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14 November 2018

Grainger plc (“Grainger” or the “Company”)

Proposed acquisition of GRIP, fully underwritten £346.7 million rights issue (the “Rights Issue”) and Notice of General Meeting

Transaction accelerates Grainger’s growth strategy into the UK private rented sector and delivers enhanced income returns for its shareholders

Alongside the announcement of a strong set of financial results today, Grainger, the UK’s largest listed residential landlord, is pleased to announce that it has conditionally agreed to acquire the entire share capital and shareholder loans in GRIP REIT plc (“GRIP”) from its joint venture partner, APG, for £396 million (the “Acquisition”). GRIP is a joint venture between Grainger and APG, currently owned 75.1% by APG and 24.9% by Grainger, which comprises 35 PRS assets (c.1,700 units) with a gross asset value of £696 million. Following the acquisition Grainger will become the 100% owner of GRIP.

Commenting on the Transaction, Helen Gordon, Chief Executive of Grainger plc said:

“I am pleased to announce today the acceleration of our growth strategy in the UK private rented sector with the proposed acquisition of GRIP REIT, our £696m PRS co-investment vehicle with APG, the expansion of our PRS investment pipeline to £1.37bn, and a strong set of financial results for the year.

The GRIP portfolio, which we have managed since 2013 and therefore know very well, is an exceptional acquisition. It will provide a step change in our investment in the PRS market and generate increased net rental income growth, which in turn will deliver enhanced shareholder returns.”

“We have a well-established strategy for growth supported by an excellent operational platform to successfully manage the enlarged PRS portfolio, ensuring that we can deliver strong returns and great homes for our customers.

These actions will reinforce Grainger’s position as the UK market leader in the private rented sector and will deliver enhanced shareholder returns going forward as we deliver our pipeline of PRS investments.

Today’s announcements, highlighting our acceleration of our PRS strategy, coupled with our consistently strong financial performance gives us confidence in the continued future success of the Group.”

Highlights

Excellent strategic fit

GRIP’s large, high quality residential property portfolio of c.1,700 PRS units at mid-market rental price points, are already well known to Grainger, who has managed the portfolio directly since 2013:

- The Acquisition is expected to be accretive to EPRA NNNAV in the medium term due to additional value from asset management initiatives on the GRIP portfolio and future development profits from the expanded pipeline which are expected to more than offset any immediate dilution from the Rights Issue and Acquisition
- Delivers £32.5m of gross rents per annum
- Generates a gross yield of 4.9% with strong rental growth prospects
- Assets located in strong rental growth locations in London and the South East of England
- Mid-market pricing – average weekly rent in the GRIP portfolio is 8% lower in London than the market average and 24% lower in the SE than the market average, supporting high occupancy of 95% and strong rental growth of 3.0% for the year to 30 June 2018
- A portfolio with a strong track record of performance:
 - +4.2% outperformance in MSCI UK Residential Universe over the past 3 years;
 - Sector Leader award for past two years in the Global Real Estate Sustainability Benchmark
- £17m of additional profit targeted from value add opportunities within the GRIP portfolio
- Alignment of operational and portfolio strategies which will deliver improvements on occupancy levels and gross to net from 32% to 26% in line with Grainger's overall operational performance

Acquisition supported by the Rights Issue will enable Grainger to expand its PRS pipeline

- Enables Grainger to expand PRS pipeline, utilising operating cash flow, gearing on the pipeline as schemes complete, and the Company's well-established asset recycling programme
- Ability to increase the Company's PRS pipeline by a further £382 million currently in the planning/legals stage, with targeted gross yields on cost of between 5.5 and 8 per cent
- Grainger's PRS investment pipeline will total £1,370 million, comprising £943 million secured, an additional £45 million secured via GRIP and the further £382 million referred to above

Delivery of enhanced income returns for shareholders

- Step change in net rental income and dividend; additional £32.5m gross rents per annum; projected increase in net rental income of approximately 3 times post pipeline stabilisation, underpinning dividend growth
- Future NAV growth potential captured from expanded pipeline; expected strong accretion from pipeline, planned asset management and recycling programme
- Enables the Company to use existing funding capacity to expand its PRS pipeline and take full control over PRS investments in London and the South East
- Operational and financial synergies
- Supports improved credit profile
- PRS portfolio will exceed regulated tenancy portfolio based on gross asset value
- Acceleration to REIT conversion

Full year results for year ended 30 September 2018

- The Company has also announced strong results today for the financial year ended 30 September 2018 which showed strong growth across all key metrics
- Adjusted earnings up +26% to £94.0m (FY17: £74.4m)
- EPRA NNNAV up +4% to 316p per share (FY17: 303p per share)

Funding of the Acquisition

The Acquisition will be funded by a £346.7 million rights issue fully underwritten by J.P. Morgan Cazenove and Numis.

The Rights Issue will result in the issue of up to 194,748,913 New Ordinary Shares (representing approximately 47 per cent. of the existing issued share capital of Grainger and 32 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue). The Rights Issue will be on the basis of a 7 for 15 Rights Issue at 178 pence per New Ordinary Share.

The Rights Issue Price represents:

- a 30 per cent. discount to the theoretical ex-rights price of an Existing Ordinary Share, when calculated by reference to the Closing Price of 291 pence per Existing Ordinary Share on 13 November 2018; and
- a 39 per cent. discount to the Closing Price of 291 pence per Existing Ordinary Share on 13 November 2018.

Dealing in the New Ordinary Shares (nil paid) is expected to commence at 8.00 a.m. on 3 December 2018, the first trading day after the General Meeting to be held at 11.00 a.m. on 30 November 2018, at which Shareholders will be asked to approve the Resolutions.

Pursuant to the Underwriting Agreement, the Company has agreed, subject to customary exceptions, not to issue any Ordinary Shares or rights to subscribe for or acquire Ordinary Shares during the period of 180 days from the date of settlement of the Banks' payment obligations to the Company under the Underwriting Agreement, without the prior written consent of the Banks (not to be unreasonably withheld or delayed).

Class 1 transaction

The size of the Acquisition means that it is classed as a Class 1 transaction under the listing rules of the U.K. Financial Conduct Authority (the "Listing Rules"). Accordingly, the Acquisition is conditional upon, among other matters, the approval of Grainger's shareholders.

A combined Class 1 circular and prospectus (the "Prospectus") containing further details of the Acquisition and the Rights Issue and containing the notice convening the General Meeting (to be held at 11.00 a.m. on 30 November 2018 at the offices of Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London, EC1A 2FG) will be sent to Grainger's shareholders as soon as practicable.

Grainger plc will be holding a presentation of its full year results as well as details on the Acquisition at 9.30am (UK time) today, 14 November 2018 and will be broadcast live via webcast and a telephone dial-in facility (details below).

A copy of the presentation slides will be available to download on Grainger's website, (www.graingerplc.co.uk) from 9.00 a.m. (UK time).

Webcast details

To view the webcast, please go to the following URL link. Registration is required.

<http://webcasting.brrmedia.co.uk/broadcast/5bd1c641b01efb6b20c2f926>

The webcast will be available for six months from the date of the presentation.

Conference call details

Call: +44 (0)330 336 9411

Confirmation Code: 5631488

This preceding summary should be read in conjunction with the full text of the following announcement and its appendices, together with the Prospectus which is expected to be published today.

Indicative abridged timetable

Publication of Prospectus	14 November 2018
Latest time and date for receipt of Forms of Proxy	11.00 am on 28 November 2018
Record Date for entitlements under the Rights Issue	5.00 pm on 28 November 2018
General Meeting	11.00 am on 30 November 2018
Dealings in New Shares, nil paid, commence on the London Stock Exchange	8.00 am on 3 December 2018
Latest time and date for acceptance in CREST and payment in full and registration of renounced Provisional Allotment Letters	11.00 am on 17 December 2018
Expected date of announcement of results of the Rights Issue	18 December 2018
Dealings in the New Shares to commence on the London Stock Exchange fully paid	8.00 am on 18 December 2018

For further information please contact:

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Introduction: Strategic Rationale

The Company has made excellent progress in implementing its strategy to grow its private rented sector ("PRS") investment business. To further accelerate this growth and enhance income returns for its shareholders the Company proposes to undertake a rights issue to raise £347 million (the "Rights Issue").

The proceeds from the Rights Issue will facilitate the acquisition of APG's majority interest in GRIP, the Company's PRS co-investment vehicle, for £396 million, which includes £55 million repayment of shareholder loans due to APG, so that GRIP is fully owned by the Company (the "Acquisition").

The Acquisition will significantly increase Grainger's wholly owned PRS portfolio of 2,841 PRS units by an additional c.1,700 PRS units in key target locations in London and the South East of England.

The Acquisition supported by the Rights Issue will enable Grainger to also expand its PRS pipeline, utilising operating cash flow, gearing on the pipeline as schemes complete, and the Company's well-established asset recycling programme.

The Company intends to extend its £943 million secured PRS pipeline (plus an additional £45 million secured via GRIP) by a further £382 million of PRS opportunities which are currently in the planning and legal stages. This additional pipeline comprises £251 million in London and the South East of England and £131 million in other target UK cities. The schemes within the pipeline are expected to complete and deliver returns over the next two to three years which should enable the Company to increase its net rental income and dividend.

The Acquisition supported by the Rights Issue will enable Grainger to accelerate its PRS growth strategy:

- To expand its existing property portfolio by owning 100 per cent. of GRIP's operational portfolio of c.1,700 PRS units, a portfolio which is very familiar to Grainger, having managed the assets on behalf of GRIP since 2013.
- GRIP's PRS portfolio is made up of 35 high-quality, mid-market PRS assets, located in Grainger's target markets in London and the South East of England, where both current PRS demand and long-term growth potential are expected by the Company to be strong. GRIP's PRS portfolio also includes two secured PRS schemes (Silbury Boulevard in Milton Keynes comprising 139 units, and East Street in Southampton, comprising 132 units).

- In the 12 months following completion of the Acquisition, the GRIP portfolio is forecast to generate gross rents of £32.5 million per annum.¹ It currently generates a gross yield of 4.9 per cent.² and achieved 3.0 per cent. like for like rental growth (FY18). Rent levels within the GRIP portfolio are at mid-market price points, ensuring the portfolio attracts high levels of demand and presents a lower risk profile with regard to consumer affordability. On average, rents within the GRIP portfolio are 8 per cent. lower than the London market average and 42 per cent. lower than the South East market average. Excluding void properties due to refurbishment, the portfolio has an occupancy level of around 95 per cent.
- Increase the Company's PRS pipeline by a further £382 million at targeted gross yields on cost of between 5.5 and 8 per cent. once the schemes have completed and stabilised.
 - In total Grainger's PRS investment pipeline will total £1,370 million, comprising £943 million secured, an additional £45 million secured via GRIP and the further £382 million referred to above.
 - This is in addition to the interest in GRIP's stabilised portfolio being acquired by Grainger, equalling £505 million for the 75.1 per cent. interest.
- Significantly increase Grainger's net rental income, underpinning dividend growth and boosting long-term shareholder returns, whilst making Grainger a more resilient business with a greater proportion of recurring rental income contributing to total returns.
- Position the Company to be able to capture the significant growth opportunities within the UK PRS market, with industry forecasts of PRS household growth from 4.7 million households to 7.2 million by 2025.³
- Further simplify Grainger's Group structure, with improved financial reporting and streamlining of internal processes, providing cost synergies and further economies of scale, which will partially offset the loss of the management fees that Grainger currently receives for managing GRIP.
- Significantly increase dividends based on the Company's existing policy of distributing 50 per cent. of net rental income.

The Board has considered the Rights Issue and the Acquisition in the context of the outlook for the UK economy, property market and private rented sector, including the uncertain impact of the United Kingdom's exit from the European Union. The Board remains convinced of the long-term growth prospects of the UK private rented sector, the robustness of Grainger's strategic aims and targeted investment strategy and that the Acquisition is well-aligned with those aims and strategy. The Acquisition will provide Grainger with full control over all future PRS investment opportunities in London and the South East, and will provide shareholders 100 per cent. of the returns. Furthermore the Board acknowledges the timeliness of the Acquisition opportunity in relation to GRIP's shareholder liquidity window in January 2019.

The Acquisition:

¹ Assuming 3.2 per cent. rental growth and normalised void rates. Forecasted gross rent is a target only and not a profit forecast. There can be no guarantee of future performance.

² Estimated rental value as a percentage of GAV for the stabilised portfolio.

³ Source: MHCLG, *English Housing Survey, Headline Report, 2016-17 (published January 2018)*; PwC, *UK Economic Outlook (July 2015)*

In 2013, Grainger established a joint venture with APG (the GRIP joint venture) to invest in PRS assets in London and the South East. The GRIP joint venture currently comprises c.1,700 operational PRS assets and two PRS schemes under development, with a gross asset value of £696 million.

Currently APG owns 75.1 per cent. of GRIP with Grainger owning the remaining 24.9 per cent. The Company announced on 14 November 2018 that it had reached agreement with APG to acquire the ordinary shares, shareholder loans and minority interests of GRIP that the Company does not already own from APG for an aggregate purchase price of £396 million, which includes £55 million repayment of shareholder loans due to APG. Following the Acquisition, Grainger will become the 100 per cent. owner of GRIP.

The purchase price for APG's 75.1 per cent. interest in GRIP, APG's shareholder loans and APG's share of the minority interests of GRIP represents a 2.9 per cent. premium to NAV⁴ and a 2.1 per cent. premium to the GAV of the GRIP portfolio as at 30 September 2018. From 30 June 2018 to 30 September 2018, the GAV of the GRIP portfolio has increased 1.9 per cent.

Due to Grainger's detailed knowledge and familiarity with the GRIP portfolio, having directly managed it since 2013, the Board believes that the transaction presents lower risk than otherwise would be the case. In addition, Grainger has a clear asset management plan for the GRIP portfolio to add c.£17 million of further value and release funds for reinvestment.

Background to and reasons for the Rights Issue and the Acquisition:

At the time of the strategic review undertaken in early 2016, the Grainger Board set three key strategic priorities and has made significant progress in respect of each of these as summarised below.

• Strategic Priorities	• Achievements
Strategic Priority 1: Grow rental income	<ul style="list-style-type: none"> Increased net rental income by 35 per cent. from 2015 to 2018 Secured £943 million of PRS investment (plus £45 million secured via GRIP), with a further £382 million of opportunities in the planning/legal stages, post-Acquisition Improved the Group's property operating costs (gross to net) from 31 per cent. in 2015 to 26 per cent. in 2018
Strategic Priority 2: Simplify and focus	<ul style="list-style-type: none"> Restructured the business to enhance efficiency and reduce administrative expenses by 23 per cent. from 2015 to 2018 Successful ongoing disciplined asset recycling programme, targeting £250 million over the period from 2017 to 2020, with £157 million completed in 2018 Reduced the Group's cost of debt from 4.6 per cent. at year-end 2015 to 3.2 per cent. at year-end 2018 Extended the Group's weighted average facility maturity (including extension options) to 6.1 years
Strategic Priority 3: Build on Grainger's experience as the UK's leading listed residential landlord	<ul style="list-style-type: none"> Operates a portfolio of c.8,200 rental homes⁵ Created a pipeline of c.5,300 PRS units (secured and in planning or legals) Increased scalability through restructuring and investment in technology Improved customer service delivery and building design

⁴ Includes NAV plus APG loans plus APG minority interest.

⁵ Total managed portfolio, including regulated tenancies, PRS wholly owned and GRIP

Given this significant progress, the Board is now looking to further increase and accelerate the Group's exposure to the PRS, maximising the opportunities and efficiency of the Grainger platform and further increasing net rental income.

The increased investment into the PRS development pipeline and the proposed Acquisition, provides the Company with an opportunity to build on the achievements to date and to continue to fulfil its strategic priorities.

- (a) Strategic Priority 1 – Grow rental income – GRIP is forecast to generate £32.5 million of gross rental income per annum.⁶ With targeted operational improvements and reductions in gross to net leakage, the increase in net rental income for Grainger will result in growth in the dividend for Grainger shareholders in line with the current policy. In addition, the £382 million increased investment in the PRS pipeline will provide the basis for further increases in net rental income as the developments are completed over the coming two to three years. The Company estimates that net rental income for the Group will increase from £43.8 million in FY18 to £128 million once the properties in the pipeline have completed and stabilised.⁷
- (b) Strategic Priority 2 – Simplify and focus – The proposed Acquisition is aligned to Grainger's strategy of reducing JVs and non-core businesses and simplifying Grainger's corporate structure. Grainger may consider the use of joint venture partners in future but the Company has stated that the primary driver for any future joint ventures will be where it provides access to land and development opportunities.
- (c) Strategic Priority 3 – Build on Grainger's experience as the UK's leading residential landlord – The Acquisition and increased investment in Grainger's PRS pipeline will solidify its market leading position in the UK PRS. The Company continues to identify compelling PRS investment opportunities and the increased funding capacity from the Rights Issue will enable the Company to pursue these in a continued disciplined manner in line with its investment strategy in key target locations. In addition, opportunities to acquire large portfolios of high quality PRS stabilised assets such as those owned by GRIP are extremely limited and this Acquisition will materially increase the size of Grainger's wholly-owned portfolio from c.6,500 units to c.8,200 units.

The Grainger Board believes that the key attractions of the Acquisition are as follows:

- (a) Strong portfolio with characteristics that fit with Grainger's objectives: The Acquisition allows Grainger to increase its exposure to, and benefit from, the entirety of GRIP's current portfolio of PRS assets (including the income produced) in strong attractive rental markets within London and the South East, key target locations identified by the Company with forecast long-term growth prospects for the rental market. The GRIP portfolio includes Argo Apartments in Canning Town, London, the Company's most recently completed PRS asset which was 97 per cent. let in four months. The Acquisition is also in line with Grainger's stated intention to focus on "investable cities" of which London is top ranked across all leading indicators, in terms of having both strong existing tenant demand and strong growth prospects. GRIP's assets are at mid-market rental price points where the demand is highest, with an average rent charge of approximately £379 per week in Greater London and £151 per week in the South East compared to average rents of £412 and £261 per week respectively.

⁶ Forecast FY 19 assuming 3.2 per cent. rental growth and normalised void rates. Forecasted gross rental income is a target only and not a profit forecast. There can be no guarantee of future performance.

⁷ Assuming rental growth estimated at c.3 per cent., regulated tenancy vacancy rate at 6.5-7 per cent., gross yields of 5-6 per cent. in London & SE, 6-8 per cent. regionally less gross to net of 25-27.5 per cent. Estimated net rental income is a target only and not a profit forecast. There can be no guarantee of future performance.

- (b) Benefits of scale: The Acquisition is anticipated to provide benefits of scale with the potential to align asset management strategies between GRIP and Grainger and to further utilise Grainger's leading operational platform to reduce the gross to net leakage on the GRIP portfolio in line with Grainger's current level of 26 per cent. The Company also anticipates some cost synergies through the simplified corporate structure.
- (c) Net rental income growth: The substantial increase in net rental income that Grainger will receive on completion of the Acquisition should facilitate an increase in the dividend per share to be paid to Grainger shareholders in FY19 and thereafter. This increase in net rental income may also benefit the optimisation of debt financing procured in the future given the substantial increase in stabilised, income generating assets owned by Grainger.
- (d) Well known portfolio: Given that Grainger already manages the assets on a day-to-day basis, there is a lower risk profile associated with this transaction than with acquiring a relatively unknown portfolio in the market as the Grainger team are best placed to understand both the risks and the opportunities associated with the portfolio.

The Acquisition will result in Grainger acquiring full control of GRIP's secured development pipeline which comprises the following two developments:

- (e) a £32 million PRS development in Milton Keynes (Silbury Boulevard) expected to achieve practical completion in late 2019. This approximately 90,000 square foot development scheme of 139 homes was announced by GRIP on 1 August 2017 and is expected to generate a gross yield on cost of approximately 6 per cent. once stabilised; and
- (f) a £28 million PRS development in Southampton (East Street) expected to complete in late 2020. This development scheme of 132 homes was announced by GRIP on 9 May 2018 and is expected to generate a gross yield on cost of approximately 6.5 per cent. once stabilised.

In addition, the Rights Issue combined with the Company's asset recycling programme and gearing on the pipeline will provide Grainger with additional funding capacity. This should enable the Company to increase its PRS pipeline further, including schemes that are currently in the planning/legals stage, £251 million of which is located in London and the South East and £131 million is in other target UK cities.

In total, following completion of the Acquisition, Grainger will have a secured pipeline (including the additional £45 million secured via GRIP) of £988 million (FY17: £651 million) and £382 million in planning and legal preparation.

Grainger's future intentions for GRIP

Grainger has managed the GRIP portfolio on a day-to-day basis since GRIP was created in January 2013 and is therefore very familiar with the assets within the portfolio. Grainger has undertaken an in-depth review of the GRIP assets and has developed an asset management plan based on the individual merits of each asset aligned to the Group's existing asset recycling programme. Grainger has identified a number of opportunities to improve assets within the GRIP portfolio, which will then either be retained by the Group or recycled. The Company is targeting £17 million of additional value to be delivered through asset management and recycling and an additional £22 million of potential NAV uplift upon stabilisation from the London & South East pipeline.⁸ The asset management plan that Grainger has developed for GRIP is complementary to and aligned with Grainger's overall asset recycling programme and defined asset hierarchy schedule, which have been designed to maximise shareholder returns.

Grainger's current trading, trends and prospects

⁸ Represents a target only and is not a profit forecast. There can be no guarantee of future performance.

As announced on 14 November 2018, Grainger has delivered a good performance for the financial year ending 30 September 2018 and believes that the Company is well-positioned in a growth sector of the UK economy to build on its market leading position.

Since 30 September 2018, trading has been in line with management expectations and there has been no significant change in the financial or trading position of Grainger since that date.

GRIP's current trading, trends and prospects

Since 30 June 2018, GRIP's performance has been in line with management expectations and there has been no significant change in the financial position of GRIP since that date.

Terms of the Acquisition

Part II ("*Summary of the Principal Terms of the Acquisition*") of the Prospectus contains a description of the principal terms of the Acquisition Agreement.

Grainger will acquire the 14,343,277 ordinary shares in GRIP held by APG, representing 75.1 per cent. of GRIP's issued share capital, the outstanding shareholder loans with an aggregate principal amount of £54.9 million made by APG to GRIP and an amount in respect of APG's minority interest in certain subsidiaries of GRIP for £2.7 million.

The aggregate consideration payable by Atlantic Metropolitan (U.K.) Limited (a wholly owned subsidiary of the Company, the "Grainger Buyer") to APG under the Acquisition Agreement will be £396.2 million including repayment of shareholder loans.

The consideration payable by the Grainger Buyer to APG under the Acquisition Agreement is calculated as follows:

- (a) £338.6 million in respect of APG's ordinary shares in GRIP;
- (b) an amount in respect of APG's shareholder loans equal to their outstanding principal amount plus interest accruing to the date of completion of the Acquisition; and
- (c) £2.7 million in respect of the minority interests in GRIP's subsidiaries currently owned by APG.

Grainger will be required to pay stamp duty at a rate of 0.5 per cent. of the aggregate purchase price in respect of stock and marketable securities but not stamp duty land tax. Had the Acquisition been undertaken as an asset purchase of GRIP's underlying assets, stamp duty land tax of c.5 per cent. would have been payable.

Financial impact of the Acquisition and the use of proceeds of the Rights Issue

In order to fund the Company's PRS growth strategy, Grainger proposes to use the net proceeds of the Rights Issue of £331.6 million to finance the cash consideration of £396.2 million for the Acquisition. The remaining cash consideration of £64.6 million not financed by the Rights Issue will be funded by existing capacity under the Company's banking facilities.

Financing the Acquisition through the Rights Issue will allow further funding made available from asset recycling and additional debt (within the target LTV range of 40-45 per cent.) to be invested in the future pipeline. The pipeline comprises £988 million (including £45 million via GRIP) already secured and committed, together with £382 million on schemes currently within the planning and legal stages.

The Directors have previously stated that their aim is to keep the Group's LTV within a range of 40 to 45 per cent. The Group's pro forma LTV as at 30 September 2018, adjusted for the Rights Issue and the Acquisition, is 37.9 per cent. Once the proceeds of the Rights Issue are fully deployed, the Group's LTV ratio will be consistent with this range.

Adjusted for the Rights Issue and the Acquisition as of 30 September 2018, the pro forma net debt of the Group amounted to £1,100.8 million with a cost of debt of 3.2 per cent. and a weighted average facility maturity (including extension options) of 5.4 years, whilst funds available (excluding cash and undrawn facilities held in joint ventures and associates) amounted to £395 million.

Under the terms of the existing GRIP shareholders' agreement with APG, APG has a right to request partial or full liquidity from GRIP in January 2019 and at five-year intervals thereafter. The Grainger Group is obliged to propose a liquidation plan, either through the sale of assets or the sale of APG's shares, and, if approved by APG, to implement such plan within 12 months. In the event that the Acquisition does not complete, the terms of the existing shareholders' agreement will remain in place. Further details in respect of the potential implications of the existing shareholders' agreement remaining in place are set out in the Prospectus.

Principal Terms of the Rights Issue

The Rights Issue will be made on the basis of:

7 New Ordinary Shares at 178 pence per New Ordinary Share for every 15 Existing Ordinary Shares

held by and registered in the name of each Qualifying Shareholder at 5.00 p.m. on the Record Date, and in proportion to any other number of Existing Ordinary Shares each Qualifying Shareholder then holds.

The Rights Issue will result in the issue of up to 194,748,913 New Ordinary Shares (representing approximately 46.7 per cent. of the existing issued share capital of Grainger and 31.8 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue). The Rights Issue will be on the basis of a 7 for 15 Rights Issue at 178 pence per New Ordinary Share.

The Rights Issue Price represents:

- a 30 per cent. discount to the theoretical ex-rights price of an Existing Ordinary Share, when calculated by reference to the Closing Price of 291 pence per Existing Ordinary Share on 13 November 2018; and
- a 39 per cent. discount to the Closing Price of 291 pence per Existing Ordinary Share on 13 November 2018.

Dealing in the New Ordinary Shares (nil paid) is expected to commence at 8.00 a.m. on 3 December 2018, the first trading day after the General Meeting to be held at 11.00 a.m. on 30 November 2018, at which Shareholders will be asked to approve the Resolutions.

Entitlements to New Ordinary Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Qualifying Shareholders but will be aggregated and sold in the market for the benefit of the Company. Holdings of Existing Ordinary Shares in certificated and uncertificated form and holdings under different designations will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

Qualifying Shareholders who take up their pro rata entitlements to New Ordinary Shares in full will suffer no dilution of their shareholdings in the Company as a result of the Rights Issue. However, the proportionate shareholding of a Shareholder who does not participate in the Rights Issue in full will be diluted by up to approximately 31.8 per cent. The New Ordinary Shares, fully paid, will rank for all dividends declared, made or paid after the date of allotment and issue of the New Ordinary Shares and otherwise pari passu with the Existing Ordinary Shares.

The Rights Issue has been fully underwritten by the Banks on, and subject to, the terms of the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in paragraph 12.1(b) of Part XIII ("Additional Information") of the Prospectus.

The Record Date for entitlements under the Rights Issue for Qualifying Shareholders is 5.00 p.m. on 28 November 2018. Provisional Allotment Letters for Qualifying Non-CREST Shareholders are expected to be posted to Qualifying Non-CREST Shareholders on 30 November 2018 and Nil Paid Rights are expected to be credited to stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, Excluded Shareholders) in CREST as soon as practicable after 8.00 am on 3 December 2018. The latest time and date for receipt of completed Provisional Allotment Letters and payment in full under the Rights Issue and settlement of relevant CREST instructions (as appropriate) is 11.00 am on 17 December 2018 with dealings in New Ordinary Shares, fully paid, expected to commence at 8.00 am on 18 December 2018.

The Rights Issue is conditional, amongst other things, upon:

- the Underwriting Agreement having become unconditional in all respects save for the condition relating to Rights Issue Admission and not having been terminated in accordance with its terms;
- Rights Issue Admission becoming effective by not later than 8.00 am on 3 December 2018 (or such later time and/or date as the Company and the Banks may agree, not being later than 8.00 am on 17 December 2018); and
- the passing of the Resolution (without material amendment) at the General Meeting and not (without the prior written consent of the Banks), at any adjournment of such meeting.

Details of further terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part III ("Terms and Conditions of the Rights Issue") of the Prospectus and, where relevant, for Qualifying Non-CREST Shareholders, will also be set out in the Provisional Allotment Letter.

Dividend and dividend policy

The Company's dividend policy is aligned to its strategy to grow rental income, with 50 per cent. of net rental income being distributed.

The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Ordinary Shares.

For the year ended 30 September 2018 and, in accordance with its existing dividend policy, the Board has recommended a final dividend of £14.7 million which will be paid over the Existing Ordinary Shares. This equates to 3.52 pence per share.

The record date for the final dividend will be 14 December 2018, with the final dividend to be paid on 11 February 2019. The New Ordinary Shares issued pursuant to the Rights Issue will not receive the final dividend.

Shareholders will be given the opportunity to vote on the Company's recommended final dividend for the year ended 30 September 2018 at the Company's next annual general meeting on 6 February 2019.

Directors' Intentions

The Directors hold in aggregate 311,371 Ordinary Shares representing 0.06 per cent. of the issued ordinary share capital of Grainger as of the Latest Practicable Date and intend to take up, or procure that their nominees take up, their rights in full in respect of the New Ordinary Shares to which they are entitled.

Financial advice

The Directors have received financial advice from J.P. Morgan Cazenove in relation to the Acquisition. In providing their advice to the Directors, J.P. Morgan Cazenove has relied upon the Directors' commercial assessment of the Acquisition.

Recommendation

The Board considers the Rights Issue and the Acquisition to be in the best interests of the Shareholders taken as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution, as the Directors intend to do in respect of their own beneficial holdings, which amount in aggregate to 311,371 Ordinary Shares and represent approximately 0.06 per cent. of the Company's issued ordinary share capital as of the Latest Practicable Date.

Further information

Further details in relation to the Acquisition and Rights Issue will be set out in the Prospectus which is expected to be published today. Please also refer to the Important Notice at the end of this announcement. Grainger Shareholders' attention is drawn, in particular, to the risk factors set out in the Important Notice and which will be described in further detail in the Prospectus.

IMPORTANT NOTICE

This announcement has been determined to contain inside information for the purposes of Article 7 of the Market Abuse Regulation EU 596/2016. Upon publication of this announcement the inside information is now considered to be in the public domain

The contents of this announcement have been prepared by and are the sole responsibility of Grainger.

This announcement is not a prospectus but an advertisement and investors should not acquire any securities referred to in this announcement except on the basis of the information contained in the Prospectus when published. The information contained in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed by any person for any purpose on the information contained in this announcement or its accuracy, fairness or completeness.

A copy of the Prospectus when published will be available from Grainger's registered office and on Grainger's website at www.graingerplc.co.uk, provided that the Prospectus will not, subject to certain exceptions, be available to shareholders in certain excluded jurisdictions. Neither the content of Grainger's website nor any website accessible by hyperlinks on Grainger's website is incorporated in, or forms part of, this announcement.

This announcement has been prepared in accordance with English law, the EU Market Abuse Regulation and the Disclosure Guidance Rules and Transparency Rules of the Financial Conduct Authority and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

The distribution of this announcement into jurisdictions other than the United Kingdom may be restricted by law, and, therefore, persons into whose possession this announcement comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdiction. In particular, subject to certain exceptions, this announcement, the Prospectus (once published) and the Provisional Allotment Letters should not be distributed, forwarded to or transmitted in or into in any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including the United States, Australia, Canada, Japan and South Africa.

This announcement is not for publication or distribution, directly or indirectly, in or into the United States. This announcement does not constitute or form part of an offer of securities for sale or solicitation of an offer to purchase securities in the United States, Australia, Canada, Japan, South Africa or in any other jurisdiction in which such offer may be restricted. The securities referred to in this announcement have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state in the United States and may not be offered or sold in the United States, except in reliance on an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offering of securities in the United States.

Each of J.P. Morgan Cazenove, which is authorised in the United Kingdom by the Prudential Regulation Authority (the "PRA") and regulated in the United Kingdom by the Financial Conduct Authority (the "FCA") and the PRA, and Numis (together with J.P. Morgan Cazenove, the "Banks"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and no one else in connection with the Acquisition and the Rights Issue and will not be responsible to anyone other than the Company for providing the protections afforded to clients of the Banks, nor for providing advice in relation to the Acquisition, the Rights Issue or any other matters referred to in this announcement. Neither the Banks nor any of their respective affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, tort or, under statute or otherwise) to any person who is not a client of the Banks in connection with this announcement, any statement contained in herein or otherwise.

Kempen & Co N.V. ("Kempen") which is authorised and regulated in the Netherlands by the Dutch Authority for Financial Markets (AFM) is acting exclusively for the Company and to no one else in connection with the Acquisition and will not be responsible to anyone other than the Company for providing advice in relation to the Acquisition. Kempen, nor any of its respective affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, tort or, under statute or otherwise) to any person in connection with this announcement, any statement contained in herein or otherwise.

No statement in this announcement is intended as a profit forecast and no statement in this announcement should be interpreted to mean that (i) future earnings per share, profits, margins or cash flows will necessarily match or be greater than the Company's historical published earnings per share, profits, margins or cash flows; or (ii) that the Company endorses the broker consensus referred to herein.

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "should", "could", "estimates", "forecast", "predict", "continue" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Such forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, achievements or performance of the Company, in the industries in which it operates, to be materially different from any future results, achievements or performance expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to, general economic and business conditions, changes in government relations or policy, competition and other risks. Given these uncertainties, recipients of this announcement are cautioned not to place any undue reliance on such forward-looking statements.

These forward-looking statements are stated as of the date of this announcement. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this announcement or to reflect the occurrence of unanticipated events, except as required by law. Any forward-looking statement contained in this announcement based on past or current trends and/or activities of the Company should not be taken as a representation that such trends or activities will continue in the future.

This announcement does not constitute a recommendation concerning the Rights Issue. The price and value of securities can go down as well as up. Past performance is not a guide to future performance. The contents of this announcement are not to be construed as legal, business, financial or tax advice. Each shareholder or prospective investor should consult his, her or its own legal adviser, business adviser, financial adviser or tax adviser for legal, financial, business or tax advice.