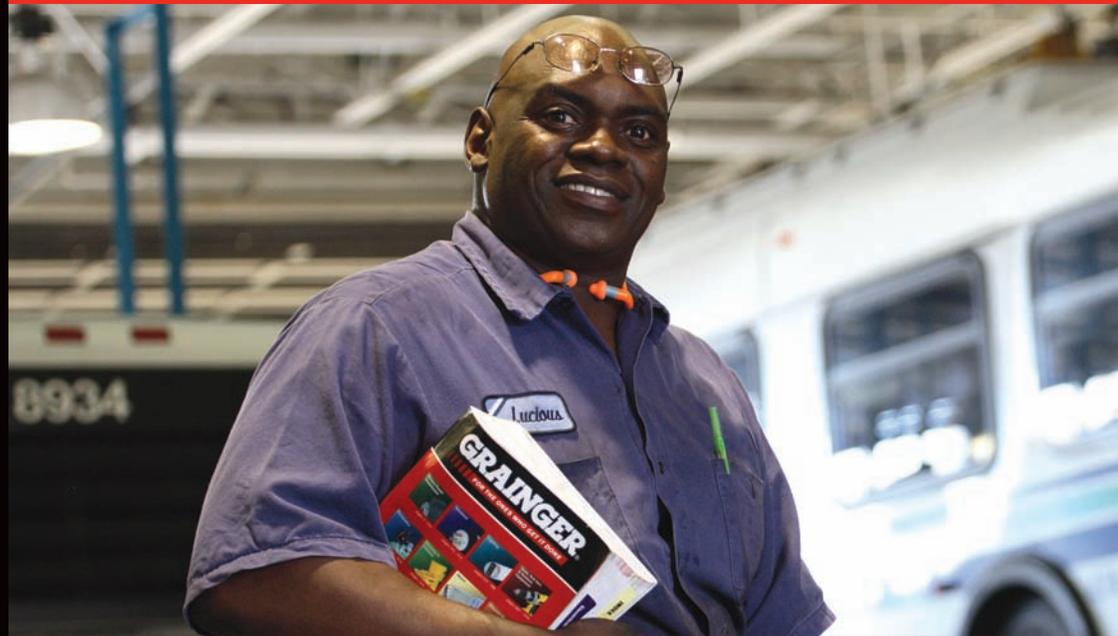


GRAINGER
FOR THE ONES WHO GET IT DONE

Grainger is the leading broad-line supplier of facilities maintenance products serving businesses and institutions throughout North America and in China. Through a highly integrated network including nearly 600 branches, 18 distribution centers and 11 Web sites, Grainger's employees help customers get the job done, saving them time and money by having the right products to keep their facilities running.



350,000 products



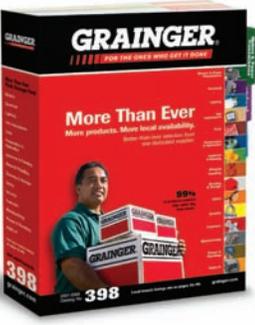
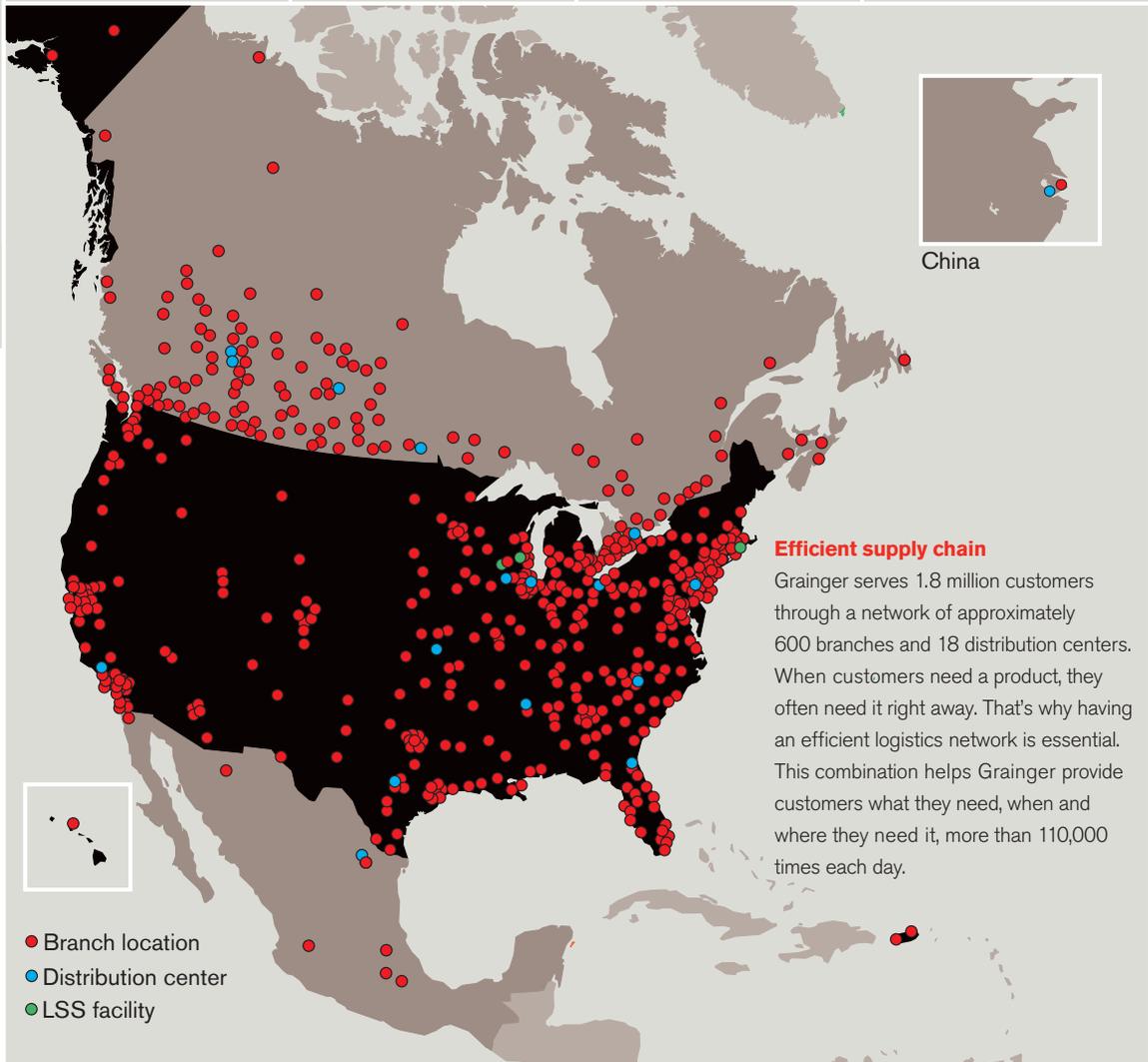
1.8 million customers



17,000 employees

Grainger at a Glance

| Branch-Based Business | Branch-Based Business | Branch-Based Business | Branch-Based Business | Direct Marketing Business |
|---|--|--|---|--|
| <p>United States Grainger operates in the United States and Puerto Rico through a highly integrated network of 428 branches, 9 distribution centers and its Web site, grainger.com. In 2007, the company plans to drive additional market share growth through market and product expansion.</p> <p>Grainger sells primarily to industrial and commercial maintenance departments, contractors and government customers. Sales in 2006 were made to approximately 1.3 million customers, with growth occurring in all customer end-markets.</p> <p>Grainger offers a broad line of facilities maintenance products, repair parts and specialized product sourcing. In 2006, the company expanded its product line, adding some 43,000 products, the largest increase in Grainger's history. In 2007, the company added an additional 25,000 products, bringing the total catalog offering to 139,000.</p> <p>Competitors:</p> <ul style="list-style-type: none"> • Fastenal • Ferguson • Home Depot Supply • McMaster-Carr • MSC Industrial Direct • Regional and local suppliers | <p>Mexico Grainger, S.A. de C.V. is Mexico's leading supplier of facilities maintenance products to businesses and institutions. Grainger's business in Mexico reaches 25,000 local customers through its outside sales and telesales forces, online at grainger.com.mx and through its paper catalog. Customer orders are fulfilled through one distribution center and eight branches located throughout the country.</p> <p>Competitors:</p> <ul style="list-style-type: none"> • Fastenal • Hagemeyer • McMaster-Carr • Regional and local suppliers | <p>China 固安捷® (Gu An Jie) Grainger operates a 120,000-square-foot master branch/distribution center and a will-call express location in the Shanghai metro area. Chinese customers also have access to facilities maintenance products through a Chinese-language paper catalog containing 20,000 items or online at grainger.com.cn, Grainger's transaction-enabled Chinese Web site.</p> <p>Competitors:</p> <ul style="list-style-type: none"> • Regional and local suppliers | <p>Canada Acklands - Grainger Inc. is Canada's leading broad-line supplier of industrial, fleet and safety products. Founded 115 years ago, it serves more than 50,000 customers through 155 branches and five distribution centers across Canada. It also offers bilingual catalogs, both in paper form and on its Web site, acklandsgrainger.com.</p> <p>Competitors:</p> <ul style="list-style-type: none"> • Century Vallen • Fastenal • Gregg Distributors • Home Depot Supply • Weber Supply | <p>United States Lab Safety Supply, Inc. (LSS) reaches more than 500,000 North American customers through the distribution of a variety of branded catalogs and through Web sites targeted to specific markets. It supplies organizations of all sizes across diverse industries, including manufacturing, government and agriculture.</p> <p>Competitors:</p> <ul style="list-style-type: none"> • Airgas Safety • Fisher Scientific • Forestry Suppliers • K+K America |



Catalog 398 features some 139,000 products spanning 15 product lines. The redesigned catalog is better organized with color-coded tabs that make it easier for customers to find the products they need quickly.

Growth Strategy

Grainger is positioned to deliver attractive growth and increased shareholder value, building on its reputation for integrity, unparalleled service, innovation and technology.

To grow sales, Grainger is:

- Implementing a market expansion program in the top U.S. metropolitan markets (see back cover).
- Expanding the product line offered by the U.S. Branch-based business (see back cover).
- Continuing to search for bolt-on acquisitions for Lab Safety Supply to increase its customer reach.
- Expanding geographically in Mexico, a multiyear project to capture market share.
- Creating a presence in Shanghai, China.

To improve profitability, Grainger is:

- Enhancing operating performance in Canada.
- Increasing the percentage of globally sourced product Grainger sells by adding new products, increasing market penetration in Mexico and Canada, and sourcing items from more countries.



A key part of serving customers well involves the training and retention of employees. The average Grainger employee has eight years of service and receives more than 30 hours of training per year. Grainger's knowledgeable employees help customers find and buy the MRO products needed to get the job done.

Fast Facts

2006 Sales \$5.9 Billion

Number of customers 1.8 million in 139 countries

Number of branches Some 600 throughout North America and in China

Number of employees 17,074

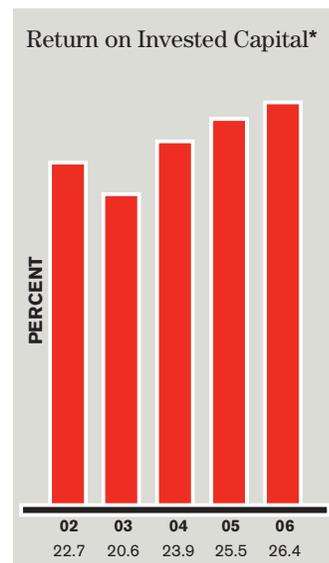
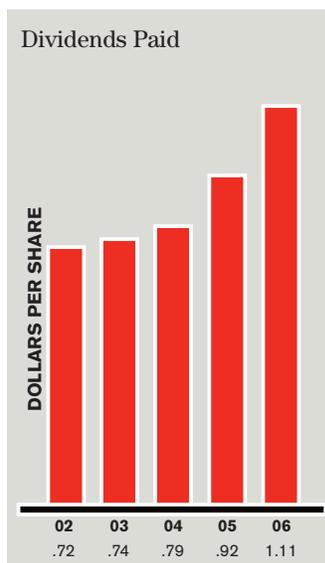
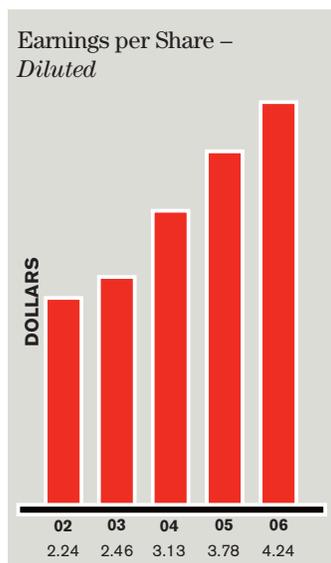
Number of products 350,000 in stock/850,000 available

Years of consecutive dividend increases 36

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

Recent Awards

- Most Admired Company in the Diversified Wholesalers Industry – *Fortune*
- 100 Most Trusted Companies in America – *Forbes*
- 100 Best Corporate Citizens of 2007 – *Corporate Responsibility Officer*
- 10 Great Web Sites – *BtoB* magazine
- The 50 Best Companies to Sell For – *Selling Power*
- Top 100 Best Companies to Work for in IT – *ComputerWorld*
- The BIG 50 – *Industrial Distribution*
- Low Environmental Impact Company – FTSE Group



*The GAAP financial statements are the source for all amounts used in the Return on Invested Capital (ROIC) calculation. ROIC is calculated using annualized operating earnings based on year-to-date operating earnings divided by a 13-point average for net working assets. Net working assets are working assets minus working liabilities, defined as follows: working assets equal total assets less cash equivalents (nonoperating cash), deferred taxes and investments in unconsolidated entities, plus the LIFO reserve. Working liabilities are the sum of trade payables, accrued compensation and benefits, accrued contributions to employees' profit sharing plans and accrued expenses.

Key Initiatives

Market Expansion

Market expansion rejuvenates Grainger's go-to-market strategy in the top U.S. metropolitan markets, examining branches, inventory, sales coverage, marketing communications and services, and making Grainger more relevant to local customers in those markets. These metropolitan areas represent approximately \$50 billion of MRO market potential for Grainger. Market expansion contributed \$235 million of incremental revenues in 2006 and is targeted to contribute more than \$1.1 billion of incremental sales by 2013.

Market Expansion

Market Expansion by the Numbers

| CITY | POPULATION IN 2000 (IN MILLIONS) | BRANCH COUNT BEFORE | BRANCH COUNT AFTER | PERCENT COMPLETE 12/31/06 |
|-------------------------------|--|---------------------------|--------------------------|---------------------------------|
| Atlanta | 4.1 | 7 | 6 | 100 |
| Bay Area | 7.0 | 13 | 13 | 0 |
| Boston | 1.8 | 9 | 9 | 0 |
| Chicago | 9.2 | 18 | 19 | 0 |
| Cincinnati | 2.0 | 4 | 7 | 100 |
| Dallas/Ft. Worth | 5.2 | 8 | 11 | 45 |
| DC/Baltimore (2 markets) | 7.6 | 10 | 10 | 73 |
| Denver | 2.6 | 7 | 7 | 100 |
| Detroit | 5.5 | 7 | 8 | 50 |
| Houston | 4.2 | 7 | 11 | 82 |
| Kansas City | 1.8 | 2 | 3 | 100 |
| Miami (2 markets) | 3.9 | 7 | 7 | 100 |
| Minneapolis | 3.0 | 5 | 6 | 0 |
| New York (4 markets) | 21.2 | 24 | 27 | 10 |
| Philadelphia | 6.2 | 10 | 12 | 83 |
| Phoenix | 3.3 | 4 | 4 | 40 |
| Pittsburgh | 2.4 | 3 | 3 | 0 |
| Seattle | 3.6 | 6 | 8 | 100 |
| So. California (4 markets) | 19.2 | 18 | 24 | 97 |
| St. Louis | 2.6 | 3 | 5 | 100 |
| Tampa | 2.4 | 3 | 5 | 100 |

Product Line Expansion

Product line expansion extends Grainger into more product categories to provide customers with the broadest possible product offering. In 2006, Grainger added some 43,000 products to its offering, representing the largest product increase in the history of the company. These new products contributed \$98 million of



incremental sales in 2006. In 2007, the company added an additional 25,000 products, bringing the total catalog offering to 139,000 products.

Workplace Benefits*

Grainger invests in its employees, helping them to excel personally and professionally. In turn, employees provide their expertise, taking pride in doing whatever it takes to serve customers well. Employees receive competitive pay and comprehensive benefits that provide for their health and financial security and preserve work-life balance.

Grainger assists employees and their families at all stages of life, helping to provide comprehensive health, prescription drug and dental plans, an employee assistance program (EAP), short-term disability benefits, life insurance, paid time off, tuition reimbursement, adoption benefits, a matching charitable gifts program and many more.

In addition, Grainger awards employees for their part in the company's performance through the Profit Sharing Trust (PST). The annual PST contribution is made solely by the company based on the previous year's financial performance. The overall PST contribution for 2006 was \$104.3 million – the largest in Grainger's history. Employees who have a vested interest in the company's success tend to work harder on its behalf. Grainger offers these benefits to encourage and reward this connection.

* Workplace benefits may vary between company business units.



Grainger employees are knowledgeable about the total range of products the company carries: 350,000 products spanning 17 categories.

Corporate Social Responsibility

Grainger has a strong tradition of giving back that dates back to the company's inception 80 years ago. In addition to providing businesses and institutions with the products they need to maintain, repair and operate their facilities, the company tries to be a good corporate citizen. In 2006, Grainger contributed \$11 million in cash and product to not-for-profit organizations. Grainger's focus is on several ongoing philanthropic programs, including:

- Three-for-one Matching Charitable Gifts program
- Grainger Tools for TomorrowSM scholarship program
- Ready When the Time Comes national corporate volunteer program
- Grainger Rebuilding America[®] program

This document may contain 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 "plans," "potential," "should," "targeted" 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 and Exchange Commission, containing a discussion of the company's business and of various factors that may affect it.



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