W.W. Grainger, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars, except for per share amounts)

ASSETS	As of December 31, 2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$ 335,491	$ 313,454
Accounts receivable (less allowances for doubtful accounts of $18,801 and $24,552, respectively)	888,697	762,895
Inventories – net	1,268,647	991,577
Prepaid expenses and other assets	100,081	87,125
Deferred income taxes	47,410	44,627
Prepaid income taxes	54,574	38,393
Total current assets	2,694,900	2,238,071
PROPERTY, BUILDINGS AND EQUIPMENT		
Land	252,161	249,119
Buildings, structures and improvements	1,186,002	1,133,392
Furniture, fixtures, machinery and equipment	1,127,159	995,249
	2,565,322	2,377,760
Less: Accumulated depreciation and amortization	1,505,027	1,414,088
Property, buildings and equipment – net	1,060,295	963,672
DEFERRED INCOME TAXES	100,830	87,244
GOODWILL	509,183	387,232
OTHER ASSETS AND INTANGIBLES – NET	350,854	228,158
TOTAL ASSETS	$4,716,062	$3,904,377

W.W. Grainger, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS – CONTINUED

(In thousands of dollars, except for per share amounts)

LIABILITIES AND SHAREHOLDERS' EQUITY	As of December 31, 2011	2010
CURRENT LIABILITIES		
Short-term debt	$ 119,970	$ 42,769
Current maturities of long-term debt	221,539	31,059
Trade accounts payable	477,648	344,295
Accrued compensation and benefits	207,010	169,343
Accrued contributions to employees' profit sharing plans	159,950	145,119
Accrued expenses	178,652	130,836
Income taxes payable	23,156	5,882
Total current liabilities	1,387,925	869,303
LONG-TERM DEBT (less current maturities)	175,055	420,446
DEFERRED INCOME TAXES, TAX UNCERTAINTIES AND DERIVATIVE INSTRUMENTS	106,573	82,502
ACCRUED EMPLOYMENT-RELATED BENEFITS COSTS	322,230	244,456
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
Additional contributed capital	700,826	637,686
Retained earnings	4,806,110	4,326,761
Accumulated other comprehensive (losses) earnings	(28,738)	42,951
Treasury stock, at cost – 39,696,367 and 40,281,417 shares, respectively	(2,904,243)	(2,857,012)
Total W.W. Grainger, Inc. shareholders' equity	2,628,785	2,205,216
Noncontrolling interest	95,494	82,454
Total shareholders' equity	2,724,279	2,287,670
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$4,716,062	$3,904,377

The accompanying notes are an integral part of these financial statements.