

Recent Information

Grainger has increased its overall square footage by more than 30 percent in its targeted expansion markets. The expansion program is currently underway in Cincinnati, Houston, Kansas City, Miami, Southern California, St. Louis and Tampa. Work in the Atlanta, Denver and Seattle markets is complete. The following is a project-to-date summary as of November 30, 2005:

Branches	
Opened-New	30*
Closed	7
Relocated	16
Expanded	24
Retrofitted	18

*Includes 15 Grainger Express® locations



In a December 6, 2005, *Forbes.com* article, Grainger was listed among companies up to "The Customer Service Challenge." The author stated that Grainger does "an excellent job on individual interfaces" and in "tying things together across its system as a whole."



The December 2005 issue of *California Construction* selected Grainger as the 2005 Supplier of the Year. Grainger operates 56 locations in the state, including a distribution center in Mira Loma and a master branch in San Jose.

Upcoming Events

Fourth Quarter Earnings Release
Thursday, January 26, 2006

A Monthly Sales and Information Bulletin

November 2005 Sales

Grainger's daily sales for the month of November grew 10 percent versus November 2004.

	Selling Days	
	2005	2004
Mo.	21	21
Qtr.	63	63
Yr.	255	255

Daily sales at Grainger's Branch-based Businesses were up 10 percent versus November 2004. At Lab Safety Supply (LSS), daily sales were up 15 percent, including AW Direct, an acquisition made in January 2005.

Company News

Grainger provides 2006 outlook

Grainger conducted its annual analyst meeting in Houston, Texas, on Wednesday, November 16, 2005. Grainger Chairman and Chief Executive Officer Richard L. Keyser presented a strategic outlook, James T. Ryan, Group President, described key growth programs and P. Ogden Loux, Senior Vice President, Finance and Chief Financial Officer, provided sales and earnings guidance.

"Our growth strategies are playing out well and are delivering improved performance," said Keyser, who stated that the company is raising its long-term operating margin target to a range of 10 to 12 percent from the previously stated range of 9 to 10 percent.

Long-term financial goals 2006 – 2010

Sales growth	7 – 10 percent
Operating margin	10.0 – 12.0 percent
ROIC	>20 percent

Ryan provided an update on the company's multi-year market expansion program, which attendees got to see first hand with a pre-meeting tour of the newly-expanded branch on Pinemont Drive in Houston. Given the strong market expansion performance trends seen to date, the company raised its forecast for program-related sales and earnings. The company now expects incremental market expansion program sales of approximately \$120 to \$140 million this year, with projected incremental revenues growing to approximately \$245 to \$275 million in 2006.

Ryan added that the company plans to make its product line even broader, with new products expected to contribute approximately 1 percentage point to sales growth next year.

Loux provided guidance for 2006. The company expects revenues to grow 8 to 11 percent and anticipates earnings per share to be between \$4.15 and \$4.30, before approximately \$0.14 to \$0.16 per share of stock option-related expense under FAS 123R.

Presentations are available at the Investor Relations section of Grainger's Web site, grainger.com

This document contains forward-looking statements under the federal securities laws. The forward-looking statements relate to the company's expected future financial results and business plans, strategies, and objectives and are not historical facts. They are generally identified by qualifiers such as "anticipates," "expected," "expects," "forecast," "goals," "guidance," "outlook," "plans," "projected," "target," "trends" or similar expressions. There are risks and uncertainties the outcome of which could cause the company's results to differ materially from what is projected. The forward-looking statements should be read in conjunction with the company's most recent annual report, as well as the company's Form 10-K and other reports filed with the Securities Exchange Commission, containing a discussion of the company's business and of various factors that may affect it.

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