

A Monthly Sales and Information Bulletin

Company News

Grainger's New Web Site Ranked Best Overall Among Other MRO Distributors

Grainger topped three other companies' Web sites to be considered the overall winner of the Gómez Custom Competitive Scorecard of MRO distributors, an e-commerce customer experience measurement and benchmarking study commissioned by Grainger in October 2000. The report cited Grainger.com's easy-to-use layout and site features, as well as knowledgeable and friendly customer service agents and comprehensive product information.

Grainger Introduces Extended Warranty Program

Building on Grainger's standard one-year warranty, Grainger's new TripleGuardSM Extended Warranty program offers customers the option of purchasing two years of additional coverage against defects in material and workmanship on selected Grainger products. The program is the first of its kind for commercial and industrial products and will begin first quarter 2001.

Catalog 392 Ready for Release

Grainger's newest *Catalog* offers nearly 100,000 products and more than 19,000 new items on 4,016 pages. Product additions include Armstrong hand tools, metric motors and Nextel wireless products and services.

December Sales

The W.W. Grainger, Inc. daily sales rate for the month of December was 1% above December 1999. December 2000 had one fewer selling day than December 1999 (20 vs. 21). The fourth quarters of 1999 and 2000 had the same number of selling days (63). The year 2000 had one more selling day than 1999 (255 vs. 254).

The daily sales rate for December 2000 was affected by a number of factors including a slowing economy and a difficult comparison with December 1999. Strong sales of seasonal products and discontinued generators in December 2000 partially offset these factors.

The Company processed sales through all of its e-businesses at an average annualized run rate of \$395 million. This rate of growth was tempered by the transition of customers to the new Grainger.com site. The site conversion was completed in December 2000.

Beginning with the fourth quarter of 2000, Grainger will adopt Emerging Issues Task Force pronouncement 00-10: Accounting for Shipping and Handling Fees and Costs. Results shown above reflect this change for both 1999 and 2000. The pronouncement requires that amounts billed to customers as shipping and handling be classified as revenue. Previously, Grainger recorded these billings as an offset to operating expenses. In addition, costs incurred for shipping and handling will now be accounted for as costs of merchandise sold instead of as operating expenses. The net effect of these changes will be higher revenues, higher cost of merchandise sold and lower operating expenses; operating earnings will not change. Prior period financial statements presented for comparative purposes will be restated.

Featured in the News

On December 22, the CNN program *Moneyline* highlighted Grainger as a company that has successfully integrated the "bricks and clicks" of its operations. The segment featured Grainger.com President Jim Ryan, who spoke about the efficiencies the Internet offers in terms of order processing and 24-hour customer service.

The December 2000 edition of *Warehousing Management* cites Grainger as an example of a company that is relying on an effective warehouse and fulfillment process to drive e-commerce success in its article "Surviving the e-commerce transition." The article refers to the multi-year redesign of Grainger's distribution network, which is expected to make its warehousing operation 55% more productive.

This document contains statements that are forward-looking, i.e. not historical facts. The forward-looking statements (generally identified by words or phrases indicating a projection or future expectation such as "is planning to" or "estimates") are based on the Company's current expectations and some of them are subject to risks and uncertainties the outcome of which could result in actual future performance being materially different from the performance indicated. They 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 and Exchange Commission, containing a discussion of the Company's business and of various factors that may affect it.