5 November 2008

Grainger plc ("Grainger" or the "Company")

RESULT OF OFFER TO CONVERTIBLE BOND HOLDERS

Further to its announcement on 24 October 2008, Grainger announces that conversion notices in respect of £81.1m nominal (or 72.4%) of its £112m 3.625% convertible bonds due 2014 were received before the deadline mentioned in that announcement.

The effect on the Company of these conversions and the associated cash payment is that:

1. 9,386,569 ordinary shares will be issued by 13 November 2008 to the former holders of those bonds, representing an effective issue price of 562p each (see note (a) below), approximately 4.5 times the closing share price the day before the offer announcement.

2. £52.7m nominal of debt has been eliminated (see note (b) below).

3. Net assets will be increased by approximately £39m; Loan to Value ("LTV") as calculated for covenant purposes on our core banking facility, will be reduced by approximately 2 percentage points and net asset value per share will decrease by approximately 2% (all as calculated pro forma on management expectations for the balance sheet as at 30 September 2008). As an early conversion we understand that the increase in net assets arising from that conversion will not be subject to tax.

4. There will be a one-off charge to the income account for the year ended 30 September 2009 of £28.4m, representing the cash amount to be paid.

5. Future interest costs charged to the income account will be reduced by circa £3.4m per annum, because of the overall reduction in reported debt.

6. There will be theoretical pre-tax cash savings of circa £0.5m per annum.

7. There will be an immediate cash saving of approximately £1.4m in interest costs as interest accrued on the bond and due for payment on 14 November 2008 will not be paid to those bondholders who have converted.

Notes:

(a) calculated pre tax as £100,000, less £35,000 cash payment pursuant to the announcement referred to above, divided by 11,574 shares issued per £100,000 nominal bond converted.

(b) calculated as £100,000 less £35,000 times 81,100/100. Because of the bifurcated accounting treatment of the convertible, debt in accounting terms will reduce by £37.6m.

Andrew Cunningham, Grainger's Deputy Chief Executive and Finance Director commented:

"We are pleased with the results of this early conversion process. This offer was primarily aimed at those bondholders who had some urgent need for liquidity in their investment. We did not anticipate a 100% acceptance rate as many of our bondholders are satisfied with their long term interest in Grainger and we recognise the continuing involvement and support of those investors as we move forward.

"The relative distress in the convertible bond market presented us with the opportunity to reduce debt (issued only some 18 months ago) at an effective rate of less than 50p in the £ thereby improving our LTV position, increasing net assets and reducing our reported debt levels whilst still maintaining more than £250m of committed headroom in our core facility.

"It is also opportune to remind shareholders of the statements we made in our trading update on 8 October – that sales from our core and retirement solutions portfolios for the year ended 30 September 2008 were 17.5% up on the previous year and that we were, and we remain, confident of meeting our interest cover covenant not only at that date but also at 31 March 2009, the next testing date."

For further information:

Grainger plc
Andrew Cunningham
Tel: +44 (0) 191 261 1819

Rupert Dickinson
Tel: +44 (0) 20 7795 4700

Financial Dynamics
Stephanie Highett
Dido Laurimore
Jamie Robertson
Tel: +44 (0) 20 7831 3113