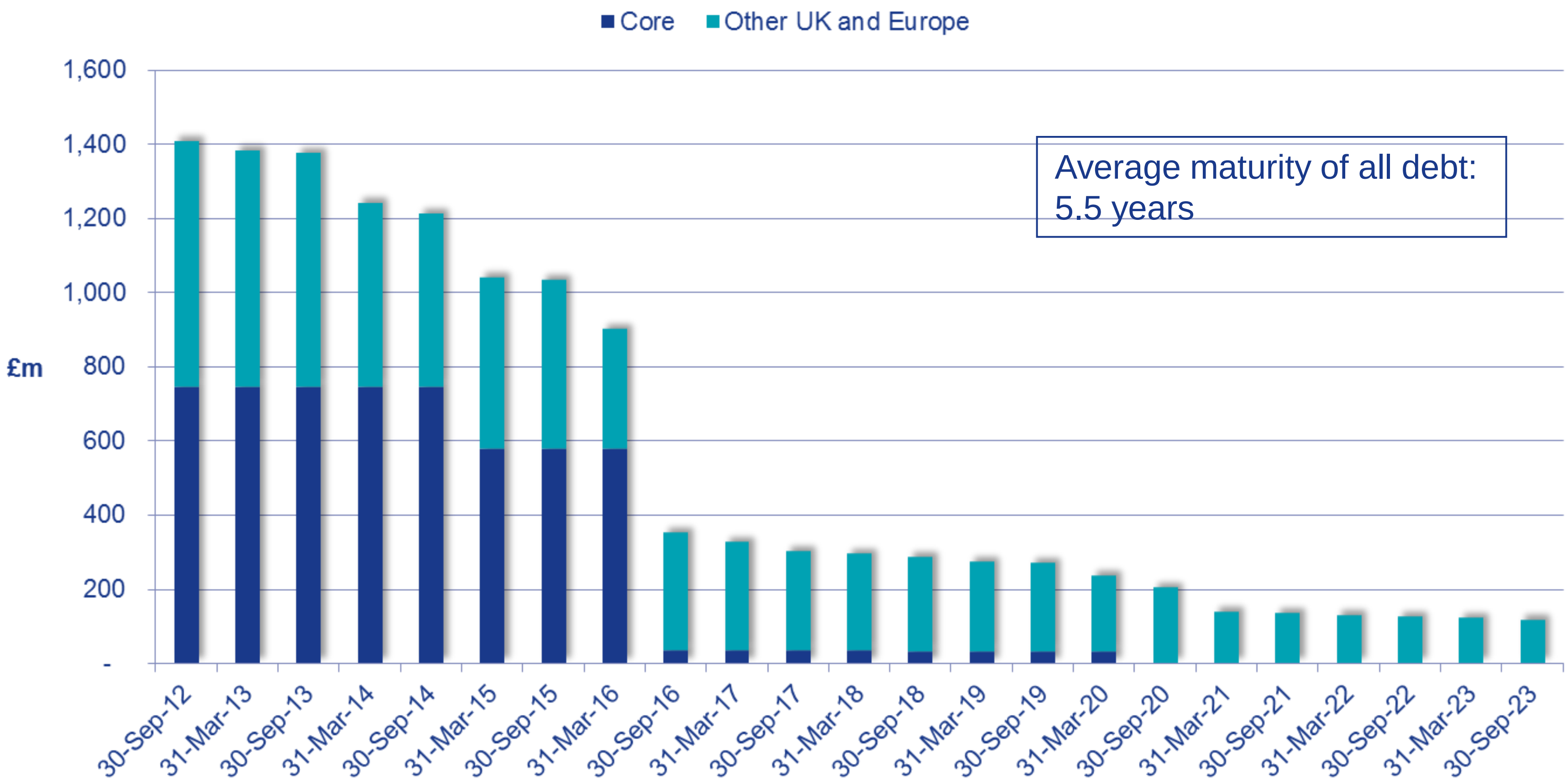
Debt maturity



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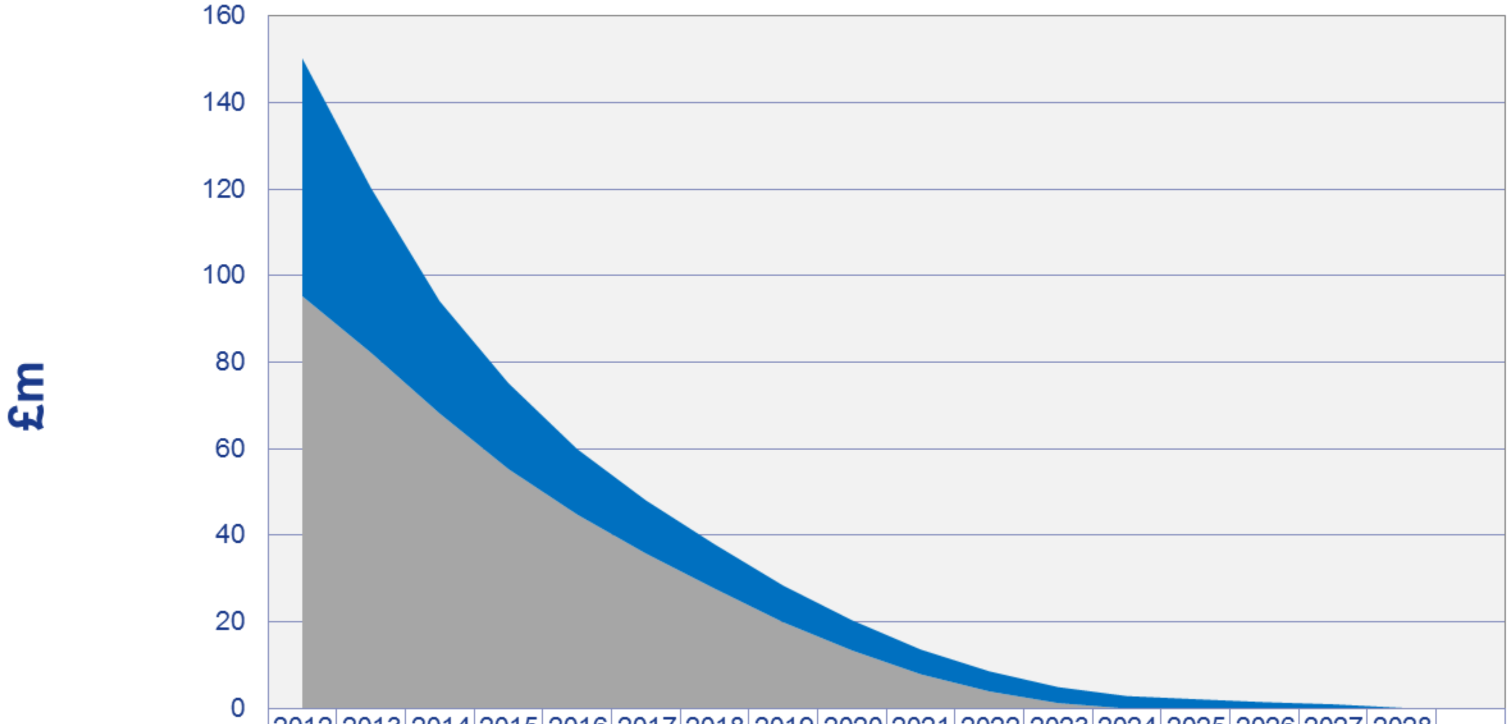
Derivative liability runoff chart

Mark to Market Run off



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Reserves	55	38	26	20	15	12	10	8	7	6	5	4	3	2	1	1	0
Income Statement	95	82	68	55	45	36	28	20	13	8	4	1	0	0	0	0	0
Movements Reserves	£0	17	12	6	5	3	2	2	1	1	1	1	1	1	1	0	1
Movements I/S	£0	13	14	13	10	9	8	8	7	5	4	3	1	0	0	0	0

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Tax

- The tax credit for the year ended 30 September 2012 is £2.1m
- The main CT rate for the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Group's profit for the financial year ending 30 September 2012 is taxed at a corporation tax rate of 25%

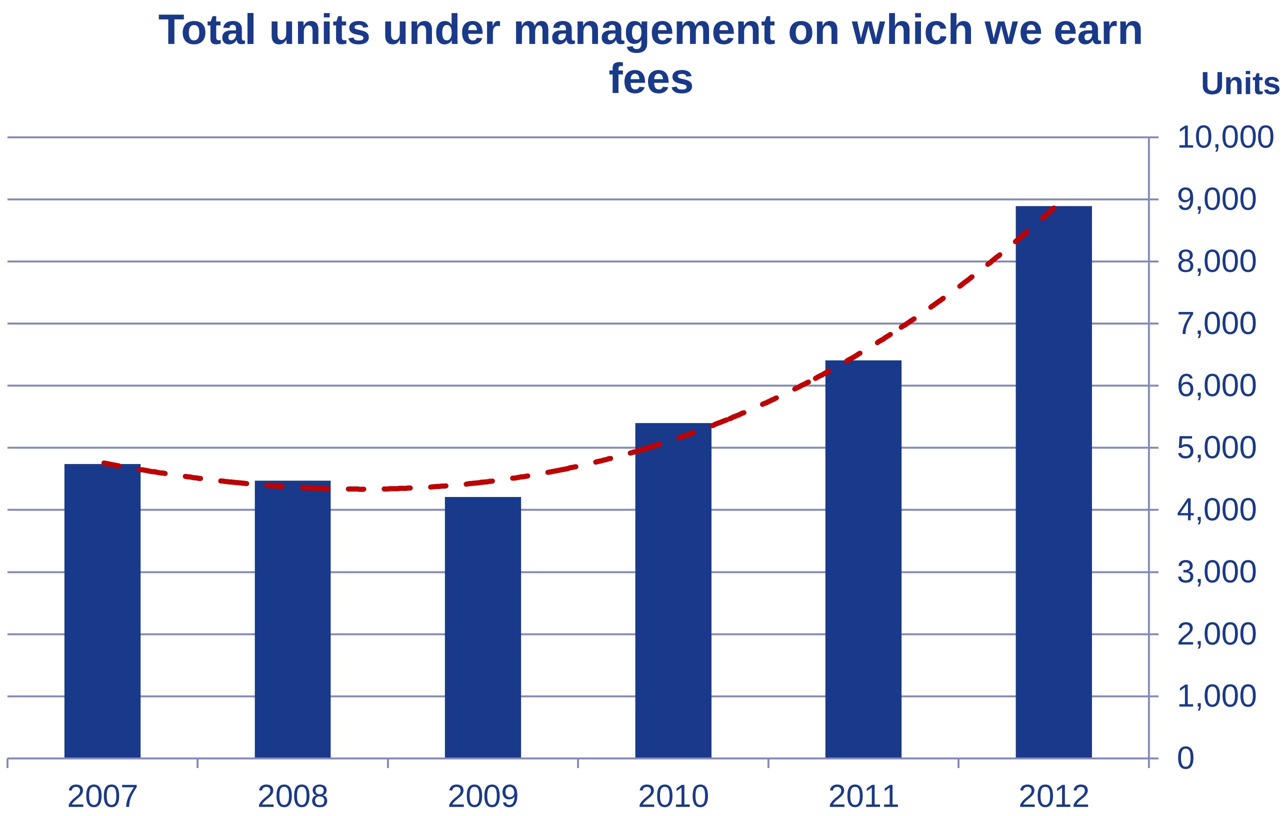
	30 September 2012 £m
Loss/profit before tax	**(1.7)**
Loss/profit before tax at a rate of 25%	(0.4)
Expenses not deductible for tax	1.1
Benefit of utilising capital losses	(0.7)
Impact of tax rate change	0.2
Adjustments in respect of prior periods	(2.8)
Other	0.5
Total tax credit to the income statement	**(2.1)**

- Future tax rate expected to follow the headline rate. The Group retains a policy of prudent tax provisioning
- The 'pure' tax effect of the proposed reduction in CT rates to 22% from 1 April 2014 would result in a reduction in contingent tax relating to the uplift in trading stock to market value, which is not provided in the statutory accounts, of £3.6m

Portfolio overview – JV/Associates

	Joint Ventures					Associate	
	Curzon	Hammersmith	Prague/	Gebau	Sovereign	G:Res	Total
£m							
Property assets	37	-	26	-	60	372	495
Other assets	-	4	1	-	3	21	29
Total assets	37	4	27	-	63	393	524
External debt	(16)	-	(11)	-	(25)	(187)	(239)
Other liabilities	(27)	(4)	(13)	-	(7)	(19)	(70)
Total liabilities	(43)	(4)	(24)	-	(32)	(206)	(309)
Net assets	(6)	-	3	-	31	187	215
Grainger share	50%	50%	50%	50%	50%	21.96%	
Grainger share £m	(3)	-	2	-	15	41	55
Loans net of provisions	3	2	-	-	-	-	5
Total Grainger investment	-	2	2	-	15	41	60
Vacant posession value					97	407	504
Reversionary surplus					37	35	72
Grainger share of reversionary surplus					19	8	27

Assets under management



Investing in homes since 1912

grainger plc

Principal development schedule

Key project name	Description, planning status and strategy	Progress	GDV (with out planning)	GDV (with planning permission)	Book value
Aldershot	400 acre brownfield site in Hampshire; Development partner role with Defence Estates.The intention is to achieve outline planning consent and sell serviced land parcels to house-builders.	Development agreement signed 2 March 2011. Commenced work in masterplanning the site. Planning application expected by end of 2012.	(Fees)		--
Macaulay Road, Clapham	97 residential units, 30,000 sq. ft offices - detailed consent granted and demolition complete. Build Out development.	Construction underway by Galliford Try. Marketing commencing early 2013. Practical completion expected in Q1 2014.	--	£54m	£18m
Berewood, Waterlooville (formerly Newlands)	217 hectares greenfield site- freehold with overage interest. Outline planning consent granted for 2550 new homes and 100,000 sq.m commercial space, coupled with detailed application for first phase circa 200 homes, in March 2011. Complete S106 agreement, service land and sell first phases to housebuilders.	Now re-branded to Berewood. Planning completed. Infrastructure contract continues to create gateway and service land parcels. First phase sold to Bloor, who are expected to deliver first sales Spring 13.	--	£168m	£37m
Seven Sisters Regeneration (Previously referred to as Wards Corner)	197 residential units with a range of retail units, including provision for the Seven Sisters market.	Planning consent has been achieved. A Judicial Review has been lodged, which will result in a 6-24 month delay.	£76m	--	£3m
RBKC Young/Hortensia	Development Partner of RBKC to develop two brownfield two sites Hortensia Road and Young St. End product will be combination of private rental, private sale and affordable.	Consultant project team selected to commence design/planning process. Target application date June 13.	£47m	--	--
Hammersmith (in JV with Helical Bar plc)	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. Planning consent being sought.	Grainger/Helical have agreed to pursue a new planning application based upon a revised brief from the Council that will allow a smaller scheme to be progressed. We have appointed a new architect and are currently working on a very high level feasibility excercise.	£95m	--	--
Other			£35m	£21m	£12m
Total			£253m	£243m	£70m