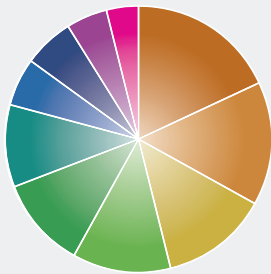




COMPANY INFORMATION

W.W. Grainger, Inc., with 2013 sales of \$9.4 billion, is North America's leading broad line supplier of maintenance, repair and operating products, with operations in Asia, Europe and Latin America. For more information about the company, visit www.grainger.com/investor.

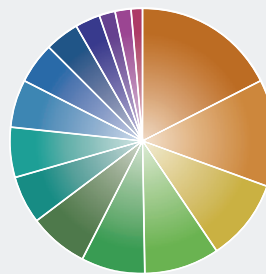
2013 SALES (Total Company)



Customer Category

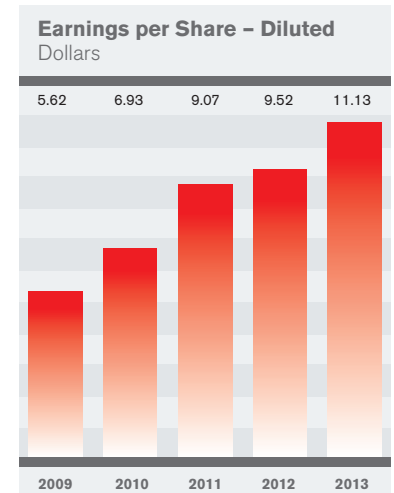
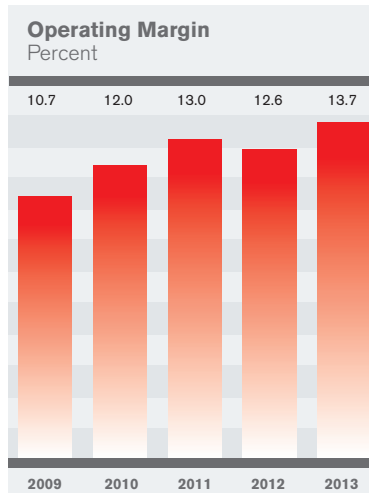
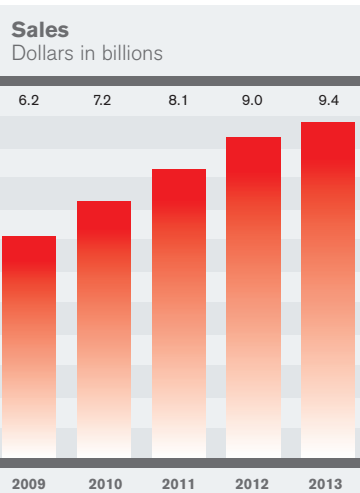
- 18% Heavy Manufacturing
- 15% Commercial*
- 13% Government
- 12% Contractor
- 11% Light Manufacturing
- 10% Other
- 6% Natural Resources
- 6% Retail/Wholesale
- 5% Transportation*
- 4% Reseller

* Note: Some Transportation sales in the United States were formerly classified as Commercial.



Product Category

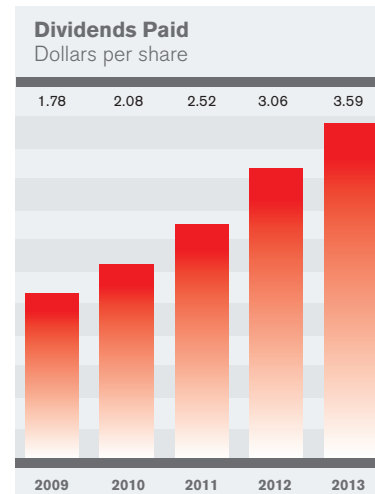
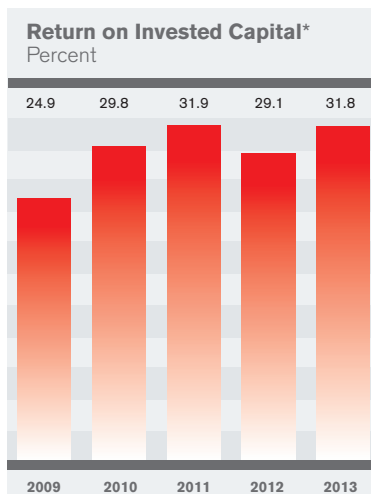
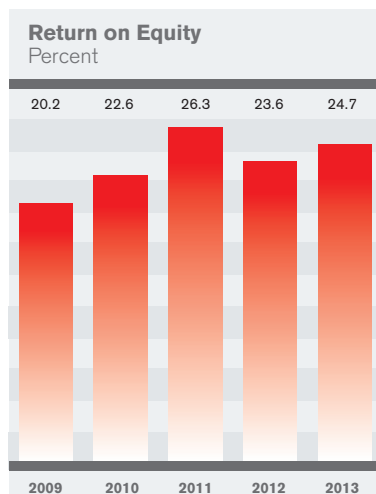
- 18% Safety and Security
- 13% Material Handling
- 10% Metalworking
- 9% Cleaning and Maintenance
- 8% Pumps, Plumbing and Test Equipment
- 7% Hand Tools
- 6% Electrical
- 6% HVAC
- 6% Other
- 5% Lighting
- 4% Power Tools
- 3% Fluid Power
- 2% Motors
- 2% Power Transmission
- 1% Specialty Brands



Financial Highlights

(In thousands of dollars, except per share amounts)

	2013	2012	% Change
Income Statement			
Net sales	\$9,437,758	\$8,950,045	5.4 %
Gross profit	4,136,483	3,916,160	5.6 %
As a percent of net sales.....	43.8%	43.8%	
Operating earnings.....	1,296,854	1,131,125	14.7 %
As a percent of net sales.....	13.7%	12.6%	
Earnings before income taxes.....	1,287,599	1,117,789	15.2 %
As a percent of net sales.....	13.6%	12.5%	
Net earnings attributable to W.W. Grainger, Inc.	\$797,036	\$689,881	15.5 %
As a percent of net sales.....	8.4%	7.7%	
Per Share			
Earnings – basic	\$11.31	\$9.71	16.5 %
Earnings – diluted.....	\$11.13	\$9.52	16.9 %
Cash dividends paid	\$3.59	\$3.06	17.3 %
Average number of shares outstanding – diluted	70,576,432	71,181,733	(0.9)%
Balance Sheet and Cash Flow			
Working capital	\$1,621,103	\$1,603,748	1.1 %
Cash flow from operations	986,498	816,195	20.9 %
Additions to property, buildings and equipment – net	245,444	241,330	1.7 %
Financial Ratios and Other Data			
Return on average shareholders' equity.....	24.7%	23.6%	
Return on average total capitalization.....	21.4%	20.5%	
Return on invested capital (ROIC)*.....	31.8%	29.1%	
Number of branches.....	709	715	(0.8)%
Number of employees.....	23,741	22,413	5.9 %



* See page 7 for definition.

To Our Shareholders



James T. Ryan
Chairman, President and
Chief Executive Officer

AT GRAINGER, WE HELP PROFESSIONALS KEEP THEIR OPERATIONS RUNNING AND THEIR PEOPLE SAFE. OUR CUSTOMERS TRUST AND RELY ON US EVERY DAY TO PROVIDE THE RIGHT PRODUCTS, SERVICES AND SOLUTIONS, WHEN AND WHERE THEY NEED THEM. THEY ARE THE BACKBONE OF ECONOMIES AROUND THE WORLD AND THE REASON WE EXIST AS A BUSINESS.

With more than two million customers of all shapes and sizes across multiple countries, our relationships are a testament to our understanding of facilities maintenance professionals. While their industries vary, their needs don't. All businesses and institutions today must maintain productive, safe and efficient operations. To do this, customers need access to a broad product offering, fast delivery and Grainger team members who understand their business and are committed to their success. Time is money for these professionals; when motors break or the lights go out, their businesses stop. Our commitment is to help them get their jobs done every time.

We continue to operate in an increasingly complex and unpredictable global economic environment. This creates opportunities for us to gain market share by helping our customers simplify their business using a trusted and reliable partner – Grainger.

2013 HIGHLIGHTS

A solid year and more opportunity ahead

With record sales and earnings in 2013, Grainger is a healthy and financially strong company.

- Sales for the year were \$9.4 billion, an increase of 5 percent versus 2012. Reported earnings per share were \$11.13, up 17 percent; on an adjusted basis, earnings per share were \$11.52, up 10 percent. We had \$0.39 per share of impairment and restructuring charges that were a result of underperformance in some of our smaller businesses.
- Our continued productivity initiatives allowed us to generate \$190 million in savings, of which \$132 million was reinvested in growth and infrastructure programs.
- In 2013, cash flow from operations was \$986 million, enabling us to fund capital expenditures of \$272 million and \$154 million in acquisitions. We returned \$693 million in cash to shareholders, including \$255 million in dividends and repurchased 1.7 million shares of stock.

Even with these results, we have more work to do. While I was pleased with how our largest businesses performed this past year, we have other areas that are not meeting our expectations. We are taking the appropriate steps to improve the growth and profitability of several of our smaller businesses.

Competing through two models

In the highly fragmented maintenance, repair and operating (MRO) market, there is a large amount of share to be gained, and we are well positioned to take advantage of the opportunity. We know that while our customers' needs are universal, *how* customers buy MRO supplies differs significantly based on the size of their business. These behaviors are driving how we think about our business and have helped us bring greater focus to how we serve customers of different sizes.

Driven to lower their total cost of ownership, large customers tend to have more complex needs and require services more customized to how they operate. They want a broad product

and service offering available through the phone, branch, sales representative and eCommerce channels. To meet this need, we run our multichannel business model in all geographies except Japan.

On the other end of the spectrum, many small customers tend to use fewer services, mix business and personal purchases and are often willing to spend more time shopping, often on the web. We serve these customers through our online business in Japan, MonotaRO, and our growing Zoro Tools business in the United States. I am excited about the great success we are seeing with both of these businesses. In 2013, sales for MonotaRO grew nearly 20 percent in local currency, and revenue for Zoro Tools grew more than 150 percent.

Scale matters

In the distribution business, scale matters. It provides the opportunity to drive higher levels of customer service, more productivity and ultimately more growth. In 2013, we continued to invest in our supply chain and systems infrastructure to create economies of scale and competitive advantage.

- Ramped up operations at our new Minooka, Ill., distribution center. This Leadership in Energy and Environmental Design (LEED) Commercial Interiors (CI) Platinum facility features the world’s largest goods-to-person installation, an automated system that increases productivity and maximizes storage space by stocking and dispensing more than 500,000 products.
- Made progress on the construction of a new 500,000 square-foot distribution center in the Toronto area, which will be two and a half times larger than the current one.
- Transitioned to a new web platform in the United States to offer a consistent purchase experience for customers across multiple purchase channels, launched a Spanish language website and introduced innovative mobile solutions including a new iPad® app.
- Continued our work to design and build more scalable, responsive and flexible information systems in Canada and Mexico.

- Launched an initiative to improve our fastener offering and drive a better cost position globally by leveraging the expertise of our European fastener business, Fabory.

Growth through service

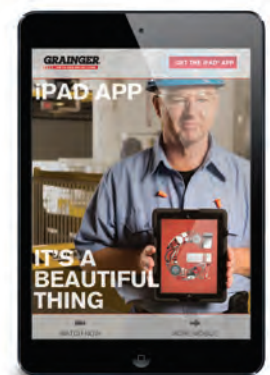
Grainger’s differentiating factor has always been service. When we invest in things that matter to our customers, create value for their business and deliver it better than anyone else, we gain more of our customers’ purchase volume.

In 2013, we continued to make investments in several capabilities that help our customers take cost out and become more productive. These capabilities have proven returns and continue to be drivers of market share gain globally.

- Added more than 200 new sales representatives in North America to help customers find solutions for their MRO needs and reduce their total costs. Relationships matter in this business. In general, sales to customers with a sales representative grow at twice the rate of customers who are not covered by a salesperson.
- Bolstered our inventory management services across the Americas and Europe, making it easier for customers to lower inventory and reduce labor costs in their business. Installations for vendor- and customer-managed inventory and vending machines totaled approximately 60,000 in 2013. Sales to customers with a KeepStock® installation also grow at twice the rate of non-KeepStock customers.
- Surpassed \$3 billion in eCommerce sales in 2013, representing 33 percent of total company sales. eCommerce is an integrated part of our multichannel business. Revenue through this channel grew 15 percent last year, and it is the most profitable channel in the business.
- Added more than 300,000 new products to Grainger.com,® bringing the total number of products online to more than 1.2 million. In Canada, Acklands – Grainger announced the addition of 200,000 products to its online offering. A broader product line enables customers to increase productivity by consolidating their supplier base.



MonotaRO was named to the Forbes® Asia “Best Under A Billion” list, which highlights 200 of the best small and mid-sized companies in Asia Pacific.



Grainger is the 15th largest e-retailer in North America according to Internet Retailer.

- Gained momentum with recent strategic acquisitions in the United States. We view acquisitions as a vehicle to accelerate organic growth in key end markets. The acquisitions of both E&R Industrial Sales, Inc. and Safety Solutions, Inc. have helped us broaden our offering to manufacturing customers on the plant floor.

People make the difference

Embedded in this business is the belief that engaged, hard-working and talented people ultimately provide great service and make Grainger a better company. We have attracted and developed a terrific mix of people who have spent much of their career with Grainger and are experts on this industry. They work shoulder-to-shoulder with new team members who have come from other industries and bring different experiences. This is a powerful combination.

Grainger team members not only make a difference for our customers, they extend that commitment to service into our local communities. In 2013, the company continued our long-standing relationship with the American Red Cross, completing a \$3 million grant to help launch Volunteer Connection, an online volunteer management system that enables the Red Cross to more efficiently recruit and deploy volunteers across the country. Through our ongoing support of the Ready When the Time Comes® program, Grainger volunteers helped the Canadian and American Red Cross respond to multiple disasters this past year, including flooding in Alberta, Canada, and storms in the Midwestern United States. I'm very proud of Grainger's legacy of helping communities in need.

As part of our commitment to environmental sustainability, we continue to improve our capabilities to measure, report and manage our energy use. Over the past year, we've made investments to improve energy efficiency at several of our distribution centers and continued our commitment to building LEED certified facilities. In 2013, Grainger also expanded the reporting of our carbon footprint through the Carbon Disclosure Project beyond

our core U.S. business to include two of our international businesses, Acklands–Grainger and Grainger Mexico.

Investing for the long term

Grainger is a strong company with the confidence to invest in our business for the long term. Across the company, we will continue to add to the capabilities and services that help customers manage their business and drive growth for Grainger. At the same time, we will further strengthen our infrastructure through new distribution centers and updated information technology systems to add capacity and improve customer service.

We know that the investments we are making help drive growth and shareholder value. In the past five years in particular, we have seen some of our largest market share gains and some of our biggest increases in shareholder value. We are committed and disciplined to find ways to invest in this business and continue this trend.

Together with our team members, suppliers and other businesses partners, Grainger will continue to advance its leadership position in the MRO market by serving the professional customer better than anyone else.

Helping to guide Grainger for 24 years has been John McCarter, a long-standing member of our Board of Directors and trusted adviser. As John leaves the Board this year, we thank him for his knowledgeable perspective and dedicated service.

I am confident and excited about where Grainger is headed. We know our customers, what is important to them and how their business runs. The opportunities in the years ahead are energizing. This is a great industry and we have a proven strategy to win.



James T. Ryan
Chairman of the Board, President and
Chief Executive Officer

February 27, 2014



Volunteer Connection is used by the Red Cross to recruit and engage its 500,000 volunteers.

Corporate Governance at a Glance

Board Accountability

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
All Directors elected annually	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

Financial Disclosure and Internal Controls

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 ratified at most recent annual meeting	Yes

For more information on Corporate Governance, visit www.grainger.com.

Shareholder Rights

Company does not have a shareholder rights plan	Yes
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 posts its articles of incorporation and bylaws on website	Yes

Executive Compensation

Independent Compensation Committee	Yes
Board Compensation Committee has independent compensation consultant	Yes
Compensation risk assessment conducted	Yes
The Company does not have employment agreements	Yes
Executive compensation is tied to performance; numeric criteria are disclosed	Yes
The Company has the ability to claw back incentive compensation	Yes
CEO salary is no more than 2½ times salary of next highest paid named executive officer	Yes

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	Yes
Training on ethical behavior is required for all employees	Yes

Corporate Social Responsibility



OPERATING RESPONSIBLY



VALUING OUR PEOPLE



SERVING OUR COMMUNITIES



SUSTAINABILITY AS A PRIORITY

Grainger’s commitment to delivering with the highest levels of service and integrity is the foundation of the company’s corporate social responsibility (CSR) efforts. Grainger’s CSR strategy is based on four pillars: operating responsibly, valuing our people, serving our communities and sustainability as a priority. Key areas of progress in 2013 included rolling out a Code of Ethics for our suppliers, launching a global safety program, investing in partnerships to strengthen community resiliency and expanding our sustainability reporting through the Carbon Disclosure Project. In 2013, Grainger donated more than \$22 million to charitable organizations in cash, products and employee matching gifts. To learn more about Grainger’s CSR initiatives and view the most recent CSR report, visit www.graingercsr.com.

Historical Financial Summary

		2013	2012	2011
Financial Summary (\$000)	Net sales	\$9,437,758	\$8,950,045	\$8,078,185
	Earnings before income taxes	1,287,599	1,117,789	1,051,527
	Income taxes	479,850	418,940	385,115
	Net earnings attributable to W.W. Grainger, Inc.	797,036	689,881	658,423
	Working capital	1,621,103	1,603,748	1,438,375
	Additions to property, buildings and equipment and capitalized software	272,145	249,860	196,942
	Depreciation and amortization	164,902	145,612	137,211
	Current assets	3,044,285	2,900,640	2,694,900
	Total assets	5,266,328	5,014,598	4,716,062
	Shareholders' equity	3,326,836	3,117,366	2,724,279
	Cash dividends paid	255,466	220,077	180,527
	Long-term debt (less current maturities)	445,513	467,048	175,055
	Per Share (\$)	Earnings – basic	11.31	9.71
Earnings – diluted		11.13	9.52	9.07
Cash dividends paid		3.59	3.06	2.52
Book value		48.32	44.87	38.94
Year-end stock price		255.42	202.37	187.19
Ratios	Percent of return on average shareholders' equity	24.7	23.6	26.3
	Percent of return on average total capitalization	21.4	20.5	22.2
	Earnings before income taxes as a percent of net sales	13.6	12.5	13.0
	Earnings as a percent of net sales	8.4	7.7	8.1
	Cash dividends paid as a percent of net earnings	32.1	31.9	27.4
	Total debt as a percent of total capitalization	14.0	15.3	15.9
	Current assets as a percent of total assets	57.8	57.8	57.1
	Current assets to current liabilities	2.5	2.7	1.9
	Average inventory turnover – FIFO	3.0	2.8	3.0
Average inventory turnover – LIFO	4.1	3.9	4.0	
Other Data	Average number of shares outstanding – basic	69,455,507	69,811,881	69,690,854
	Average number of shares outstanding – diluted	70,576,432	71,181,733	71,176,158
	Number of employees	23,741	22,413	21,446
	Number of outside sales representatives	4,479	4,157	4,029
	Number of branches	709	715	711
	Number of products in the Grainger® catalog issued February 1	570,000	410,000	354,000

Note: See the company's current and prior years' Form 10-K for changes in accounting and other adjustments.

2010	2009	2008	2007	2006	2005	2004	2003
\$7,182,158	\$6,221,991	\$6,850,032	\$6,418,014	\$5,883,654	\$5,526,636	\$5,049,785	\$4,667,014
853,778	707,337	773,218	681,861	603,023	532,674	445,139	381,090
340,196	276,565	297,863	261,741	219,624	186,350	158,216	154,119
510,865	430,466	475,355	420,120	383,399	346,324	286,923	226,971
1,162,318	1,026,690	1,064,094	1,021,663	852,472	1,290,188	1,108,384	926,773
127,124	142,414	194,975	197,423	136,764	157,247	160,758	80,486
137,793	140,974	135,137	127,882	114,884	105,671	96,305	88,629
2,238,071	2,131,515	2,144,109	1,800,817	1,862,086	1,985,539	1,744,416	1,633,413
3,904,377	3,726,332	3,515,417	3,094,028	3,046,088	3,107,921	2,809,573	2,624,678
2,287,670	2,227,199	2,033,805	2,098,108	2,177,615	2,288,976	2,067,970	1,845,135
152,338	134,684	121,504	113,093	97,896	82,663	71,243	67,281
420,446	437,500	488,228	4,895	4,895	4,895	—	4,895
7.05	5.70	6.07	5.01	4.36	3.87	3.18	2.50
6.93	5.62	5.97	4.91	4.24	3.78	3.13	2.46
2.08	1.78	1.55	1.34	1.11	0.92	0.79	0.74
32.97	30.81	27.20	26.40	25.90	25.51	22.83	20.27
138.11	96.83	78.84	87.52	69.94	71.10	66.62	47.39
22.6	20.2	23.0	19.7	17.2	15.9	14.7	12.9
18.7	16.4	20.3	19.2	17.2	15.9	14.2	12.3
11.9	11.4	11.3	10.6	10.2	9.6	8.8	8.2
7.1	6.9	6.9	6.6	6.5	6.3	5.7	4.9
29.8	31.3	25.6	26.9	25.5	23.9	24.8	29.6
17.8	19.1	20.7	5.0	0.4	0.4	0.5	7.5
57.3	57.2	61.0	58.2	61.1	63.9	62.1	62.2
2.6	2.7	2.8	2.2	2.6	2.9	2.7	2.3
3.1	2.7	2.9	3.1	3.1	3.2	3.3	2.9
4.4	3.8	4.1	4.3	4.4	4.5	4.6	4.4
70,836,945	73,786,346	76,579,856	82,403,958	87,838,723	89,568,746	90,206,773	90,731,013
72,138,858	74,891,852	77,887,620	84,173,381	90,523,774	91,588,295	91,673,375	92,394,085
18,596	18,006	18,334	18,036	17,074	16,732	15,523	14,701
3,079	2,845	2,433	2,386	1,805	2,507	2,154	1,741
607	612	617	610	593	589	582	575
307,000	233,000	183,000	139,000	115,000	82,400	82,300	88,400

NOTE ON ROIC

Prior to January 2011, ROIC was calculated using annual operating earnings divided by a 13-point (monthly) average for net working assets. Since 2011, ROIC has been calculated using a 5-point (quarterly) average for net working assets to provide greater transparency. Net working assets are working assets minus working liabilities defined as follows: working assets equal total assets less cash equivalents (non-operating 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.

Board of Directors

Brian P. Anderson

Former Executive Vice President and Chief Financial Officer, OfficeMax Incorporated, Itasca, Ill.
(1, 2, †)

V. Ann Hailey

President, Chief Executive Officer and Chief Financial Officer, Famous Yard Sale, Inc., New Albany, Ohio
(1, 2)

William K. Hall

Founding Partner, Procyon Advisors LLP, Skokie, Ill.
(1, 2)

Stuart L. Levenick

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

John W. McCarter, Jr.

President Emeritus of the Field Museum of Natural History, Chicago, Ill.
(2, 3)

Neil S. Novich

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

Michael J. Roberts

Former Global President and COO of McDonalds Corporation, CEO of LYFE Kitchen, Chicago, Ill.
(2, 3)

Gary L. Rogers

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

James T. Ryan

Chairman, President and Chief Executive Officer, W.W. Grainger, Inc.

E. Scott Santi

President and Chief Executive Officer, Illinois Tool Works Inc., Glenview, Ill.
(1, 2)

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
- † Lead Director

Executive and Operating Management

Michael S. Ali

Senior Vice President and Chief Information Officer

Laura D. Brown

Senior Vice President, Communications and Investor Relations

Court D. Carruthers

Senior Vice President and Group President, Americas

Joseph C. High

Senior Vice President and Chief People Officer

John L. Howard

Senior Vice President and General Counsel

Ronald L. Jadin

Senior Vice President and Chief Financial Officer

DG Macpherson

Senior Vice President and Group President, Global Supply Chain and International

James T. Ryan

Chairman, President and Chief Executive Officer

Paul C. Miller

Vice President, Global eCommerce, Customer Information and Innovation

Debra S. Oler

Vice President and General Manager, Grainger Brand

Paige Robbins

Vice President, Americas Supply Chain

Kinya Seto

Senior Vice President, Online Business

Shareholder and Media Information

Company Headquarters

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

Annual Meeting

The 2014 Annual Meeting of Shareholders will be held at the company's headquarters in Lake Forest, Illinois, at 10:00 a.m. CDT on Wednesday, April 30, 2014.

Auditors

Ernst & Young LLP
155 North Wacker Drive
Chicago, Illinois 60606-1787

Common Stock Listing

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

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

Dividend Direct Deposit

Shareholders of record have the opportunity to have their quarterly dividends electronically deposited directly into their checking, money market or savings accounts at financial institutions that participate in the automated clearinghouse system.

Shareholders who are interested in taking advantage of this service or would like more information on the program should contact Computershare at the above address.

Investor Relations Contacts

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

William D. Chapman
Senior Director, Investor Relations
847.535.0881

D. Casey Darby
Senior Manager, Investor Relations
847.535.0099

Upon written request to Investor Relations, we will provide, free of charge, a copy of our Form 10-K for the fiscal year ended December 31, 2013.

Grainger's Annual Report, Form 10-K, Form 10-Q, proxy statement and other filings with the Securities and Exchange Commission, as well as the Fact Book and news releases including quarterly earnings and monthly sales, can be accessed free of charge at the Investor Relations section of the company's website at www.grainger.com/investor. For more information, contact Investor Relations at 847.535.1000.

Requests for other company-related information should be made to David Rawlinson, Vice President, Deputy General Counsel and Corporate Secretary, at the company's headquarters.

Media Relations Contact

Joseph Micucci
Director, Media Relations
847.535.0879

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