



2010 Fact Book

All the facts



...and more



About the Company

W.W. Grainger, Inc., with 2009 sales of \$6.2 billion is North America's leading broad line supplier of maintenance, repair and operating (MRO) products, with an expanding presence in Asia and Latin America.

For more information on Grainger, visit www.grainger.com/investor.

Contents

Grainger Goals and Focus.....	2
Grainger Facts at a Glance.....	3
Locations at a Glance.....	9
Top 10 Questions.....	11
Grainger's Strategic Direction.....	19
Corporate Social Responsibility.....	31
Consolidated Statements of Earnings.....	35
Consolidated Balance Sheets.....	36
Consolidated Statements of Cash Flows.....	37
Historical Financial Summary.....	39
Executive and Operating Management.....	41
Board of Directors.....	43
Investor Relations Contacts.....	44
Company Information.....	45

Forward-Looking Statements

The 2010 Fact Book contains statements that are not historical in nature but concern future results and business plans, strategies and objectives, and other matters that may be deemed to be "forward-looking statements" under federal securities laws. Grainger cannot guarantee that any forward-looking statement will be realized although Grainger does believe that its assumptions underlying its forward-looking statements are reasonable. Achievement of future results is subject to risks and uncertainties which could cause Grainger's results to differ materially from those which are presented.

The forward-looking statements should be read in conjunction with the company's most recent annual report and Form 10-K as well as other reports filed with the Securities and Exchange Commission containing a discussion of the company's business and of the various factors that may affect it. Caution should be taken not to place undue reliance on Grainger's forward-looking statements and Grainger undertakes no obligation to publicly update the forward-looking statements, whether as a result of new information, future events or otherwise.

Grainger Goals and Focus

2010 Financial Scorecard

	2010 GOAL*	ACTUAL RESULTS**			
		Q1	Q2	Q3	Q4
Sales	\$6.8–7.0 billion	\$1.7 billion	\$1.8 billion	\$1.9 billion	
Operating Margin	10–11 percent	10.9 percent	12.0 percent	13.2 percent	
Earnings per Share	\$5.70–6.10	\$1.31	\$1.73	\$2.06	
Capital Expenditures	\$150–175 million	\$14 million	\$14 million	\$46 million	
Return on Invested Capital (YTD)	25 percent	25.9 percent	27.9 percent	30.2 percent	
Cash Flow from Operations	\$550–650 million	\$113 million	\$173 million	\$217 million	
Dividends	\$140–150 million	\$34 million	\$41 million	\$39 million	
Share Repurchase/Acquisition	\$260–375 million	–	\$250 million	\$248 million	

* Updated July 15, 2010

** Expected Earnings Release Dates: First Quarter – April 14, 2010, Second Quarter – July 15, 2010, Third Quarter – October 14, 2010 and Fourth Quarter – January 25, 2011

Goals for 2010

- Complete the Lab Safety Supply and Grainger Industrial Supply integration, achieving both cost and revenue synergies
- Invest in e-commerce to continue to drive rapid growth
- Expand Grainger's highly profitable globally sourced private label program
- Add tens of thousands of new products to its already broad offering to drive incremental sales growth
- Continue to optimize its distribution center and branch logistics network by addressing underperforming assets and by capturing productivity gains and transportation savings

Strategic Areas of Focus for 2010 and Beyond

- Strengthen the foundation
- Make it easier for customers to transact business with Grainger
- Provide more MRO-related services
- Energize relationships with small and medium-sized customers
- Drive global scale and profitability
- Increasing awareness of Grainger's total offering

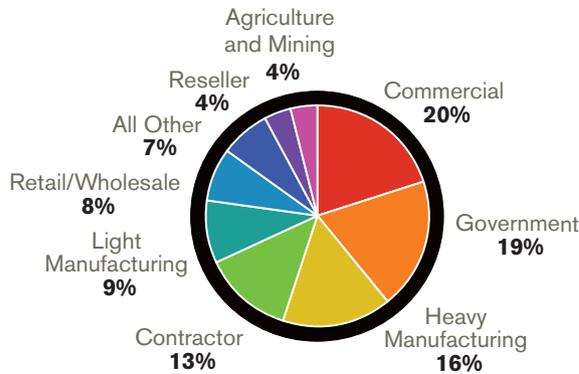
For a detailed description, please refer to pages 19–30.

Long-Term Goals

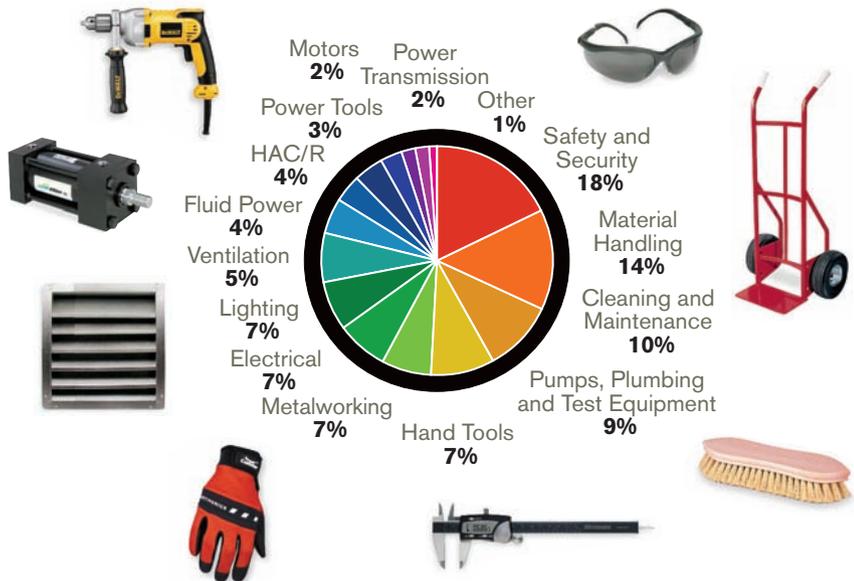
CORE GRAINGER SALES GROWTH	
GWW Multiple	Industrial production: 1.5–2.5X or Non-farm payroll: 3–4X
Operating Margin Percent Sales Target	11–13 percent
ROIC Target	Greater than 20 percent

Grainger Facts at a Glance

2009 Sales – By Customer Category (TOTAL COMPANY)



2009 Sales – By Product Line (TOTAL COMPANY)



Fast facts (TOTAL COMPANY)

(As of 12/31/09)

2009 Sales

\$6.2 billion

2009 e-commerce sales

\$1.5 billion

2009 EPS (diluted)

\$5.62

Employees

18,000

Branches

612

Distribution centers

22

Customers

2.0 million in 153 countries

Products available

1,000,000 plus

Suppliers

3,400

Consecutive years of dividend increases

39

Shares repurchased in 2009

4.5 million

Stock trading

Grainger's common stock is listed on the New York and Chicago stock exchanges under the trading symbol GWW.

Grainger Facts at a Glance (CONTINUED)

North America

United States

Grainger operates in the United States through a highly integrated network of 423 branches, 14 distribution centers and multiple Web sites (see list to right). In 2009, Grainger's U.S. business served some 1.7 million customers, who primarily represent industrial, commercial and government maintenance departments. The MRO market size in the U.S. is estimated to be \$128 billion, of which Grainger's market share in 2009 was approximately 4 percent.



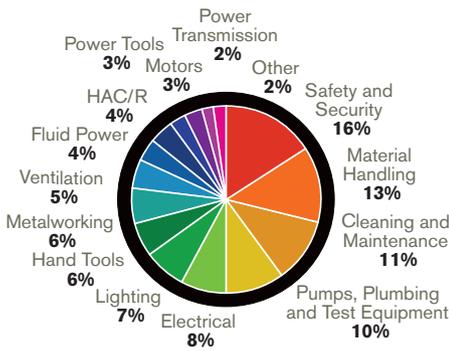
Competitors

- Airgas Safety
- Fastenal
- HD Supply
- K+K America
- McMaster-Carr
- MSC Industrial Direct
- Regional and local suppliers

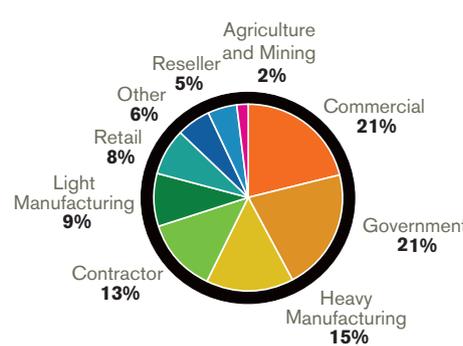
Web sites

- awdirect.com
- benmeadows.com
- constructionbook.com
- gemplers.com
- grainger.com
- highsmith.com
- imperialinc.com
- LSS.com
- mcefeelys.com
- professionalequipment.com
- randmh.com
- supplylink.com

2009 Sales by Product Line



2009 Sales by Customer Category



Canada

Acklands - Grainger is Canada's largest broad-line supplier of industrial, safety and fastener products. The company serves approximately 66,000 customers across Canada through 164 branches and five distribution centers. Its catalog, in both English and French, is available in print form and at acklandsgrainger.com. The MRO market size in Canada is estimated to be \$12 billion, of which Grainger's market share in 2009 was approximately 6 percent.



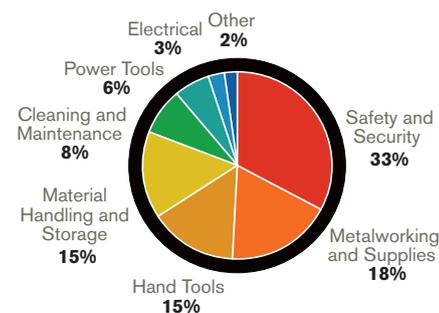
Competitors

- Century Vallen
- Fastenal
- Gregg Distributors
- HD Supply
- Tenaquip
- Weber Supply
- Regional and local suppliers

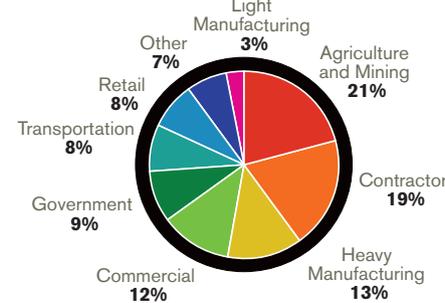
Web site

- acklandsgrainger.com

2009 Sales by Product Line



2009 Sales by Customer Category



Grainger Facts at a Glance (CONTINUED)

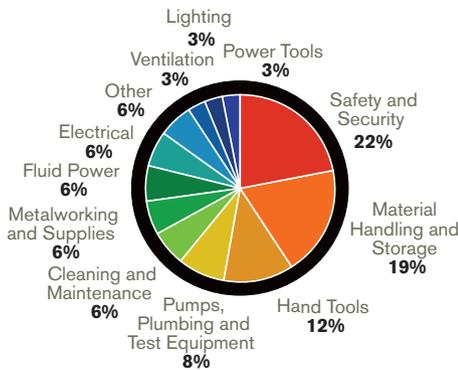
North America (CONTINUED)

Mexico

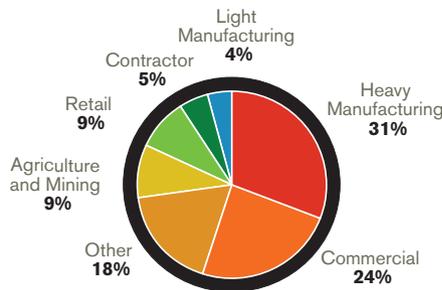
Grainger, S.A. de C.V. is a leading supplier of facilities maintenance products to businesses and institutions across Mexico. Currently, the company serves approximately 32,000 customers through 21 branches, a distribution center, a Spanish-language catalog and a Web site at grainger.com.mx. The MRO market size in Mexico is estimated to be \$10 billion, of which Grainger's market share in 2009 was less than 1 percent.



2009 Sales by Product Line



2009 Sales by Customer Category



Competitors

- Fastenal
- Vallen
- Regional and local suppliers

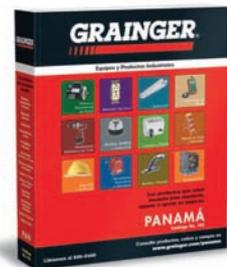
Web site

grainger.com.mx

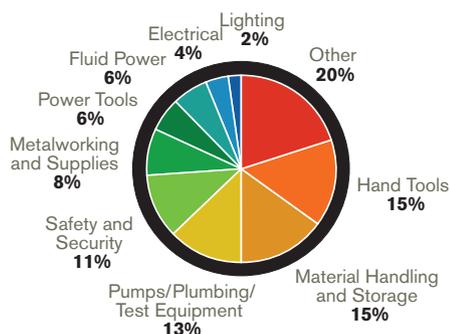
Central and South America

Panama

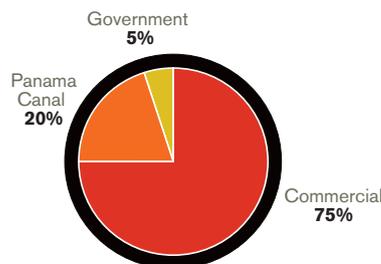
Grainger Panama opened in 2008. The company has a full-service 30,000 square-foot branch in Panama City offering customers across Panama 20,000 products including motors and power transmission, electrical, lighting, cleaning and painting supplies, safety equipment, material handling and power tools. The MRO market size in Panama is estimated to be \$200 million, of which Grainger's market share in 2009 was less than 1 percent.



2009 Sales by Product Line



2009 Sales by Customer Category



Competitors

- Hidroca
- Rexel
- Sonepar
- Wurth
- Regional and local suppliers

Web site

grainger.com

Grainger Facts at a Glance (CONTINUED)

Central and South America (CONTINUED)

Colombia

In June 2010, Grainger announced its ownership of Grainger Colombia, formerly Torhefe S.A. Torhefe is a leading distributor of maintenance, repair and operating (MRO) supplies with an emphasis on fasteners. The company has five locations including Barranquilla, Bogota, Cali, Cartagena and Medellin and has served businesses, wholesalers and institutions since 1984. The MRO market in Colombia is estimated to be \$3.4 billion, of which Grainger's market share in 2009 was less than 1 percent.

Competitors

- Regional and local suppliers

Asia

China

固安捷™ (Gu An Jie) Grainger currently operates a 126,000-square-foot branch and distribution center in Shanghai and opened a smaller, regional warehouse in South China in the second quarter of 2010. Customers learn about Grainger's facilities maintenance products through a Chinese-language print catalog containing 59,000 items, and online at Grainger's Chinese Web site, grainger.com.cn. The MRO market size in China is estimated to be \$72 billion, of which Grainger's market share in 2009 was less than 1 percent.



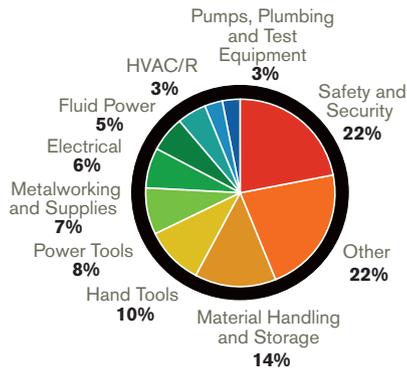
Competitors

- Regional and local suppliers

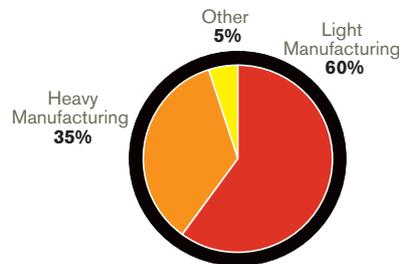
Web site

grainger.com.cn

2009 Sales by Product Line



2009 Sales by Customer Category



Grainger Facts at a Glance (CONTINUED)

Asia (CONTINUED)

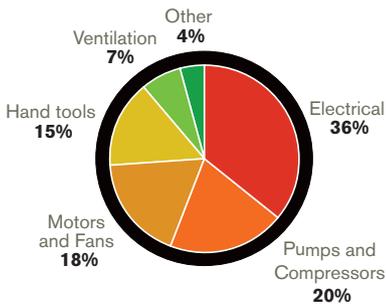
India

Grainger operates in India through its ownership of Grainger India, formerly known as Asia Pacific Brands India, Ltd. The company was founded in 2002 and operates as a master distributor with more than 2,000 dealer relationships and licenses to do business in 20 states within India. Grainger acquired a 49 percent joint venture position in 2008 and assumed full ownership in 2009. The MRO market size in India is estimated to be \$16 billion, of which Grainger's market share in 2009 was less than 1 percent.

Competitors

- Regional and local suppliers

2009 Sales by Product Line



Japan

Grainger operates in Japan through a 53 percent interest in MonotaRO CO., Ltd. (MonotaRO). MonotaRO provides small and mid-sized domestic businesses with access to more than one million products that help them operate and maintain their facilities. MonotaRO is a catalog and Web-based direct marketer. Approximately 70 percent of orders come through the company's Web site, monotaro.com. The MRO market size in Japan is estimated to be \$52 billion, of which MonotaRO has less than 1 percent.



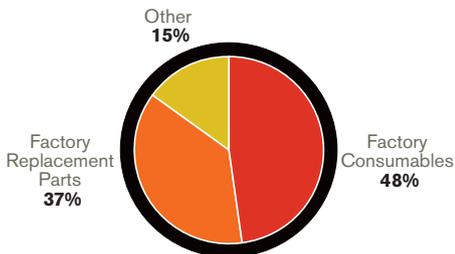
Competitors

- Small retailers

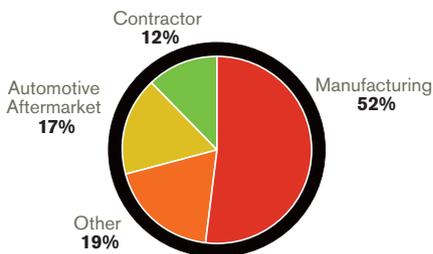
Web site

monotaro.com

2009 Sales by Product Line



2009 Sales by Customer Category

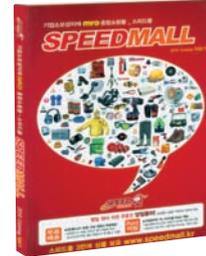


Grainger Facts at a Glance (CONTINUED)

Asia (CONTINUED)

Korea

MRO Korea is a joint venture in South Korea between Grainger (49 percent ownership) and SK Networks (51 percent ownership), founded in 2000. The company operates both an integrated supply and online distribution business, www.speedmall.kr. Currently, the company serves approximately 26,000 small, medium and large sized customers and offers 35,000 products. The MRO market size in South Korea is estimated to be \$13 billion of which MRO Korea has less than 1 percent.



Other

Export

Grainger's export business started in 1984 and today serves customers in 153 countries through its dedicated sellers in 20 different countries and its reseller program including authorized resellers in Guam, Singapore, Thailand and Qatar. The export business serves a range of customers from the U.S. military to large multinational companies to local business. These businesses of varying nationalities, size and scope rely on Grainger for high quality products, transparency in transactional information and ease of doing business.

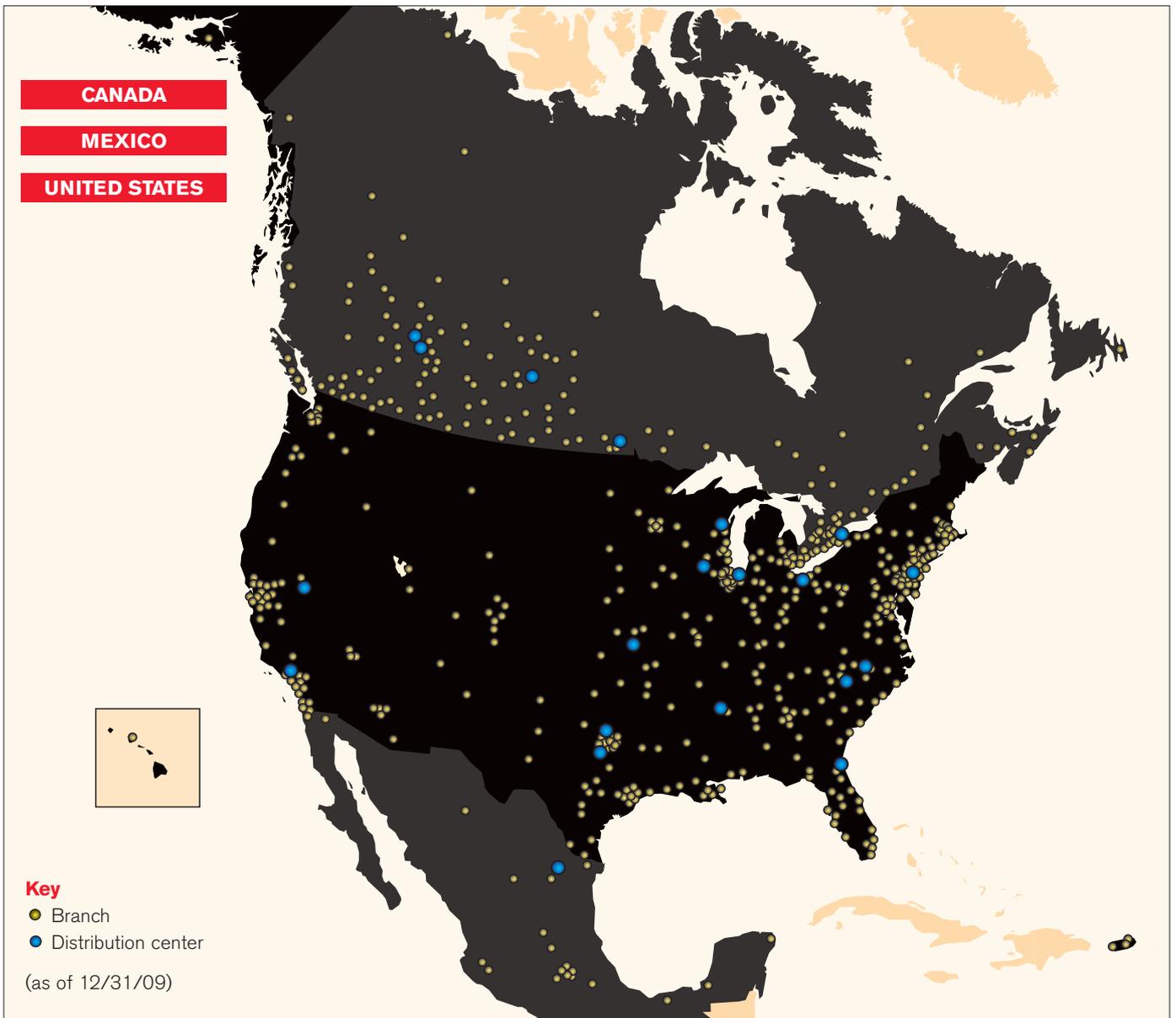
Locations at a Glance

Grainger serves businesses and institutions through a highly integrated network of branches, warehouses and distribution centers in the United States and Canada, with an expanding presence in Asia and Central and South America. (as of 12/31/09)



COUNTRY	BRANCHES	WAREHOUSES	DISTRIBUTION CENTERS
United States	423	—	14
Puerto Rico	2	—	—
Canada	164	—	5
Mexico	21	—	1
India	—	19	—
China	1	—	1
Japan	—	—	1
Panama	1	—	—
TOTAL	612	19	22

North America

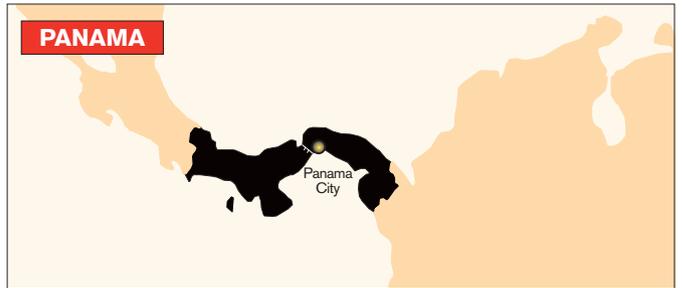


Locations at a Glance (CONTINUED)

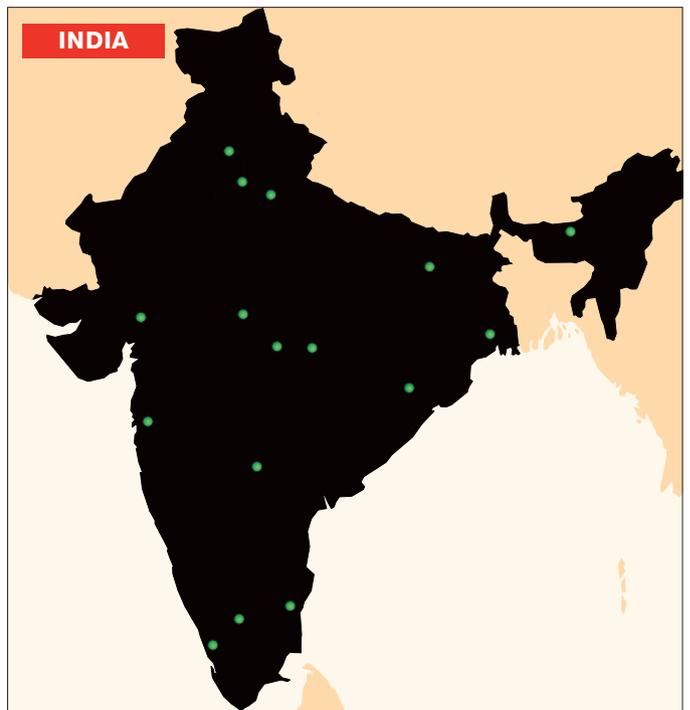
Central and South America



(as of 6/21/10)



Asia



- Key**
- Branch
 - Distribution center
 - Warehouse

(as of 12/31/09)

Top 10 Questions (CONTINUED)

6 How is Grainger’s supply chain a differentiating factor?

Grainger’s supply chain is built to provide customers with the right product, at the right time and the right place. Sounds simple, but with more than 3,000 suppliers, two million customers and one million products offered worldwide, it takes a unique network and top-notch execution to deliver on that promise each and every time.

The company has invested considerable time and capital to develop a supply chain that is expected to deliver competitive service at the lowest total operating cost. A hallmark of Grainger’s supply chain is its focus on continuous improvement, which has substantially improved inbound and outbound cycle times; reduced the amount of time required to pick, pack and ship orders; and dramatically improved space utilization within existing buildings. In addition, best practices are consistently shared across all of Grainger’s businesses, resulting in service and productivity improvements in product management, inventory planning, transportation management and distribution center operations.

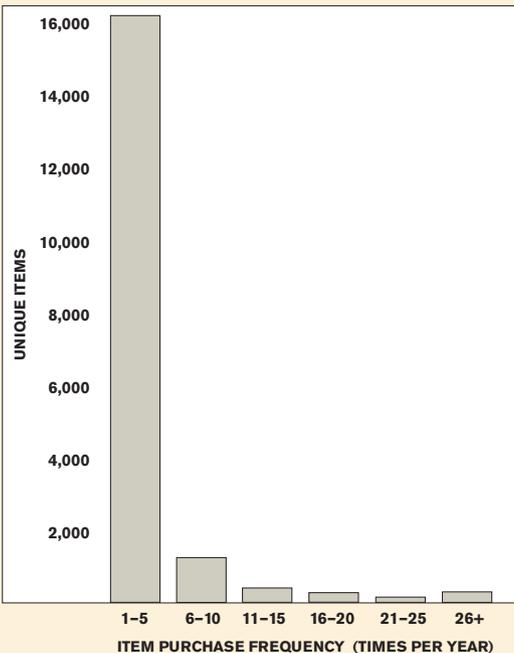
In early 2010, the company further enhanced its supply chain by adding the capability to ship multiple brands off of a single platform. This capability – unrivaled in the industry – will allow the company to integrate future acquisitions more efficiently, and it allows specialty brand products to be shipped to customers faster than ever before.

The company’s ability to deliver products quickly and accurately means customers can rely on Grainger when they have an urgent need instead of stocking MRO products themselves. By continually improving network operations and inventory utilization, Grainger will remain focused on what it does best – providing the best product, service and availability at the lowest total cost.

NOTES

PURCHASING PATTERN - LARGE COMPANY

Annual



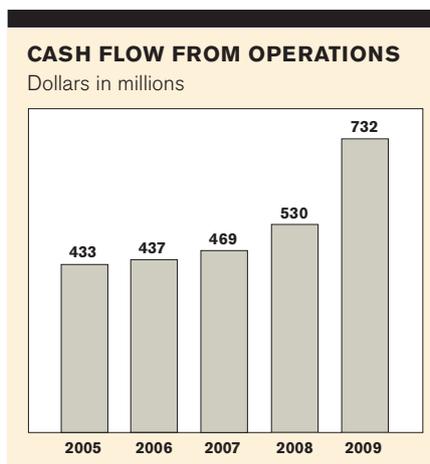
Most of the products that customers purchase from Grainger are not repeat product purchases. In fact, approximately 82 percent of products purchased each year by the typical customer are purchased five times or less. That is why Grainger continues to add products each year to its already broad product offering.

Top 10 Questions (CONTINUED)

8 What are Grainger's priorities for cash flow?

Even during economic downturns, Grainger has been a strong generator of operating cash flow. Over the past three years, the company has had an average cash balance of \$300 million to provide the financial flexibility to respond to events or opportunities. The priority for the deployment of cash is first to fund future growth, with around one-third of operating cash historically reinvested in capital expenditures. The balance has been returned to shareholders in dividends and share repurchases.

The company's modest level of debt helps lower its weighted average cost of capital. Given the company's strong and stable cash flow, funding the interest expense and debt repayment is not expected to be an issue going forward. The focus for cash deployment within the company is on growth opportunities that generate attractive returns on capital. Many of these investments are focused on improving the company's leading-edge supply chain capabilities.



Surplus funds have been returned to shareholders in the form of dividends and share buybacks. Over the past decade this has amounted to almost \$3 billion, or two-thirds of the funds generated by Grainger. Through several economic cycles over the past 38 years, Grainger has maintained a progressive dividend policy, and it is management's expectation that the dividends paid to shareholders will increase at or faster than earnings growth over the next three to five years. Share repurchases will also continue to be a method of adding value and rewarding shareholders for their support.

9 Can you describe the leadership team and how they are compensated?

The Grainger leadership team (see page 41) has an average age of 51 years, and an average of 14 years of industry experience. The team is compensated by a salary that puts them in the 50th percentile of comparable U.S. companies. An annual bonus is paid if the company reaches sales and return on invested capital targets set by the board of directors at the beginning of each year. Longer-term incentives are based on performance goals and aligning the executive team with shareholders. The senior team has a requirement to own a multiple of their salary in Grainger stock. Finally, the company does not have a pension plan in the United States; most U.S. employees are part of a profit sharing trust that allows them to benefit in the success of the firm after providing for the shareholder.

NOTES

Grainger's Strategic Direction

GRAINGER MOVING FORWARD

The next 12 pages are devoted to highlighting how Grainger intends to continue to aggressively press its advantage as an MRO market leader. In the years to come, Grainger plans to grow the business profitably, making it increasingly attractive to its customers, shareholders, suppliers and the thousands of communities across the globe where its 18,000 employees live and work. The way ahead is outlined below and begins with the company's strategic focus areas for 2010 and beyond.

Grainger's Strategic Direction

Winning in any business requires that a company fundamentally understands its customers' challenges and the opportunities they need help realizing. In the MRO arena, maintenance professionals buy MRO products because they have a problem they need to solve, often times right away. It may be:

- A broken piece of equipment
- The requirement for maintenance products designed to maintain operating efficiency
- A need for products that drive energy or cost savings

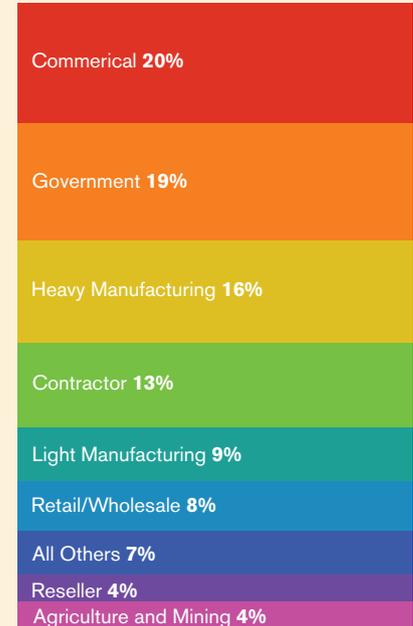
Whatever the issue, maintenance professionals need a partner who can help them keep their work places safe, efficient and functioning. Grainger aspires to be that trusted and indispensable partner. The company's leadership team and employees will concentrate their efforts in six key areas that can help Grainger become that partner, delivering market share and sales growth domestically while building scale internationally.

KEY AREAS OF FOCUS

- Strengthen the foundation
- Make it easier for customers to transact business with Grainger
- Provide more MRO-related services
- Energize relationships with small and medium-sized customers
- Drive global scale and profitability
- Increase awareness of Grainger's total offering

Grainger's Customers

CUSTOMER CATEGORIES 2009 SALES (Total Company)



CUSTOMER CATEGORY EXAMPLES

COMMERCIAL

Hotels, hospitals and movie theatres

GOVERNMENT

Local and state agencies, schools, military and postal service

HEAVY MANUFACTURING

Petro/chemical companies, lumber, textiles, machinery/equipment and transportation equipment

CONTRACTOR

Electrical, utilities contractors and building maintenance contractors

LIGHT MANUFACTURING

Computers/electronic manufacturers, food processors, furniture and wood products

RETAIL/WHOLESALE

Grocery, auto/gas stores, clothing stores and general retail

RESELLER

Agriculture resellers, mining resellers, services resellers and construction resellers

AGRICULTURE AND MINING

Oil/gas, agriculture and mining

Grainger's Strategic Direction (CONTINUED)

► STRENGTHEN THE FOUNDATION

Grainger's success is built on a solid foundation. These foundational elements are what differentiate Grainger in the marketplace:

- The right products available for customers at the right time and the right place
- A strong IT and supply chain infrastructure to deliver exceptional customer service
- A culture of service and integrity that provides customers with confidence in Grainger's ability to meet their needs

Grainger's strong foundation is a competitive advantage not easy for others to replicate. The company will continue to strengthen its foundation to drive outstanding customer service and financial performance.

Grainger's vast product offering

Having the right products available to meet customer needs is central to Grainger's foundation. The company continues to aggressively expand its product line to capture even more of its customers' MRO spend.

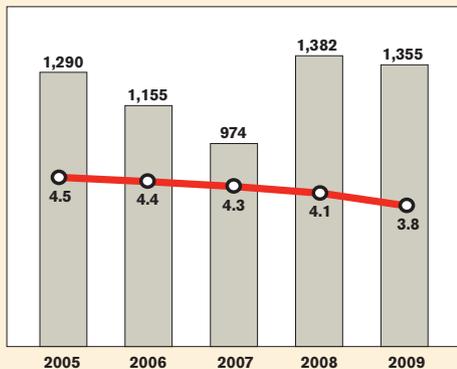
- In the U.S., the number of products in Grainger's catalog has tripled over the last five years and now contains some 307,000 products, with almost 500,000 products available online. Products in the catalog are in stock within Grainger's supply chain.
- In 2010, the company's Canadian business added more than 15,000 products to its catalog and now offers more than 100,000 products in stock.
- The number of products in the Grainger Mexico catalog has nearly doubled over the last four years and now contains approximately 70,000 products, including a new fastener line and expanded safety offering.
- The company's business in Japan offers one million products online, with 138,000 products available via five specialty catalogs.



WORKING CAPITAL / INVENTORY TURNS

Dollars in millions

— Average inventory turnover – LIFO



Given the success of the company's product line expansion program, Grainger plans to continue adding new products both online and in its catalogs to truly become a "one-stop shop" for all of its customers' needs. Through the company's sophisticated inventory management and deployment practices, Grainger's inventory turns have not eroded much and product availability actually improved despite the introduction of more than 74,000 products in 2009 alone.



Grainger's Strategic Direction (CONTINUED)

Product availability is the key

Grainger wins when it has the products customers need, when and where they need them. That's why unmatched product availability is a key component of the company's foundation and why Grainger continues to invest in this competitive advantage.

- Grainger typically has more than 20,000 products available for pickup in its U.S. branches, and 98 percent of items ship within 24 hours from the company's network of distribution centers.
 - Branches in the Canadian operation stock an average of 6,000 to 16,000 products based on local market requirements, providing immediate availability to customers in large metro areas like Toronto; rural towns like Swift Current, Saskatchewan; and remote areas like the arctic town of Inuvik.
 - Through a combination of branches and distribution centers, Grainger Mexico provides same- or next-day service to 90 percent of the country's MRO market.
- The company is continuing to invest in its supply chain network to put even more products closer to its customers. Recent and current projects include:

- Retrofitting the Greenville, South Carolina, DC to increase the capacity of the facility and put more products closer to customers on the East Coast of the U.S.
- Building a new U.S. DC outside of San Francisco scheduled to open in 2011 that will house more than 350,000 products and provide customers on the West Coast better next-day access while reducing the company's transportation costs.
- Consolidating two U.S. DCs into one larger Chicagoland facility in 2012 to house more than 450,000 products, expanding the company's next-day reach in the Midwest.
- The introduction of a third-party operated DC dedicated to Acklands – Grainger in Vancouver, Canada, to better serve customers in British Columbia.
- The introduction of a 235,000 square-foot LEED-certified (Leadership in Energy and Environmental Design) DC in Monterrey, Mexico, that will house more than 60,000 products.

In the growing economies of China, Japan and India, Grainger operates:

- A large distribution center in Shanghai, China, and a new, smaller regional warehouse in Guandong is scheduled to open in the second quarter of 2010 to enhance product availability to customers in South China.
- A DC outside Osaka in Japan.
- 20 warehouses across India to best reach customers.

Grainger's efficient inventory management practices optimize the performance of its distribution network. Through leading-edge inventory forecasting and analysis techniques, Grainger determines stocking levels and fine-tunes inventory to ensure it has the best next-day delivery performance at the lowest total cost.



Grainger's scale provides customers with superior product selection and availability.

Grainger's Strategic Direction (CONTINUED)

▶ MAKE IT EASIER FOR CUSTOMERS TO TRANSACT BUSINESS WITH GRAINGER

When maintenance professionals have a problem that requires a solution, they want it resolved quickly and conveniently. Over the next several years, Grainger will continue to focus on ways to make it easy for its customers to transact business with the company. Following are some of the ways Grainger is already making it easier for customers to find, buy and receive the MRO products they need.

Multichannel service model

It all starts with Grainger's multichannel service model. Customers have the option of using one of more than 600 branches, or conducting business over the telephone or via the internet, which means Grainger is effectively accessible 24/7. This is a tremendous advantage to businesses that operate around the clock, knowing that they can order in bulk or individual items from any location and get their order the same or next day.

At the branch level the company has invested in:

- Improving the flow of customer traffic
- Reducing customer wait time
- Making more products available in a retail-style environment
- Placing its branches in more convenient locations

Improved telephone technology enables Grainger's knowledgeable customer service representatives to answer calls within seconds.

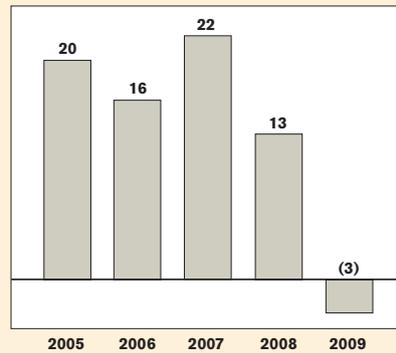
Grainger was one of the first companies to make its catalog available via the internet, recognizing that more and more customers would be looking to transact their business in this way. As a result, sales via the internet have grown to \$1.5 billion and as of year-end 2009 represented 24 percent of overall revenues. While customers still shop using the traditional printed catalog, the continual development of the internet-based offering has:

- Boosted Grainger's top-line growth
- Given customers a better appreciation of the full spectrum of products the company offers

NOTES

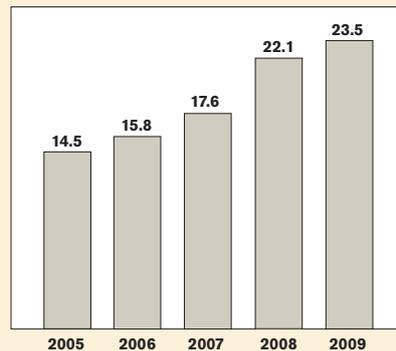
INTERNET SALES GROWTH

Percent



INTERNET SALES

Percent of Overall Sales



Grainger's Strategic Direction (CONTINUED)

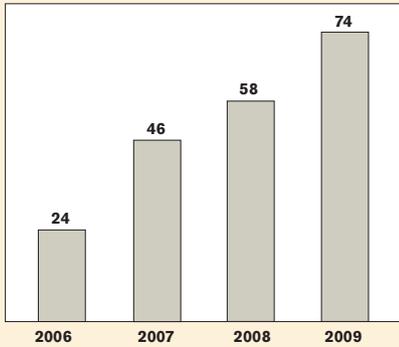
Improved information, search and select, knowledgeable employees

In a world filled with millions of MRO products, Grainger is making it easier for maintenance professionals to find exactly what they need. From improved information and layout design in our catalogs to enhanced search and select capabilities in our newly launched internet search engine, Grainger enables customers to find what they need within minutes. In addition, our U.S. employees have an average of 9 years of experience and are knowledgeable of both the products and the customers' needs. Each year customer service employees receive 8 hours of training to help them better understand how to help the customer through the entire purchasing process quickly and effectively.

GROWTH IN SKUS

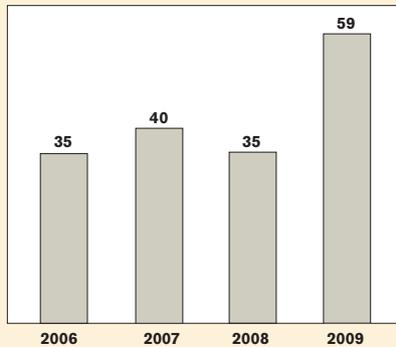
PRODUCT SKUS ADDED - PRODUCT LINE EXPANSION UNITED STATES

Thousands



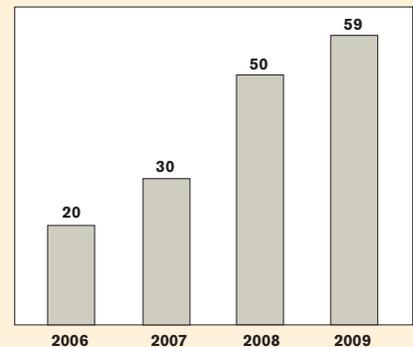
CATALOG PRODUCTS - MEXICO

Thousands



CATALOG PRODUCTS - CHINA

Thousands

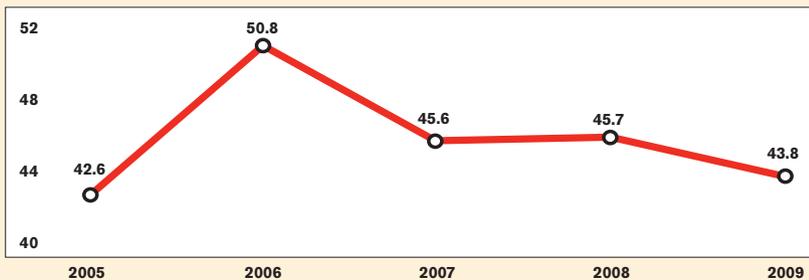


Extended line of credit

Even at a time when credit is especially tight, Grainger extends a line of credit to businesses to make it easier to transact business with the company. While this more flexible approach has attracted new customers and contributed to sales growth, it has not led to a significant increase in the bad debt levels experienced by the company, which remains a very modest and manageable figure.

DAY SALES OUTSTANDING TREND*

Days



* Grainger's internal DSO calculation, which includes cash and credit card sales

Grainger's Strategic Direction (CONTINUED)

NOTES

► PROVIDE MORE MRO-RELATED SERVICES

Grainger's next area of focus is to become known for providing valuable MRO services. The company does an excellent job today of providing the products our customers need, when and where they want them. As Grainger works to become their indispensable partner, it will be developing additional solutions to help solve more of their problems. Customers have identified four key areas that are of most concern for their businesses and will be the big issues for them in the foreseeable future:

- INVENTORY MANAGEMENT
- SAFETY
- SUSTAINABILITY
- BUSINESS CONTINUITY

The company has some experience in providing MRO services, having provided inventory management solutions for the past three years. In general, inventory management services are designed to help customers do everything from manage their MRO inventory levels to providing a Grainger customer service employee on-site to physically manage the customer's tool crib or MRO inventory storage areas. There are already 9,000 implementations in North America, and installations are expected to grow at a rate of 20-30 percent annually. It strengthens relationships and, on average, those customers who participate in this program grow at a faster rate than all other customers. In those instances where Grainger has competed for the business head-to-head against its competitors, Grainger has won the vast majority of the time.

As North America's leading safety products distributor, a foray into safety-related services is a natural fit. What Grainger has found to be true across all business types, sizes and geographies is that safety is a critical issue for all these companies. Today, Grainger not only supplies product, but also assists with regulatory compliance. Currently, safety services are particularly strong in Canada where safety products represent 33 percent of product sales. Acklands – Grainger provides services such as repair and calibration of safety equipment with a service center and mobile service. There still remains a considerable opportunity in this area for the entire business going forward.

Sustainability is a topic that is both top-of-mind and relevant for customers of all types who are actively searching for partners who can help them:

- Take costs out of their business through greater energy or other resource efficiency
- Meet current and future governmental legislative requirements
- Retrieve government rebates, subsidies or credits
- Lessen their company's impact on the environment

Grainger's Strategic Direction (CONTINUED)

NOTES

▶ ENERGIZE RELATIONSHIPS WITH SMALL AND MEDIUM-SIZED CUSTOMERS

Small and medium-sized businesses account for a large percentage of the non-farm gross domestic product in the United States and represent millions of existing and potential relationships. Within these segments, Grainger has an opportunity to add new customers, gain a greater share of their overall MRO product spend and grow with them in the years ahead.

Today, larger customers account for 61 percent of sales within Grainger's U.S. business. Over the last decade, the company has focused on gaining market share through deeper penetration of this customer segment. This was the impetus behind the 2003 sales force reorganization that was responsible for making tremendous strides with not only large customers, but also government customers. Over that time, Grainger has successfully helped large customers save time and money and take tangible costs out of their businesses. Here are just a few ways Grainger has done this:

- Consolidated suppliers, resulting in greater volume rebates, decreased product requirements
- Stocked customer-specific inventory, freeing up the customer's valuable working capital
- Helped businesses become more energy efficient, resulting in measurable cost savings
- Managed customers' inventory, enabling them to reallocate dwindling resources

Looking ahead, there are similar opportunities to increase market share among small and medium-sized businesses throughout North America because these segments face some of the same challenges that large businesses face. In addition, by gaining a better understanding of the unique challenges and requirements of small and medium-sized businesses and by developing relevant solutions to meet their specific needs, Grainger intends to re-energize its relationship with these businesses.

Grainger will continue to provide local convenience with approximately 600 branches across North America, 24/7 access, and knowledgeable, experienced service professionals – all of these are important to customers but especially small and medium-sized customers. There is also an opportunity to redefine the local relationship with these customers through increasingly innovative e-commerce technology solutions, new sales coverage models and unique product and service offerings.

Grainger's Strategic Direction (CONTINUED)

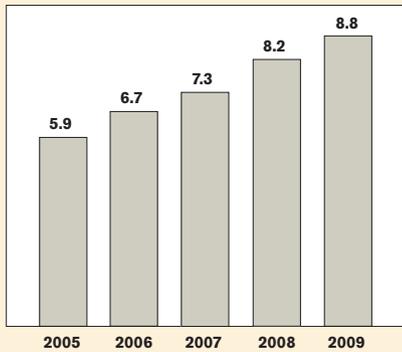
► DRIVE GLOBAL SCALE AND PROFITABILITY

Grainger is committed to profitable growth in existing and new markets internationally. The company's international efforts began with the creation of its export business in 1984, followed by the acquisition in Canada of Acklands, now Acklands – Grainger, and the greenfield establishment of Grainger Mexico, both in 1996.

Export customers rely on Grainger for products of the highest quality, transparent transactions and ease of doing business. The company's export business, which today has customers in 153 countries, serves an important role in helping Grainger understand different MRO landscapes, which is one way the company prioritizes where to go next. Prior to 1984, Grainger exported product to international locations at the request of its U.S. customers. In 1984 the company first dedicated resources to support the growing opportunity internationally and has significantly increased its investment over the last 10 years. Currently, the export business has dedicated sales people in 20 countries and inside sales teams in Illinois and Florida.

GLOBAL SOURCING – EXTERNAL SALES

Percent of Total Sales



its private label brand names, the company enjoys a margin on these products that is about 50 percent higher than the company's average gross product margins. To increase the sales of globally sourced products, the company intends to diversify into lower cost areas, such as Southeast Asia, while expanding the number of products available to customers internationally.

Grainger's global sourcing operation has also played an important role in the company's international growth. The U.S. group was established in 1997; however, the business in Canada has a strong history of sourcing globally going back to the 1960s. The global sourcing operation sources high quality, lower-priced products internationally, which now represent approximately 9 percent of total company sales. In the next five years, global sourcing sales are projected to top \$1 billion. Since Grainger markets these products under

NOTES

GLOBALLY SOURCED PRODUCT LINES – UNITED STATES

PRODUCT LINE	ADDED
Hand Tools	1998
Lighting	1998
Material Handling	1999
Metalworking	1999
Safety	1999
Test Instruments	1999
Electrical	2000
HVAC	2001
Power Transmission	2001
Pumps	2002
Motors	2004

Corporate Social Responsibility

Grainger manages for the long term and believes customer satisfaction is the best way to grow. But the company also knows it must operate in the public interest across our international communities if it is to thrive. Grainger's service promise extends beyond sales and into investments that help keep our communities viable.

In 2009, Grainger donated more than \$16 million to not-for-profit organizations through cash, products and employee matching gifts. More than just a financial sponsor, Grainger provides thought leadership and expertise to local and national partners to encourage program growth and innovation. On the local level, the company encourages branch employees to become actively involved in their communities, and many do.



Emergency preparedness and technical education have long been the two main philanthropic focus areas for the company. In 2010, Grainger continues to extend the reach of its two primary programs, the American Red Cross *Ready When the Time Comes* volunteer disaster preparedness program and the Grainger Tools for Tomorrow® scholarship program for individuals in a skilled trades curriculum. Grainger has been able to make a significant impact using its resources and expertise to deepen relationships with communities, customers and public partners.

Our Partners Speak

Grainger is the national founding sponsor of the American Red Cross *Ready When the Time Comes* volunteer program, which impacts local communities. Acklands – Grainger is also the national founding sponsor of *Ready When the Time Comes* in Canada. On average, the program has increased the local Red Cross capacity to respond to emergencies by almost 40 percent.

ERIC ECKHOLDT, EXECUTIVE DIRECTOR OF CREDIT SUISSE AMERICAS FOUNDATION,
READY WHEN THE TIME COMES LOCAL LEAD SPONSOR

“At Credit Suisse, we invest in our communities because their success is a key factor in our long-term success. We value partners, like Grainger, who share our philosophy. In our New York City office, the response to the *Ready When the Time Comes* program was extraordinary, with more than 300 employees trained in the first year. We were inspired by Grainger's leadership in working with the Red Cross to launch *Ready When the Time Comes* on a national scale and have now established the program in four additional cities. It's a great example of how businesses across

FAST FACTS

- **1,000+** = Grainger employees trained as *Ready When the Time Comes* volunteers, the American Red Cross disaster preparedness volunteer program of which Grainger is the National Founding Sponsor
- **1 percent** = the number of companies that provide 3-to-1 Matching Gifts
- **22 percent** = The number of Grainger customers (269,860) that bought green products in 2009. See grainger.com for a listing of “green” products
- **8,100** = The number of “green” products available on grainger.com in Q1 2010
- **1,892 tons** = Amount of paper/cardboard recycled in 2009
- **\$16 million** = amount donated to not-for-profits
- **150** = number of scholarships available in 2010 through the Grainger Tools for Tomorrow® scholarship program
- **\$294,000** = Cash and products contributed to local communities across Canada by Acklands – Grainger
- **235,000 square feet** = Size of Grainger's new distribution center in Mexico, the first building of its kind to receive gold level LEED certification in the country



Corporate Social Responsibility (CONTINUED)

NEAL HOFFMAN, RED ROCKS COMMUNITY COLLEGE, COLORADO

“My career has spanned from an entry-level laborer to the owner of a small construction company to where I am today – an employee for a large construction company. Like many of the people who are customers for Grainger, I have watched the companies I work for surpass their difficulties and grow into successful businesses. I have much respect for my current company, Palace Construction, for their commitment to communities and support of their employees. I am a single-income provider for my family of four, work full-time, and attend night classes at Red Rock Community College. Because of the generosity of the Grainger Tools for Tomorrow® scholarship program, I will successfully complete my Associate of Applied Science degree in Construction Management by Spring 2010.”

Grainger’s commitment to sustainability is important for the company’s and its customers’ business. Grainger is the first and only national industrial distributor to have LEED-certified facilities.

DOUG WIDENER, EXECUTIVE DIRECTOR, U.S. GREEN BUILDING COUNCIL – CHICAGO CHAPTER

“The U.S. Green Building Council (USGBC) is a nonprofit community of leaders working to make green buildings available to everyone. Our organization developed the LEED® green building rating system to help define the term “green building.” The Chicago Chapter of USGBC works to transform how our local market adopts green solutions and relies on leaders in corporate citizenship, like Grainger, to help frame the discussion. Grainger both understands and implements strong green business practices. More importantly, the company shares its knowledge with local communities and its customers. For example, in 2009, Grainger worked with the chapter to host 50 Chicagoland business leaders at its corporate headquarters to demonstrate how it achieved its LEED certification. With 12 LEED-certified facilities, Grainger actively demonstrates its role as a leader in sustainability and provides relevant experience to the larger community of how to integrate sustainable building design, construction, and operations into overall sustainability plans. This experience also translates to its customers. The company’s four green product categories – Energy Efficiency, Water Conservation, Green Cleaning and Waste Reduction – help businesses reduce energy and water use while reducing costs. Grainger leads by example as it educates businesses and institutions on cost effective, sustainable solutions for achieving high performance, green buildings. This is critical in helping us transform the market by presenting both the business and environmental case for green building.”

NOTES

MATCHING GIFTS

FISCAL YEAR	PAID NUMBER OF DONORS
2007	1,794
2008	1,913
2009	1,953

Grainger is one of the less than 1 percent of companies that match employee giving 3-to-1. This empowers Grainger people to be more than employees; they are company ambassadors to their local communities. Despite economic pressures, more Grainger employees contributed to their communities in 2009 than in the previous two years.

Corporate Social Responsibility (CONTINUED)

Grainger’s commitment to diversity is driving results for the organization. As of March 2010, more than 2,170 Grainger employees are participating in Grainger Business Resource Groups.

SANDRA TAYLOR, GRAINGER VICE PRESIDENT OF GLOBAL ACCOUNTS, AND AFRICAN-AMERICAN BUSINESS RESOURCE GROUP PRESIDENT

“Grainger takes seriously its responsibility to respect its employees, customers, business partners and the communities in which the company conducts business. In 2009, Grainger established five business resource groups that are an inclusive collection of Grainger employees who voluntarily work together to help contribute to profitable revenue growth for Grainger.

The groups – African-American, Asian/Pacific Island, Generational, Latino, and Women’s – are a competitive advantage for Grainger in the global marketplace. These groups help enhance our organizational capabilities by sponsoring cultural events, developing Grainger employees, and providing targeted marketing intelligence.”

Grainger’s most valuable asset is its reputation. The company’s Corporate Social Responsibility programs help Grainger move beyond a company with which to do business and into an indispensable business partner.

NOTES

CORPORATE BEHAVIOR	
A company employee is tasked with environmental responsibilities	Yes
Company has environmental, health and safety guidelines	Yes
Environmental and workplace safety policy is disclosed	Yes
Environmental performance is audited by an independent outside firm	No
Company publishes core vision and values statement	Yes
Company compares its governance policies to an external code of best practices	Yes
Company has program in place to monitor its policies on corruption and bribery	Yes
Company has a code of ethics (Business Conduct Guidelines)	Yes
Company has an ethics officer function	Yes
Training on ethical behavior is required for all employees	Yes

Consolidated Statements of Earnings

<i>(In thousands of dollars, except per share amounts)</i>	For the Years Ended December 31,					
	2009	% Change	2008	% Change	2007	% Change
Net sales	\$6,221,991	(9.2)%	\$6,850,032	6.7 %	\$6,418,014	9.1 %
Cost of merchandise sold	3,623,465	(10.4)%	4,041,810	6.0 %	3,814,391	8.1 %
Gross profit	2,598,526	(7.5)%	2,808,222	7.9 %	2,603,623	10.6 %
Warehousing, marketing and administrative expenses	1,933,302	(4.6)%	2,025,550	4.8 %	1,932,970	8.8 %
Operating earnings	665,224	(15.0)%	782,672	16.7 %	670,653	16.0 %
Other income and (expense):						
Interest income	1,358	(73.2)%	5,069	(58.2)%	12,125	(43.6)%
Interest expense	(8,766)	(39.5)%	(14,485)	387.1 %	(2,974)	54.4 %
Equity in net income of unconsolidated entities	1,497	(58.9)%	3,642	80.7 %	2,016	(31.9)%
Gain (write-off) of investment in unconsolidated entities	47,343	(885.0)%	(6,031)	—	—	—
Other non-operating income	964	(63.9)%	2,668	560.4 %	404	(46.6)%
Other non-operating expense	(283)	(10.7)%	(317)	(12.7)%	(363)	(42.0)%
Total other income and (expense)	42,113	(545.5)%	(9,454)	(184.3)%	11,208	(55.1)%
Earnings before income taxes	707,337	(8.5)%	773,218	13.4 %	681,861	13.1 %
Income taxes	276,565	(7.2)%	297,863	13.8 %	261,741	19.2 %
Net earnings	430,772	(9.4)%	475,355	13.1 %	420,120	9.6 %
Less: Net earnings attributable to noncontrolling interest	306	—	—	—	—	—
Net earnings attributable to W.W. Grainger, Inc.	\$ 430,466	(9.4)%	\$ 475,355	13.1 %	\$ 420,120	9.6 %
Earnings per share:						
Basic	\$ 5.70	(6.1)%	\$ 6.07	21.2 %	\$ 5.01	14.9 %
Diluted	\$ 5.62	(5.9)%	\$ 5.97	21.6 %	\$ 4.91	15.8 %
Weighted average number of shares outstanding:						
Basic	73,786,346		76,579,856		82,403,958	
Diluted	74,891,852		77,887,620		84,173,381	

Segment Information

<i>(In thousands of dollars)</i>	2009	% Change	2008	% Change	2007	% Change
Sales						
United States	\$5,445,390	(10.1)%	\$6,057,828	5.7%	\$5,729,327	8.7%
Canada	651,166	(10.6)%	727,989	14.4%	636,524	12.6%
Other Businesses	165,051	47.7 %	111,732	19.5%	93,516	22.4%
Intersegment sales	(39,616)	(16.6)%	(47,517)	14.9%	(41,353)	35.1%
Net sales to external customers	\$6,221,991	(9.2)%	\$6,850,032	6.7%	\$6,418,014	9.1%
Operating earnings						
United States	\$ 735,586	(12.5)%	\$ 840,408	14.9%	\$ 731,553	12.9%
Canada	43,742	(19.4)%	54,263	22.7%	44,218	190.1%
Other Businesses	(11,634)	(1.6)%	(11,827)	57.8%	(7,495)	325.4%
Unallocated expenses	(102,470)	2.3 %	(100,172)	2.6%	(97,623)	17.3%
Operating earnings	\$ 665,224	(15.0)%	\$ 782,672	16.7%	\$ 670,653	16.0%

Consolidated Balance Sheets

<i>(In thousands of dollars)</i>	As of December 31,		
	2009	2008	2007
Assets			
Current Assets			
Cash and cash equivalents	\$ 459,871	\$ 396,290	\$ 113,437
Marketable securities at cost, which approximates market value	—	—	20,074
Accounts receivable (less allowances for doubtful accounts of \$25,850, \$26,481 and \$25,830, respectively)	624,910	589,416	602,650
Inventories	889,679	1,009,932	946,327
Prepaid expenses and other assets	88,364	73,359	61,666
Deferred income taxes	42,023	52,556	56,663
Prepaid income taxes	26,668	22,556	—
Total current assets	2,131,515	2,144,109	1,800,817
Property, Buildings and Equipment			
Land	237,867	192,916	178,321
Buildings, structures and improvements	1,078,439	1,048,440	977,837
Furniture, fixtures, machinery and equipment	950,187	890,507	848,118
	<u>2,266,493</u>	<u>2,131,863</u>	<u>2,004,276</u>
Less accumulated depreciation and amortization	1,313,222	1,201,552	1,125,931
Property, buildings and equipment – net	953,271	930,311	878,345
Deferred income taxes	79,472	97,442	54,658
Investments in unconsolidated entities	3,508	20,830	14,759
Goodwill	351,182	213,159	233,028
Other assets and intangibles – net	207,384	109,566	112,421
Total Assets	\$3,726,332	\$3,515,417	\$3,094,028
Liabilities and Shareholders' Equity			
Current Liabilities			
Short-term debt	\$ 34,780	\$ 19,960	\$ 102,060
Current maturities of long-term debt	53,128	21,257	4,590
Trade accounts payable	300,791	290,802	297,929
Accrued compensation and benefits	135,323	162,380	182,275
Accrued contributions to employees' profit sharing plans	121,895	146,922	126,483
Accrued expenses	124,150	118,633	102,607
Income taxes payable	6,732	1,780	10,459
Total current liabilities	776,799	761,734	826,403
Long-term debt (less current maturities)	437,500	488,228	4,895
Deferred income taxes and tax uncertainties	62,215	33,219	20,727
Accrued employment-related benefits costs	222,619	198,431	143,895
Shareholders' equity			
Cumulative preferred stock – \$5 par value – 12,000,000 shares authorized; none issued nor outstanding	—	—	—
Common stock – \$0.50 par value – 300,000,000 shares authorized; 109,659,219 shares issued	54,830	54,830	54,830
Additional contributed capital	596,358	564,728	475,350
Retained earnings	3,966,508	3,670,726	3,316,875
Accumulated other comprehensive earnings (losses)	12,374	(38,525)	72,171
Treasury stock, at cost – 37,382,703, 34,878,190 and 30,199,804 shares, respectively	(2,466,350)	(2,217,954)	(1,821,118)
Total W.W. Grainger, Inc. shareholders' equity	2,163,720	2,033,805	2,098,108
Noncontrolling interest	63,479	—	—
Total shareholders' equity	2,227,199	2,033,805	2,098,108
Total Liabilities and Shareholders' Equity	\$3,726,332	\$3,515,417	\$3,094,028

Consolidated Statements of Cash Flows

<i>(In thousands of dollars)</i>	For the Years Ended December 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net earnings	\$ 430,772	\$ 475,355	\$ 420,120
Provision for losses on accounts receivable	10,748	12,924	15,436
Deferred income taxes and tax uncertainties	21,683	5,182	(18,632)
Depreciation and amortization	147,531	139,570	131,999
Stock-based compensation	40,407	45,945	35,551
Tax benefit of stock incentive plans	2,894	1,925	3,193
Net losses (gains) on property, buildings and equipment	8,642	(9,232)	(7,254)
Income from unconsolidated entities – net	(1,497)	(3,642)	(2,016)
(Gain) write-off of unconsolidated entities	(47,343)	6,031	—
Change in operating assets and liabilities – net of business acquisitions:			
(Increase) decrease in accounts receivable	2,794	(5,592)	(41,814)
(Increase) decrease in inventories	175,286	(92,518)	(97,234)
(Increase) decrease in prepaid expenses	(11,180)	(33,629)	(2,342)
Increase (decrease) in trade accounts payable	(16,736)	(6,960)	(39,436)
Increase (decrease) in other current liabilities	(52,944)	199	54,457
Increase (decrease) in current income taxes payable	2,472	(7,784)	2,304
Increase (decrease) in accrued employment-related benefits costs	22,080	3,216	17,705
Other – net	(3,213)	(924)	(3,162)
Net cash provided by operating activities	732,396	530,066	468,875
Cash flows from investing activities:			
Additions to property, buildings and equipment	(142,414)	(194,975)	(197,423)
Proceeds from sales of property, buildings and equipment	1,684	13,620	12,084
Cash paid for business acquisitions, net of cash acquired, and other investments	(121,833)	(14,793)	(9,480)
Investments in unconsolidated entities	—	(6,487)	(2,138)
Net cash used in investing activities	\$(262,563)	\$(202,635)	\$(196,957)

Consolidated Statements of Cash Flows (CONTINUED)

<i>(In thousands of dollars)</i>	For the Years Ended December 31,		
	2009	2008	2007
Cash flows from financing activities:			
Net (decrease) increase in commercial paper	\$ —	\$ (95,947)	\$ 95,947
Borrowings under line of credit	46,125	29,959	14,107
Payments against line of credit	(43,583)	(15,437)	(7,751)
Proceeds from issuance of long-term debt	—	500,000	—
Payments of long-term debt	(18,856)	—	—
Proceeds from stock options exercised	91,165	46,833	113,500
Excess tax benefits from stock-based compensation	19,030	13,533	30,696
Purchase of treasury stock	(372,727)	(394,247)	(647,293)
Cash dividends paid	(134,684)	(121,504)	(113,093)
Net cash used in financing activities	(413,530)	(36,810)	(513,887)
Exchange rate effect on cash and cash equivalents	7,278	(7,768)	6,935
Net increase (decrease) in cash and cash equivalents	63,581	282,853	(235,034)
Cash and cash equivalents at beginning of year	396,290	113,437	348,471
Cash and cash equivalents at end of year	\$ 459,871	\$ 396,290	\$ 113,437
Supplemental cash flow information:			
Cash payments for interest (net of amounts capitalized)	\$ 8,766	\$ 14,508	\$ 4,409
Cash payments for income taxes	235,043	306,960	244,541
Noncash investing activities:			
Fair value of noncash assets acquired in business acquisitions	\$ 324,913	\$ 41,068	\$ 5,039
Liabilities assumed in business acquisitions	(75,530)	(6,778)	(341)

Historical Financial Summary

		2009	2008	2007
Financial Summary (\$000)	Net sales	\$6,221,991	\$6,850,032	\$6,418,014
	Earnings before income taxes and cumulative effect of accounting change	707,337	773,218	681,861
	Income taxes	276,565	297,863	261,741
	Earnings before cumulative effect of accounting change	430,466	475,355	420,120
	Cumulative effect of accounting change	—	—	—
	Net earnings attributable to W.W. Grainger, Inc.	430,466	475,355	420,120
	Working capital	1,354,716	1,382,375	974,414
	Additions to property, buildings and equipment and capitalized software	139,951	196,148	196,325
	Depreciation and amortization	147,531	139,570	131,999
	Current assets	2,131,515	2,144,109	1,800,817
	Total assets	3,726,332	3,515,417	3,094,028
	Shareholders' equity	2,227,199	2,033,805	2,098,108
	Cash dividends paid	134,684	121,504	113,093
	Long-term debt (less current maturities)	437,500	488,228	4,895
Per Share (\$)	Earnings – basic	5.70	6.07	5.01
	Earnings – diluted	5.62	5.97	4.91
	Cash dividends paid	1.780	1.550	1.340
	Book value	30.81	27.20	26.40
	Year-end stock price	96.83	78.84	87.52
Ratios	Percent of return on average shareholders' equity	20.2	23.0	19.7
	Percent of return on average total capitalization	16.4	20.3	19.2
	Earnings before income taxes and cumulative effect of accounting change as a percent of net sales	11.4	11.3	10.6
	Earnings before cumulative effect of accounting change as a percent of net sales	6.9	6.9	6.6
	Cash dividends paid as a percent of net earnings	31.3	25.6	26.9
	Total debt as a percent of total capitalization	19.1	20.7	5.0
	Current assets as a percent of total assets	57.2	61.0	58.2
	Current assets to current liabilities	2.7	2.8	2.2
	Average inventory turnover – FIFO	2.7	2.9	3.1
Average inventory turnover – LIFO	3.8	4.1	4.3	
Other Data	Average number of shares outstanding – basic	73,786,346	76,579,856	82,403,958
	Average number of shares outstanding – diluted	74,891,852	77,887,620	84,173,381
	Number of employees	18,006	18,334	18,036
	Number of account managers	3,144	2,858	2,823
	Number of branches	612	617	610
	Number of products in the Grainger® catalog	233,000	183,000	139,000

Notes: In the first quarter of 2009, Grainger adopted authoritative guidance on "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." As a result, earnings per share were calculated under the new accounting guidance for 2009, and restated for 2008 and 2007. Earnings per share for 1999–2006 were calculated using the treasury stock method and not restated because it was not practical and is not considered material. 2002 net earnings include a charge for the cumulative effect of accounting change of \$23,921,000, or \$0.26 per share, and special credits of \$4,458,000, or \$0.05 per share, for gains on sales of investment securities and \$1,183,000, or \$0.01 per diluted share, for the reduction of the reserves established in 2001.

2001 net earnings include a special charge of \$36,650,000, or \$0.39 per share, to establish a reserve related to the shutdown of Material Logic.

2000 net earnings include gains on the sales of investment securities of \$17,860,000, or \$0.19 per share.

Historical Financial Summary (CONTINUED)

2006	2005	2004	2003	2002	2001	2000	1999
\$5,883,654	\$5,526,636	\$5,049,785	\$4,667,014	\$4,643,898	\$4,754,317	\$4,977,044	\$4,636,275
603,023	532,674	445,139	381,090	397,837	297,280	331,595	303,750
219,624	186,350	158,216	154,119	162,349	122,750	138,692	123,019
383,399	346,324	286,923	226,971	235,488	174,530	192,903	180,731
—	—	—	—	(23,921)	—	—	—
383,399	346,324	286,923	226,971	211,567	174,530	192,903	180,731
1,155,763	1,290,188	1,108,384	926,773	898,681	838,800	735,678	600,611
138,737	157,247	160,758	80,486	144,052	107,168	94,913	138,373
118,568	108,782	98,256	90,253	93,488	103,209	106,893	98,227
1,862,086	1,985,539	1,744,416	1,633,413	1,484,947	1,392,611	1,483,002	1,471,145
3,046,088	3,107,921	2,809,573	2,624,678	2,437,448	2,331,246	2,459,601	2,564,826
2,177,615	2,288,976	2,067,970	1,845,135	1,667,698	1,603,189	1,537,386	1,480,529
97,896	82,663	71,243	67,281	66,467	65,445	62,863	58,817
4,895	4,895	—	4,895	119,693	118,219	125,258	124,928
4.36	3.87	3.18	2.50	2.30	1.87	2.07	1.95
4.24	3.78	3.13	2.46	2.24	1.84	2.05	1.92
1.110	0.920	0.785	0.735	0.715	0.695	0.670	0.630
25.90	25.51	22.83	20.27	18.21	17.17	16.37	15.85
69.94	71.10	66.62	47.39	51.55	48.00	36.50	47.81
17.2	15.9	14.7	12.9	12.9	11.1	12.8	13.1
17.2	15.9	14.2	12.3	13.6	10.2	11.2	11.0
10.2	9.6	8.8	8.2	8.6	6.3	6.7	6.6
6.5	6.3	5.7	4.9	5.1	3.7	3.9	3.9
25.5	23.9	24.8	29.6	31.4	37.5	32.6	32.5
0.4	0.4	0.5	7.5	7.2	7.8	17.3	23.3
61.1	63.9	62.1	62.2	60.9	59.7	60.3	57.4
2.6	2.9	2.7	2.3	2.5	2.5	2.0	1.7
3.1	3.2	3.3	2.9	3.2	3.3	3.2	3.2
4.4	4.5	4.6	4.4	4.5	4.7	4.6	4.1
87,838,723	89,568,746	90,206,773	90,731,013	91,982,430	93,189,132	93,003,813	92,836,696
90,523,774	91,588,295	91,673,375	92,394,085	94,303,497	94,727,868	94,223,815	94,315,479
17,074	16,732	15,523	14,701	15,236	15,385	16,192	16,730
2,699	2,507	2,154	1,741	1,650	1,641	1,708	1,879
593	589	582	575	576	579	572	562
115,000	82,400	82,300	88,400	98,700	99,900	85,200	81,100

Executive and Operating Management



JAMES T. RYAN

Chairman, President and Chief Executive Officer

Mr. Ryan was named Grainger's Chairman in April 2009, and President and Chief Executive Officer in June 2008. He has been President since April 2006 and was named Chief Operating Officer and to the Board of Directors in February 2007.

Mr. Ryan has held a number of other key posts since joining Grainger in 1980. They include Group President; Executive Vice President, Marketing, Sales and Service; President, grainger.com; Vice President, Information Services; and President, Grainger Parts.

Mr. Ryan is a trustee of the Museum of Science and Industry and DePaul University. He also serves as a member of the Civic Committee of the Commercial Club of Chicago and the Economic Club of Chicago.



LAURA D. BROWN

Senior Vice President,
Communications and Investor Relations

Laura D. Brown was named Senior Vice President, Communications and Investor Relations in July 2010. She is responsible for Grainger's internal and external communications, community relations and investor relations.

Ms. Brown most recently served as Vice President, Global Business Communications. Since joining Grainger in 2000, she held roles of increasing responsibility in the finance, marketing, and investor relations organizations. Prior to Grainger, Ms. Brown was a vice president at Baxter International and Alliant Food Service.

She currently serves as President of the Friends of Lake Forest Parks and Recreation Foundation.



COURT D. CARRUTHERS

Senior Vice President; President,
Grainger International

Mr. Carruthers was promoted to the new position of President, Grainger International, in March 2009. In this role, he is responsible for the company's operations outside the United States.

Previously, he served as President of Acklands – Grainger, a position held since October 2006, where he was responsible for the Canadian business in its entirety. He joined the company in 2002 and held a number of increasingly responsible leadership roles in sales and branch operations.

He is a member of the University of Alberta Business Advisory Council and Markham Stouffville Hospital Foundation, and is Immediate Past Chair of the United Way of York Region Campaign Cabinet.



TIMOTHY M. FERRARELL

Senior Vice President and Chief Information Officer

Mr. Ferrarell was named Senior Vice President, Chief Information Officer, in June 2007. He is responsible for enhancing customers' experiences through the company's process improvement and business system integration efforts.

Prior to this role, Mr. Ferrarell had served as Senior Vice President, Enterprise Systems, since June 2001, and took on responsibility for Enterprise Processes in 2006.

He is a trustee of Lewis University.



JOHN L. HOWARD

Senior Vice President and General Counsel

Mr. Howard joined Grainger and was elected Senior Vice President and General Counsel in January 2000. His responsibilities include supporting all of the company's legal functions and administrative services.

He serves on the Federal Reserve Bank of Chicago's Seventh District Advisory Council. Mr. Howard also is on the board of the Chicago Botanic Garden and the Glenwood School for Boys and Girls. Mr. Howard is an adjunct faculty member at Northwestern's Medill School.



RONALD L. JADIN

Senior Vice President and Chief Financial Officer

Mr. Jadin was promoted to his current role in March 2008. He had been Vice President and Controller since November 2006. His duties include financial planning and analysis, financial process planning and control, financial reporting, internal audit and treasury operations.

He also has served as Vice President, Finance, Grainger Industrial Supply, and Director of Financial Planning and Analysis. Before joining Grainger in 1998, Mr. Jadin spent 15 years in financial analysis and management positions at General Electric.

Executive and Operating Management (CONTINUED)



D.G. MACPHERSON

Senior Vice President, Global Supply Chain

Mr. Macpherson, who joined Grainger in February 2008, heads Grainger's Global Supply Chain operations. He is responsible for providing global planning, coordination and specialized expertise to the supply chain organization in all of Grainger's business units. Mr. Macpherson was promoted to his current post in October 2008.

He previously worked for the Boston Consulting Group (BCG), where he was Partner and Managing Director since 2002. There, he was a strategic consultant to Grainger, leading BCG's relationship with the company since 2001. Earlier, he was an operations manager for Rain Bird Sprinkler Manufacturing Company and a test engineer with the U.S. Air Force.



LAWRENCE J. PILON

Senior Vice President, Human Resources

Mr. Pilon was named Senior Vice President of Human Resources in February 2005. He is responsible for providing strategic direction for Grainger's global human capital and leadership initiatives.

Before joining Grainger, Mr. Pilon served as Executive Vice President, Human Resources, for the Kellogg Company, where he led worldwide human resources. He serves on the board of the Make-A-Wish Foundation of Illinois.



MICHAEL A. PULICK

Senior Vice President; President, Grainger U.S.

Mr. Pulick was named President of Grainger's U.S. Business in November 2008. He previously served as Senior Vice President of Customer Service. Since joining Grainger in 1999, Mr. Pulick has assumed increasingly responsible roles in supplier and product management.

Before joining Grainger, he held management positions within General Electric.

A certified purchasing manager, Mr. Pulick is an adjunct professor at the Lake Forest Graduate School of Management. He serves on the board of Junior Achievement of Chicago.



JOHN A. SCHWEIG

Senior Vice President, Chief Strategy Officer

Mr. Schweig was named Senior Vice President, Chief Strategy Officer in November 2009. In this role, he leads Grainger's strategic planning process, drives innovation across the company and leads Grainger's efforts relative to mergers, acquisitions, joint ventures and strategic alliances. He joined Grainger in 1990 as Vice President, Marketing, and most recently held the position of Senior Vice President, Strategy and Development.

In addition to serving on the board of the Chicago Youth Centers and the Executive Committee of the Northeast Illinois Council of the Boy Scouts of America, Mr. Schweig is an advisory board member of the University of Wisconsin School of Business' Center for Brand and Product Management.

Board of Directors



Brian P. Anderson
Former Executive Vice
President and Chief
Financial Officer,
OfficeMax Incorporated,
Itasca, Ill.
(1*, 2)



Stuart L. Levenick
Group President,
Caterpillar Inc.,
Peoria, Ill.
(2, 3)



Gary L. Rogers
Former Vice Chairman,
General Electric
Company,
Fairfield, Conn.
(1, 2)



Wilbur H. Gantz
President and Chief
Executive Officer,
PathoCapital LLC
Northbrook, Ill.
(1, 2*, †)



John W. McCarter, Jr.
President and Chief
Executive Officer,
The Field Museum of
Natural History,
Chicago, Ill.
(2, 3)



James T. Ryan
Chairman, President and
Chief Executive Officer



V. Ann Hailey
Former Chief Financial
Officer, Gilt Groupe, New
York City, N.Y.
(1, 2)



Neil S. Novich
Former Chairman,
President and Chief
Executive Officer,
Ryerson Inc.,
Chicago, Ill.
(2, 3*)



E. Scott Santi
Vice Chairman,
Illinois Tool Works Inc.,
Glenview, Ill.
(1, 2)



William K. Hall
Founding Partner,
Procyon Advisors LLP,
Downers Grove, Ill.
(1, 2)



Michael J. Roberts
Chief Executive
Officer and Founder,
Westside Holdings, LLC,
Chicago, Ill.
(2, 3)



James D. Slavik
Chairman, Mark IV
Capital, Inc.,
Newport Beach, Calif.
(2, 3)

- (1) Member of Audit Committee
- (2) Member of Board Affairs and Nominating Committee
- (3) Member of Compensation Committee
- * Committee Chair
- † Lead Director

Corporate Governance

Board is elected by majority vote	Yes
Majority of Directors independent	Yes
Separate Chairman and CEO	No
Independent Lead Director	Yes
Independent Board Affairs and Nominating Committee	Yes
Number of Board meetings held or scheduled	5
Annual Board elections	Yes
Corporate governance guidelines (Operating Principles) approved by the Board	Yes
Board plays active role in risk oversight	Yes
Independent Directors hold meetings without management present	Yes
Board-approved succession plan in place	Yes
The performance of the Board is reviewed regularly	Yes
The performance of each Committee is reviewed regularly	Yes

Board members conduct periodic individual self-evaluations	Yes
Board orientation/education program	Yes
Directors must tender resignation upon a substantive change in career (Criteria for Membership)	Yes
All Directors are expected to attend annual shareholders meeting	Yes
All Directors attended at least 75 percent of Board and Committee meetings	Yes
Charters for Audit, Compensation, and Board Affairs and Nominating Committees	Yes
Disclosure Committee function for financial reporting	Yes
Independent Audit Committee	Yes
Audit Committee has a financial expert	Yes
Auditors elected at most recent annual meeting	Yes
Independent Compensation Committee	Yes
Board Compensation Committee has independent compensation consultant	Yes

Investor Relations Contacts

Investor Relations Contacts

Laura D. Brown
Senior Vice President, Communications
and Investor Relations
847.535.0409

William D. Chapman
Director, Investor Relations
847.535.0881



WILLIAM D. CHAPMAN

Director, Investor Relations

Mr. Chapman was named Director, Investor Relations, in October 1999. In this role, he serves as the company's primary contact with the investment community.

Mr. Chapman serves on the board of the Chicago Chapter of the National Investor Relations Institute and is a member of the Manufacturers Alliance Investor Relations Council.

He also serves as a director, past president and scholarship chairman of the Wisconsin Alumni Association-Chicago Chapter and a director of the National Wisconsin Alumni Association.

Company Information

Headquarters

W.W. Grainger, Inc.
100 Grainger Parkway
Lake Forest, Illinois 60045-5201
847.535.1000 Phone
847.535.0878 Fax
www.grainger.com

Media Relations Contacts

Janis K. Tratnik
Director, Corporate Communications
847.535.4339

Erin G. Ptacek
Director, Corporate Brand and Reputation
847.535.1543

Analyst Coverage

Bank of America – John Inch
Barclays Capital – Bob Cornell
BB&T Capital Markets – Holden Lewis
Buckingham Research – Edward Wheeler
Cleveland Research Co. – Adam Uhlman
Credit Suisse – Hamzah Mazari
Goldman Sachs – Terry Darling
Morgan, Keegan & Co. – Brent Rakers
Morgan Stanley – Scott Davis
Oppenheimer & Co. – Christopher Glynn
Robert W. Baird & Co. – David Manthey
Wachovia Capital Markets – Allison Poliniak-Cusic
William Blair & Co., LLC – Jeffrey Germanotta

Annual Meeting

The 2010 Annual Meeting of Shareholders was held at the company's headquarters in Lake Forest, Ill., at 10:00 a.m. CDT on Wednesday, April 28, 2010.

Expected Earnings Release Dates

First Quarter	April 14, 2010
Second Quarter	July 15, 2010
Third Quarter	October 14, 2010
Fourth Quarter	January 25, 2011

Transfer Agent, Registrar and Dividend Disbursing Agent

Instructions and inquiries regarding transfers, certificates, changes of title or address, lost or missing dividend checks, consolidation of accounts and elimination of multiple mailings should be directed to:
Computershare Trust Company, N.A.
P.O. Box 43078
Providence, RI 02940-3078
800.446.2617

Auditors

Ernst & Young LLP
Sears Tower
233 South Wacker Drive
Chicago, Illinois 60606-6301

Common Stock Listing

The company's common stock is listed on the New York and Chicago stock exchanges under the trading symbol GWW.

Shareholder Rights

Shareholders have cumulative voting rights	Yes
Shareholders may call special meetings	Yes
Employees may vote their shares in company-sponsored plans	Yes
All stock-based incentive plans have been approved by shareholders	Yes
An independent tabulator tabulates shareholder votes	Yes
Company has a shareholder rights plan	No
Company posts its articles of incorporation and bylaws on Web site	Yes

Trademarks

ACKLANDS – GRAINGER, ALLIANCE ENERGY SOLUTIONS, FOR THE ONES WHO GET IT DONE, GRAINGER, the GRAINGER catalog design, GRAINGER FOR THE ONES WHO GET IT DONE AND DESIGN, GRAINGER IN CHINESE CHARACTER MARKS, GRAINGER INDUSTRIAL SUPPLY, GRAINGER LOGO, GRAINGER SHIPPING BOX DESIGN, GRAINGER TOOLS FOR TOMORROW, GRAINGER.COM, and GRAINGER.COM.MX, are the trademarks or service marks of W.W. Grainger, Inc., which may be registered in the United States and/or other countries.

SPEEDAIRE AND DESIGN is a trademark of Dayton Electric Manufacturing Co. which may be registered in the United States and/or other countries.

BENMEADOWS.COM, LAB SAFETY SUPPLY, LSS.COM, and RANDMH.COM are the trademarks or service marks of GHC Specialty Brands, LLC, which may be registered in the United States and/or other countries.

All other trademarks and service marks are the property of their respective owners.