



It's about **how** we get it done

2017 FACT BOOK

GRAINGER[®]
FOR THE ONES WHO GET IT DONE

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W.W. Grainger, Inc. is a broad line, business-to-business distributor of maintenance, repair and operating (MRO) supplies and other related products and services. More than 3.2 million businesses and institutions worldwide rely on Grainger for products such as safety gloves, ladders, motors and janitorial supplies, along with services like inventory management and technical support. These customers represent a broad collection of industries including commercial, government, healthcare and manufacturing. They place orders online, on mobile devices, through sales representatives, over the phone and at local branches. Approximately 5,000 suppliers provide Grainger with more than 1.6 million products stocked in Grainger's distribution centers (DCs) and branches worldwide. For more information on Grainger, visit www.grainger.com/investor.

FORWARD-LOOKING STATEMENTS

All statements in this Fact Book, other than those relating to historical facts, are "forward-looking statements." These forward-looking statements are not guarantees of future performance and are subject to a number of assumptions, risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from such statements.

These statements include, but are not limited to, statements about future strategic plans and future financial and operating results. Important factors that could cause actual results to differ materially from expectations include, among others: higher product costs or other expenses; a major loss of customers; loss or disruption of source of supply; increased competitive pricing pressures; failure to develop or implement new technologies or business strategies; the outcome of pending and future litigation or governmental or regulatory proceedings, including with respect to wage and hour, anti-bribery and corruption, environmental, advertising, privacy and cybersecurity matters; investigations, inquiries, audits and changes in laws and regulations; disruption of information technology or data security systems; general industry or market conditions; general global economic conditions; currency exchange rate fluctuations; market volatility; commodity price volatility; labor shortages; facilities disruptions or shutdowns; higher fuel costs or disruptions in transportation services; natural and other catastrophes; unanticipated weather conditions; loss of key members of management; Grainger's ability to operate, integrate and leverage acquired businesses; changes in credit ratings; changes in effective tax rates and other factors, which can be found in the company's filings with the Securities and Exchange Commission, including the company's most recent periodic reports filed on Form 10-K and Form 10-Q, which are available on the company's Investor Relations website.

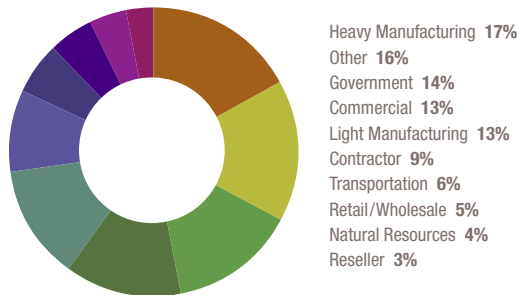
Caution should be taken not to place undue reliance on the company's forward-looking statements and the company undertakes no obligation to publicly update any of its forward-looking statements, whether as a result of new information, future events or otherwise.

AT A GLANCE W.W. GRAINGER, INC.

(AS OF 12/31/16)

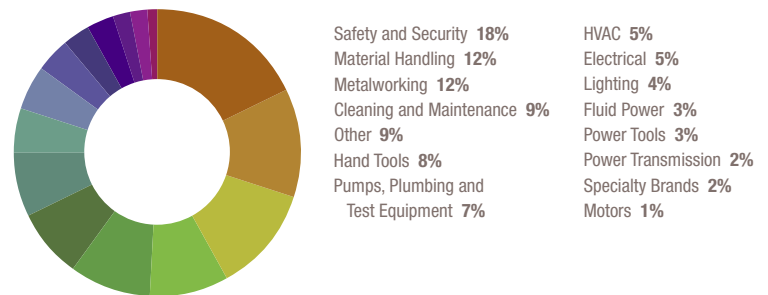
2016 SALES

Customer Category



2016 SALES

Product Category



GEOGRAPHIC OVERVIEW

	MRO MARKET SIZE ¹	MARKET SHARE	BRANCHES	DISTRIBUTION CENTERS (DCs)	APPROXIMATE NUMBER OF CUSTOMERS SERVED IN 2016
UNITED STATES Includes: Grainger Industrial Supply, E&R Industrial, Imperial Supplies, Techni-Tool, Zoro U.S. ³	> \$125 billion	6 percent	284 ²	18	1,890,000
CANADA Includes: Acklands–Grainger Inc., WFS Enterprises Inc.	> \$11 billion	7 percent	151	5	65,000
LATIN AMERICA Colombia, Dominican Republic, Mexico, Panama, Peru, Puerto Rico ⁴	> \$16 billion	1 percent	31	3	50,000
JAPAN MonotaRO Co., Ltd.	> \$41 billion	~ 2 percent	0	3	948,000
ASIA China	> \$93 billion	< 1 percent	0	1	9,000
EUROPE Fabry: Belgium, Czech Republic, France, Hungary, The Netherlands, Poland, Portugal, Romania, Slovakia Cromwell: United Kingdom ⁵ Zoro Europe: Germany	> \$34 billion	< 1 percent	70	2	80,000
	> \$16 billion	2 percent	62	1	57,000
	> \$30 billion	< 1 percent	0	0	180,000
TOTAL	> \$366 billion¹	3 percent	598	33	> 3,200,000

¹ Estimated MRO market size where Grainger has operations. The total worldwide MRO market is approximately \$550 billion.

² Comprised of 254 stand-alone branches, 28 onsite branches and 2 will-call express locations.

³ For segment reporting, Zoro U.S. is reported in Other Businesses.

⁴ Although Puerto Rico is a U.S. territory, the company manages this business as part of Latin America.

⁵ Cromwell also has operations in Europe, Africa and Asia, representing approximately 12 percent of its revenue.

STRATEGY

In the large and fragmented MRO industry, Grainger holds an enviable position with its advantaged infrastructure, broad product offering and deep customer relationships. MRO markets have grown in line with gross domestic product (GDP) over the long term, but growth has slowed during the past few years. This deceleration is a result of a weak industrial environment driven by contraction in the energy sector. Despite these challenges, the global MRO market remains an attractive space with ample opportunity for broad line distributors such as Grainger that are able to leverage scale positions in purchasing, supply chain and IT systems to better serve customers.

Grainger participates in a \$550 billion global market for MRO. The most attractive markets for Grainger are those with high GDP per capita and a developed infrastructure. Consequently, Grainger's strategy is to concentrate on growth in North America, Western Europe and Japan.

Over the past three years, Grainger has invested heavily to configure its business to meet the evolving needs of its customers. With a robust IT infrastructure and supply chain in place, in 2016 the company established strategic priorities for its five focus areas: U.S. Large, U.S. Medium, Single Channel, Canada and International (see below).

As a result, Grainger is well-positioned to:

- Create unique value for a broader set of customers, resulting in stronger volume growth across more customer types and existing geographies.
- Improve the customer experience through a competitively advantaged product offer and delivery, an industry-leading digital experience and market relevant pricing.
- Improve financial performance through revenue growth, operating margin expansion and strong free cash flow generation.

STRATEGIC PRIORITIES

	U.S. LARGE	U.S. MEDIUM	SINGLE CHANNEL	CANADA	INTERNATIONAL
Create unique value for different customers	Grow spot-buy volume via relevant pricing and digital capabilities Grow with large, complex customers	Re-engage medium-sized customers	Continue to build online model	Return to profitable growth Diversify the business	Optimize portfolio for profitable growth
Create an effortless customer experience	Improve the end-to-end experience for customers				
Reduce cost	Improve cost structure throughout the company				
Help each other grow and succeed	Instill leadership behaviors and ensure focus on team member development and engagement				
Be responsible stewards	Maintain highest standards of ethics and integrity				

PRICING ACTIONS

In late 2016, Grainger initiated pricing changes that will continue in 2017. These actions will result in more competitive pricing, which will allow Grainger to attract new customers and increase penetration with existing customers, resulting in improved financial performance over the long term. Pricing initiatives in 2017 include:

- U.S. LARGE:** Offer comprehensive pricing programs that support large customers consolidating their purchases. [\(See more on page 5.\)](#)
- U.S. MEDIUM:** Offer a subscription program, which includes better pricing with a freight offer, to grow with these customers. [\(See more on page 6.\)](#)
- CANADA:** Introduce more relevant pricing for products not under contract to better compete in the current market environment. [\(See more on page 8.\)](#)


















Businesses and institutions today are intensely focused on becoming more productive. One of the primary methods for driving better productivity has been reducing process cost. Increasingly, businesses have shifted from ordering through traditional channels, such as using phones or visiting branches, to online and onsite channels including Grainger.com[®], electronic purchasing platforms (EDI/ePro) and inventory management systems. Grainger has anticipated and evolved with these changes in customer buying behavior. In 2016, more than 65 percent of Grainger orders originated via a digital channel (including Grainger.com, KeepStock[®] and EDI/ePro) and more than 85 percent of orders were shipped directly to the customer or were made immediately available through onsite services.

The shifts in buying behavior are even more pronounced when looking at the unique needs of customers of different sizes.

- **Large customers** value Grainger’s multichannel model and high-touch service.
- **Medium customers** want competitive pricing and a relevant product offer.
- **Small customers** tend to purchase similarly to individual consumers. They value a simple, web-based solution to quickly identify and buy items at a competitive price.

Grainger uses a combination of multichannel and single channel online business models to serve customers of all sizes.

SERVING CUSTOMERS OF ALL SIZES

CUSTOMER	SALES FORCE	ORDER ORIGATION					ORDER FULFILLMENT		
		Online	Phone	KeepStock	eProcurement (EDI/ePro)	Branch	DC	Branch	KeepStock
<p>LARGE</p> <ul style="list-style-type: none"> • Complex needs • Multiple sites • Supplier consolidation • Increasing onsite fulfillment • Relationship-driven 	 OUTSIDE	    	  						
<p>MEDIUM</p> <ul style="list-style-type: none"> • Fewer sites or a single site • Less-complex needs • Focus on product categories that are relevant to their operations 	 INSIDE	  	 						
<p>SMALL</p> <ul style="list-style-type: none"> • Comfort with and preference for online buying • Behavior similar to individual consumers • Transaction-driven 	N/A								

CREATING UNIQUE VALUE



Grainger is committed to providing unique value for different customer types across its five focus areas by tailoring its services and solutions by customer size, end market and geography.

U.S. LARGE

2016 REVENUE \$6.1 BILLION

Grainger's strongest competitive advantage is with large, complex customers. Large customers value Grainger's multichannel approach, which has proven to help them reduce their labor, product and inventory costs.



U.S. MEDIUM

2016 REVENUE \$0.9 BILLION

Grainger is committed to improving performance with medium-sized customers. The company developed new price, coverage and service offerings in 2016 to more effectively compete for medium customers that are not part of a negotiated contract.



SINGLE CHANNEL

2016 REVENUE \$1 BILLION

Grainger has leveraged its eCommerce expertise and infrastructure to establish a model that will continue to be a driver of revenue and profitability. The company has single channel businesses in North America, Europe and Asia.



CANADA

2016 REVENUE \$0.7 BILLION

Grainger is dedicated to returning its business in Canada to profitable growth. Heavily affected by disproportionate exposure to the oil and gas sector, this multichannel business has been challenged the past two years.



INTERNATIONAL

2016 REVENUE \$0.8 BILLION

Grainger's international portfolio includes businesses in Europe, Asia and Latin America. Grainger has narrowed its international strategy to focus on the highest return opportunities by investing in markets with high GDP per capita and a developed infrastructure.

NOTE: TOTAL COMPANY 2016 REVENUE OF \$10.1 BILLION ALSO INCLUDES SPECIALTY BRANDS SUCH AS E&R INDUSTRIAL, IMPERIAL SUPPLIES AND TECHNI-TOOL.

U.S. LARGE

With 2016 sales of \$6.1 billion, the U.S. Large business represents approximately 60 percent of Grainger's total revenue. It is comprised of businesses and institutions with multiple locations that centralize, or plan to centralize, the purchase of MRO. In addition, single-site businesses with \$60,000 or more in annual MRO spend potential are also categorized as large customers. This market is approximately \$75 billion and Grainger has roughly an 8 percent share.

U.S. Large customers tend to be complex and require services at their place of business. Grainger is well-positioned to serve their needs by offering value-added services such as KeepStock® (see below). Large customers also rely on Grainger's broad product offering, high product availability, dedicated sales representatives, eProcurement, branches, contact centers and technical support to help them achieve their goals of saving time and money.

Actions in 2016

Grainger has taken several steps since late 2015 to further penetrate and grow with large customers. The company has vertically aligned its sales force, and now 90 percent of sales representatives are organized by industry segment (commercial, government, healthcare and manufacturing). This realignment enables the sales force to provide more customized, segment-specific focus, allowing for more relevant conversations and deeper customer relationships. Grainger has also implemented a new customer relationship management (CRM) system to help sales representatives be more effective and productive. The CRM tool helps Grainger better understand the activities that drive revenue and profitability with customers. Grainger also expanded its U.S. Large business development team to include sales representatives who specifically target companies transitioning to a more centralized MRO purchasing approach. Finally, Grainger piloted new pricing programs to accelerate share gains with these customers.

U.S. BUSINESS

MRO Spend	Contract Customer	Noncontract Customer
> \$60K	U.S. LARGE	U.S. LARGE
\$10 – \$60K	U.S. LARGE	U.S. MEDIUM
< \$10K	U.S. LARGE	U.S. MEDIUM

Initiatives in 2017

Grainger is growing share with U.S. Large customers. In 2017, the company will build upon the work completed in 2016 to improve sales force execution and expand new pricing programs. The new U.S. Large customer pricing programs support customers consolidating their purchases. These programs have improved performance across both frequent and infrequent purchases and will position the company to continue to gain share going forward.

DIFFERENTIATED SERVICE OFFERING



SALES FORCE

The U.S. business has an outside sales force of more than 3,000 professionals who help large businesses and institutions save time and money. Grainger utilizes its outside sales force to grow with large customers in the United States who typically have more complex purchasing requirements and value the collaborative relationship.



KEEPSTOCK

Grainger's KeepStock inventory management program allows large customers to be more productive through solutions including onsite branches, vendor-managed inventory, customer-managed inventory and vending machines. The KeepStock program currently provides services to nearly 23,000 customers. Sales of product through the KeepStock channel were more than 10 percent of U.S. revenue in 2016.



EDI/EPRO

For large customers with sophisticated electronic purchasing platforms, the U.S. business utilizes eProcurement, a technology that allows these systems to communicate directly with Grainger.com®. The direct connection ensures that the right assortment, workflow and processes for that customer are available. eProcurement also has the added benefit of being Grainger's lowest cost order origination channel. In 2016, approximately 17 percent of revenue in the U.S. was generated through eProcurement.



TECHNICAL SUPPORT

For customers who require a higher level of technical expertise, Grainger sellers can leverage a network of trained specialists. From safety to metalworking, these specialists consult with customers on specific needs to provide tailored solutions.

U.S. MEDIUM



The U.S. Medium business contributed roughly \$900 million in sales in 2016 and represented approximately 9 percent of company revenue. The strategy for medium-sized customers is focused on noncontract customers who spend between \$10,000 and \$60,000 per year on MRO, representing \$600 million of the U.S. Medium business. The remaining \$300 million consists of noncontract customers who spend less than \$10,000 on MRO per year and purchase through the Grainger brand. U.S. Medium participates in a roughly \$50 billion market (\$30 billion medium and \$20 billion small), and Grainger has approximately 2 percent share.

In general, U.S. Medium customers do not require the same services as U.S. Large customers and instead want a purchasing experience that gives them peace of mind that their immediate business problems will be solved. Grainger's broad product offer and availability serves their needs.

Actions in 2016 and initiatives in 2017

Today, Grainger has a dedicated team focused on U.S. Medium customers, a group with an operating margin at 25 to 30 percent, which is above the company average. Over the past year, Grainger has built a more relevant

offer for this highly profitable customer group centered on improved sales coverage and tailored marketing, enhanced merchandising and more competitive pricing. In April 2016, Grainger began hiring sales associates at its new inside sales facility located in San Antonio, Texas. Inside sales associates allow Grainger to make more frequent contact with a larger number of medium customers at a lower cost per contact. By the end of 2016, Grainger had approximately 200 inside sales associates calling on roughly 100,000 medium customers. In 2017, Grainger plans to extend coverage to even more customers.

An important part of the new approach with U.S. Medium customers is providing more market-relevant pricing. With the right marketing approach, sales coverage and more competitive pricing, Grainger is able to grow with medium customers. In 2016, Grainger introduced a subscription program, which allows medium customers who qualify to receive more relevant pricing on industry-specific products along with a freight offer. By late 2016, Grainger had roughly 20,000 customers on the subscription program and intends to increase that number in 2017.

The company is encouraged by the early results with medium customers and expects to deliver improved performance with this customer group in 2017.

BUILDING THE MEDIUM CUSTOMER OFFER AND TEAM

	Q4 2015 and Q1 2016	Q2 2016 and Q3 2016	Q4 2016 and 2017
	Team Launch	Inside Sales Start-up	Offer Rollout
Activity	<ul style="list-style-type: none"> Formed offer and marketing team Signed lease for inside sales center 	<ul style="list-style-type: none"> Expanded sales coverage Began contacting ~100,000 customers with inside sales 	<ul style="list-style-type: none"> Begin tailored marketing offers Cover ~10,000 additional customers
Team Members	<20	<200	~230

SINGLE CHANNEL

Grainger is leading the way with the single channel model in the MRO industry. With operations in Europe, Asia and North America, these businesses focus on small customers but are attracting new customers of all sizes. The single channel businesses serve customers through a streamlined search and transactional experience, and the model has proven successful across multiple countries. In 2016, single channel revenue grew by 35 percent to \$1 billion, and the business acquired more than 1 million new customers. In addition to strong revenue growth, operating margin improved by more than 100 basis points in 2016. The single channel businesses are forecasted to reach roughly \$2 billion in revenue by 2019 and are expected to expand operating margin over the same time period.

MonotaRO

Grainger's most mature single channel business, MonotaRO in Japan, began in 2000 and has grown from a joint venture into a publicly traded company with 2016 sales of \$631 million. Grainger owns 51 percent of MonotaRO, which was built to serve small and medium customers within Japan's \$41 billion MRO market. With an operating margin of 13 percent and a reported ROIC of more than 50 percent in 2016, MonotaRO illustrates the potential of the single channel model.

Behind MonotaRO's success is a robust customer segmentation and data analytics capability that helps conceive, develop and deploy customer offers. As a result, MonotaRO has created a loyal customer following. In 2016, MonotaRO added 450,000 new customers, fueling 21 percent revenue growth in local currency over the prior year.

MonotaRO's broad product line, including an assortment of approximately 10 million SKUs with over 300,000 products stocked, an easy-to-use website and competitive pricing, makes the company's offering attractive to small and medium businesses. To accommodate its strong growth, MonotaRO will open a 590,000 square-foot DC in the Tokyo area in 2017.

Zoro U.S.

Zoro U.S. launched in 2011 to serve the small business market in the United States. Zoro U.S. offers small customers competitive pricing, simplified transactions, an easy-to-use website and convenient payment options. The combination of an expansive product offering, a simplified process, reliable delivery and both digital and traditional marketing strategies has helped Zoro U.S. rapidly expand its customer base.

Zoro U.S. fulfills customer orders through the same supply chain used by Grainger's core U.S. business. Access to a preexisting distribution network is one advantage Zoro U.S. has that MonotaRO did not have at its founding. As a result, Zoro U.S. has experienced faster growth and profitability than MonotaRO did at comparable stages.

Today, Zoro U.S. continues to focus on small customers and, like many other single channel businesses, is growing with a diverse set of customers. In 2016, Zoro U.S. had sales of \$403 million, up 36 percent from 2015, and its operating margin improved to 7.4 percent.

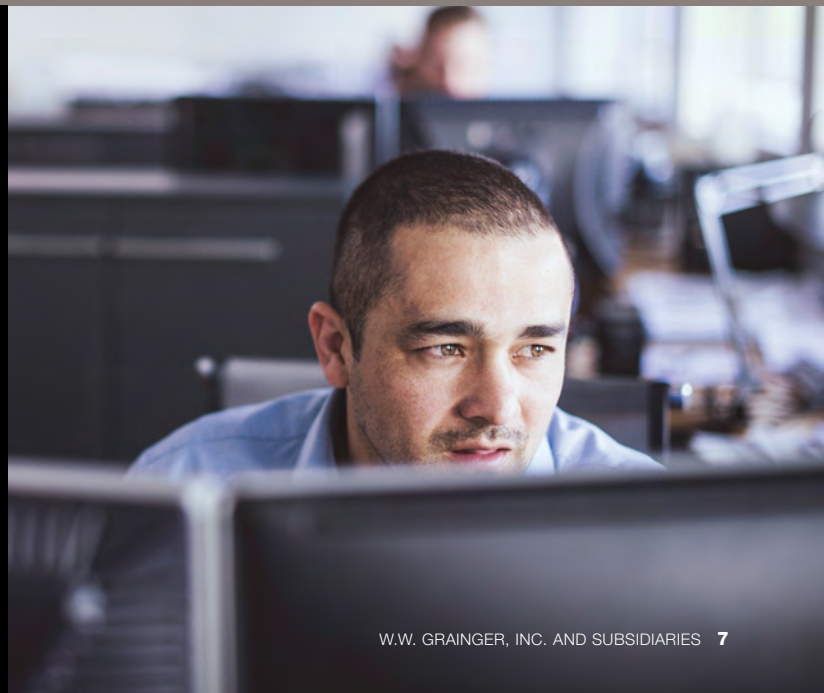
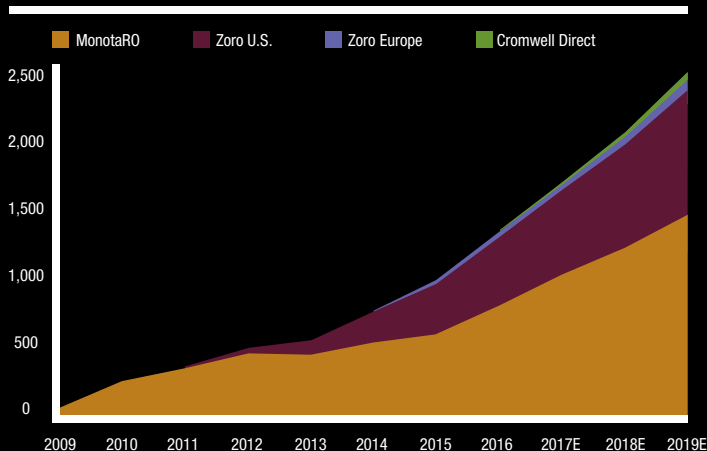
Cromwell Direct

Leveraging the Cromwell business (see page 9), the Cromwell Direct website (www.cromwell.co.uk) was launched in March 2016 to expand the online model in the United Kingdom. Since the launch, site conversion has doubled, and the business has acquired tens of thousands of new customers. Cromwell Direct showed promising sales results in its first partial year of operations, and the momentum is expected to continue in 2017.

Zoro Europe

Located in Düsseldorf, Germany, Zoro Europe was launched in 2014 as a way to expand the single channel model in Europe. Today, the business offers customers an assortment of 400,000 products available through www.zoro.de.

SINGLE CHANNEL BUSINESS REVENUE
(Dollars in millions)





Acklands–Grainger Inc., is Grainger’s largest business outside the United States with revenues of more than \$700 million. The original business was founded by Dudley Ackland more than 125 years ago and was acquired by Grainger in 1996.

Acklands–Grainger is at a transformational point in its history. As Canada’s leading broad line distributor of industrial and safety supplies, Acklands–Grainger had reached the limit on its legacy systems and two-tier distribution model. In addition, its decentralized operating model resulted in inefficiencies and inconsistencies in customer service across the business. Lastly, with a large portion of its business heavily skewed to oil and gas customers in western Canada, low energy and commodity prices in 2015 and 2016 had negatively affected business results.

In 2016, the company began laying a strong, stable foundation to position itself for long-term sustainable growth and profitability by addressing the following areas:

Strategy Developed and implemented a clear, customer-focused strategy and reorganized business to improve execution and reduce cost.

Cost structure Centralized functions, closed branches and restructured the workforce.

Systems Implemented and stabilized an enterprise resource planning (ERP) system that replaced dozens of disparate legacy systems with a common North American platform.

Distribution Launched direct-to-customer (DTC) shipping—moving from 8 percent DTC to more than 50 percent in less than one year.

Key improvements in 2017 include:

A new eCommerce experience Launched in the first quarter of 2017, the new acklandsgrainger.com website makes it easier for customers to transact business online. This new platform leverages Grainger’s eCommerce strength, backed by the common North American infrastructure and technology.

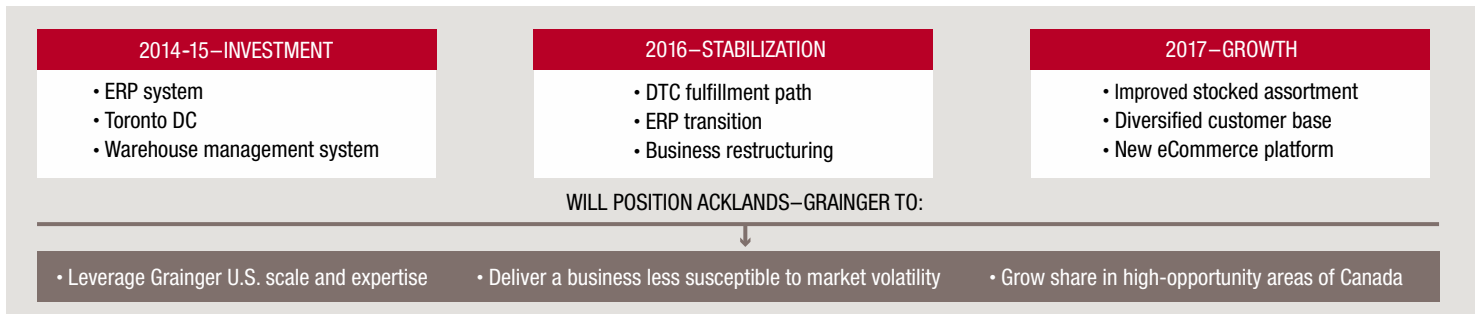
Market-relevant pricing In 2017, Acklands–Grainger introduced more relevant pricing for products not under contract to better compete in the current market environment.

A customer-centric stocked product assortment Historically, Acklands–Grainger made assortment decisions at the branch level. With the company’s new ERP system, these decisions are now centralized and scalable. The result is an improved stocked assortment resulting in a better customer experience.

Diversification While oil and gas customers remain a long-term strategic priority, the company is focused on further diversifying its business and growing in eastern Canada. In 2016, the company launched a pilot with a tailored product offer and a sales force trained to serve a specific type of customer. The results were promising. Leveraging the experience of Grainger’s U.S. business in product assortment, offer development and customer service, Acklands–Grainger plans to further diversify its business by customer type and geography in 2017.

Going forward, it is expected that Acklands–Grainger will maintain its historic strength with large natural resources customers in western Canada and establish lasting relationships with different types of customers, particularly in the areas of significant opportunity in Ontario and the eastern provinces.

REPOSITIONING THE BUSINESS FOR SUSTAINABLE GROWTH



INTERNATIONAL

Grainger's operations outside of North America include businesses in Europe, Asia and Latin America.

Revenue for Grainger's international businesses totaled \$844 million in 2016. In 2017, Grainger is focused on optimizing its international portfolio to improve performance and is narrowing its exposure to the highest return opportunities, including markets with high GDP per capita and a developed infrastructure. The primary businesses in the portfolio include:

Cromwell

Cromwell, Grainger's multichannel business in the United Kingdom, offers a broad product line, a stable supply chain and a robust private label assortment and has a solid base of more than 70,000 industrial and manufacturing customers worldwide. Cromwell was acquired by Grainger in 2015 and is headquartered in Leicester, England. In 2016 Cromwell represented a little under half of the international portfolio's revenue.

Through a DC reconfiguration, Cromwell will double its capacity to grow in 2017. The reconfiguration will improve productivity levels and the overall customer experience by updating the way product is stored to improve order accuracy and increase the capacity for stocked items. The investment will enhance Cromwell's ability to ship same-day and DTC, supporting traditional channels and Cromwell Direct, which launched in 2016. Cromwell will also offer more tailored online pricing in 2017.



Fabry

With operations in nine countries in Europe, 70 branches and more than 200,000 fastener SKUs and other MRO products, Netherlands-based Fabry is known as Europe's specialist in quality fasteners and fastener-related products and services. Fabry has been restructured to position the business to better respond to changing customer buying behaviors and improve its cost structure; however, sales declined for Fabry in 2016 and the business reported an operating loss. Priorities for 2017 are focused on returning the business to profitable growth by enhancing its eCommerce offer.

Mexico

Grainger Mexico, a business with 18 branches, 2 DCs and more than 300 salespeople, serves the needs of local customers and Grainger's accounts that have locations across North America. Leveraging its first full year on an

ERP system, which provides better visibility into inventory management and greater operating efficiency, the business grew 16 percent in local currency in 2016. In 2017, the company expects to drive continued growth and market share gains in Mexico through product line expansions, customer penetration and acquisition initiatives, improvements to eCommerce and investments in the KeepStock® inventory management system.

China

Grainger has maintained a presence in China, the world's second-largest economy, since 2006. This business serves the needs of both multinational companies and local businesses. In 2016, the business grew and was profitable in local currency. Grainger is working to accelerate sales growth in China in 2017 through its focus on inside sales, product line expansion and eCommerce to best serve the needs of customers.

LATIN AMERICA

Grainger has a presence in five other Latin American countries: Colombia, Dominican Republic, Panama, Peru and Puerto Rico to serve the needs of local customers.

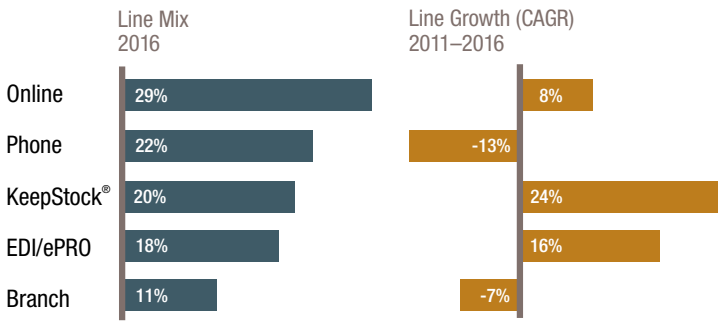
EXPORT

Through its Export business, Grainger also offers products to customers in more than 150 different countries. Export helps customers across the globe procure products quickly and at a competitive price.

CREATING AN EFFORTLESS CUSTOMER EXPERIENCE (U.S. BUSINESS)

Providing great customer service is the foundation of Grainger's standing as a distribution leader and a key lever in accelerating profitable growth. As order origination and fulfillment trends shift, the company adapts its platform to provide a better end-to-end experience giving Grainger an advantage over competitors.

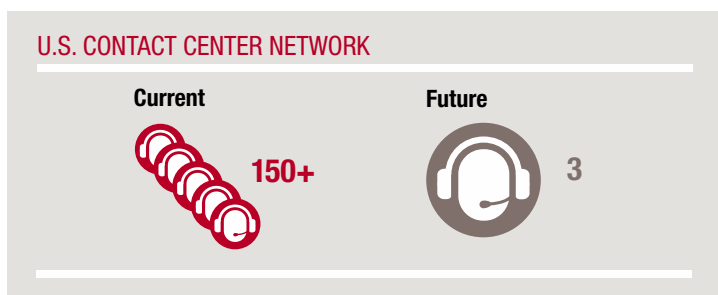
ORDER ORIGINATION



Phone

Over the past five years, order origination has shifted from branches and phones to digital channels such as Grainger.com,® eProcurement (EDI/ePro) and KeepStock. While phones are the company's second-largest origination channel, customers continue to shift to digital channels.

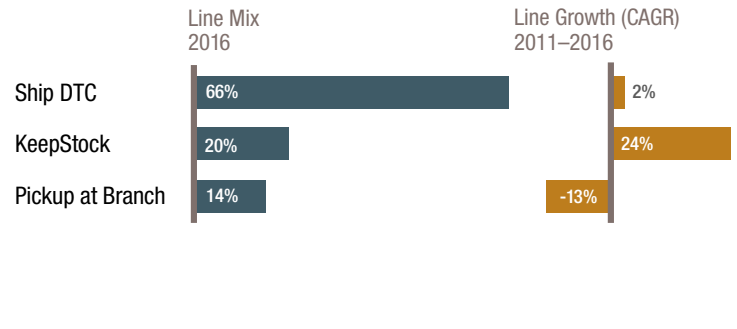
In response to this migration, Grainger has begun the process of consolidating its 150 contact centers in the United States into three national contact centers in Janesville, Wisc.; Waterloo, Iowa; and Phoenix, Ariz. This strategy will lead to more effective and cost-efficient customer service. In addition, this consolidation will create the ability to deploy service changes faster and offer better training and more robust career paths for contact center team members.



GRAINGER GLOBAL SOURCING

Grainger's private label products offer customers high-quality options at generally lower price points, while providing Grainger with stronger gross profit margins. In 2016, private label products—which include exclusive brands such as Dayton,® Westward,® LumaPro® and Tough Guy®—represented 17 percent of total company sales.

ORDER FULFILLMENT



Digital Channels: Online, EDI/ePro and KeepStock

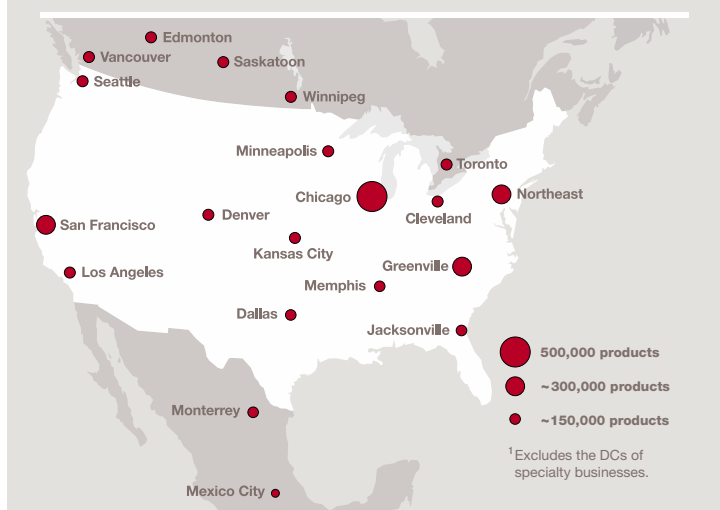
Through Grainger.com, eProcurement connections and KeepStock, Grainger continues to develop features that promote a personalized, relevant, effortless experience for each customer. In 2016, more than 65 percent of orders originated through a digital channel and approximately 57 percent of revenue in the United States came from such channels.

Grainger.com had more than 38 million visitors in 2016, an increase of 15 percent from 2015 and was ranked the eleventh largest eCommerce site in North America by *Internet Retailer* in 2016. To further increase digital traffic in the United States, Grainger is focused on its customers' journey from initial consideration to evaluation to purchase. The company created metrics to track each part of the journey and is leveraging a continuous improvement approach to drive progress. One key focus area is the "search-and-select" process. With approximately 1.9 million SKUs available online in the United States, finding the right product quickly is critical for a successful experience. In 2016 Grainger improved search terms and presentation for products representing more than 30 percent of Grainger.com revenue and will continue this work in 2017.

For large customers with complex needs, the KeepStock inventory management system and eProcurement drive significant value. Together, these two channels represent just under 40 percent of all U.S. orders.

The engine behind much of the company's private label offering is Grainger Global Sourcing (GGS), which works with more than 700 suppliers in 33 countries to provide Grainger's businesses with access to approximately 65,000 high-quality products. In 2016, sales of product procured by the GGS operation exceeded \$1 billion and were just under 11 percent of total company sales.

NORTH AMERICAN DISTRIBUTION CENTERS¹



Supply Chain

In today's connected world, the need for a well-developed logistics infrastructure in mature markets like the United States is more important than ever. Over the past eight years, Grainger has invested heavily in its DC network to ensure optimum capacity, increased automation and standardization in response to the need for on-demand delivery of products, information and services (see order fulfillment chart). Grainger has invested in new and improved DCs in California, Illinois and New Jersey, and significantly expanded its DC in South Carolina. In 2017, Grainger announced it had purchased land for a new DC in Louisville, Ky. Construction of the facility is projected to be complete in late 2020.

This robust and evolving global DC network allows Grainger to manage more than 700,000 stocked SKUs in the United States and also ship most orders complete with next-day delivery. To increase the speed at which products move through the supply chain, Grainger's more than 3,000 key product suppliers in the United States are measured on consistent and reliable service. Availability, the percent of time a product is in stock when and where the customer needs it, has remained at very high levels even as Grainger increased its product line seven-fold, creating a strong service experience enabled by the company's supply chain.

PRODUCT PROCUREMENT OPTIMIZATION (PPO)

In 2015, Grainger began an initiative called Product Procurement Optimization (PPO). Grainger's engineering and sourcing teams break down products to their individual components, leading to a better understanding of what the manufactured product should cost. By deploying dedicated teams, the project has enabled Grainger to

U.S. BRANCH NETWORK CUSTOMER

Four distinct customer types visit Grainger branches each day:

ON-THE-GO

Broad geographic coverage makes it easier for on-the-go customers to drop by any branch and get what they need, when and where they need it.

EMERGENCIES

Local inventory allows Grainger to provide same-day service for customers' emergency needs.

NEAR A BRANCH

Many customers prefer pickup at their nearby branch on the same day versus having the product shipped.

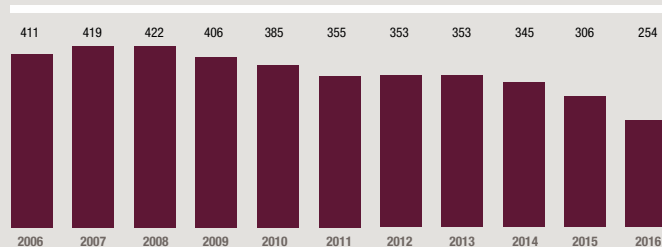
PRODUCT EXPERTISE

Branch staff members are well-versed in Grainger products and can provide technical or "search-and-select" support.

U.S. Branch Network

Just as Grainger has seen dramatic shifts in how customers place orders, order fulfillment has experienced a significant transition as well. In 2016, more than 85 percent of Grainger's U.S. orders were delivered directly to customers, which means less activity in the branches. Given this trend, Grainger conducted a market-by-market study to determine the right branch footprint for each local market and right-sized the network for the expected level of demand. Grainger restructured its stand-alone branch network in the United States from 411 branches in 2006 to 254 branches in 2016, a 40 percent reduction. At the end of 2016, the U.S. branch network was profitably growing revenue. Grainger will continue to evaluate its branch network going forward to ensure it effectively services its customer base.

U.S. BRANCH NETWORK²



² Reflects core U.S. business excluding acquisitions and specialty businesses

review the product assortment, realize cost savings, implement decisions faster than a traditional line review, have more productive supplier negotiations and better manage costs of goods sold. The process also helps ensure the right supplier mix to serve customers.

CREATING SHAREHOLDER VALUE

Excellent customer service, a focus on market share gains, margin expansion and a strong balance sheet all contribute to Grainger's success. Through the ups and downs of economic cycles, Grainger has generated strong cash flow and delivered solid long-term returns to shareholders.

Margin

Grainger manages its business for the long term. The company's goal is to accelerate growth and expand operating margin over the next five years. However, the current economic environment has contributed to a change in the composition of

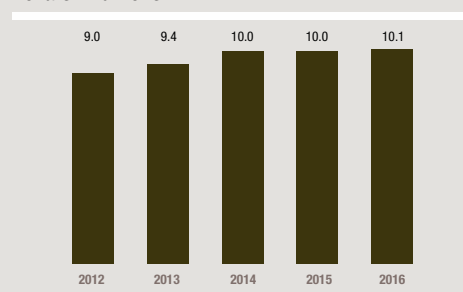
that expansion. Historically, gross margin has been a greater contributor to operating margin growth. But in a challenging industrial environment intensified by a lack of inflation and greater price transparency, Grainger's emphasis has centered on growth while reducing its cost structure. Over the next five years, Grainger targets annual operating margin expansion, driven by mid-single-digit organic sales growth and improved expense productivity.

The company began taking action to improve its cost structure in 2015 by closing 81 stand-alone branches and restructuring management layers.

Another 78 stand-alone branches were closed in 2016. In late 2016, the company announced an 18-month plan to consolidate its contact center network (see page 9), which will result in additional cost savings going forward. Continuous improvement in DCs and the shift to eCommerce also contribute to better expense leverage. At the same time, the company is focused on generating better returns for its investments, including supply chain infrastructure, IT systems and sales force productivity in the United States as well as improving the profitability of smaller businesses in the portfolio.

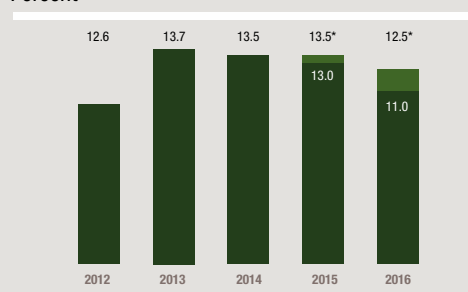
SALES

Dollars in billions



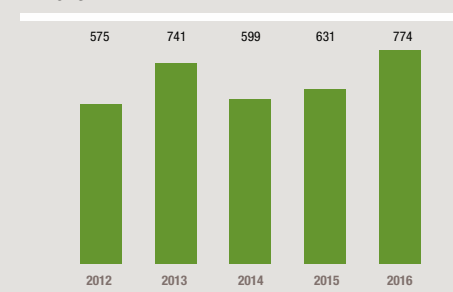
OPERATING MARGIN

Percent



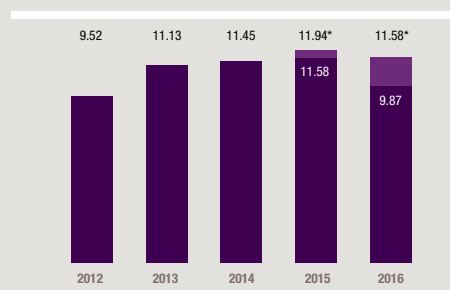
FREE CASH FLOW¹

Millions



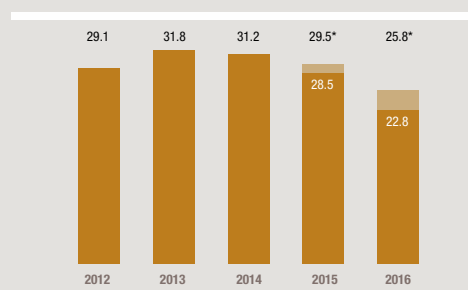
EARNINGS PER SHARE – DILUTED

Dollars



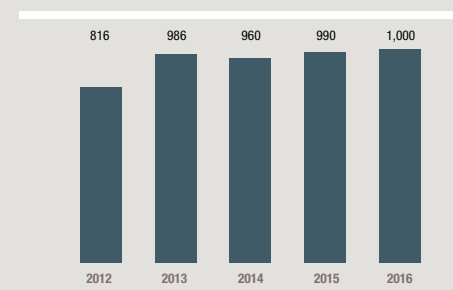
ROIC²

Percent



CASH FLOW FROM OPERATIONS

Dollars in millions



* Lower number represents reported figure; upper number represents adjusted figure. For a reconciliation of non-GAAP measures see "Financial Definitions and Reconciliations" on page 16.

¹ See definition on page 16.

² See definition on page 21.

Cash flow

Grainger’s business model generates strong cash flow through economic cycles. In 2016, the company reported cash flow from operations of \$1 billion and free cash flow of \$774 million. Grainger began emphasizing the free cash flow metric (see page 16) in late 2016 to provide a clearer picture of its cash generation capabilities given the expected decline in capital expenditures and the anticipated increase in depreciation and amortization. Grainger’s priorities for uses of cash are investment in the business, paying down debt, dividends and share repurchases.

Capital structure

Grainger’s strong free cash flow generation allows it to maintain a liquidity position that provides flexibility in funding working capital needs and long-term cash requirements. In 2015, Grainger announced plans to issue \$1.8 billion in long-term debt over the course of three years. Along with \$1.2 billion of internally generated cash from operations, the three-year plan called for \$3 billion in share repurchases. As a result, average share count decreased from 67.4 million at the end of 2014 to 58.8 million in 2016. In 2017, the company plans to complete the third year of

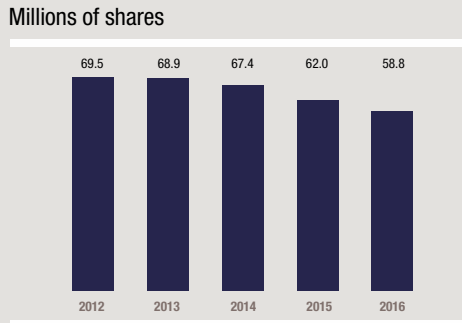
the debt issuance program. The \$400 million in new long-term debt will be split evenly between short-term debt reduction and share repurchases. The remainder of the share repurchases will be funded by cash from operations. Grainger expects to repurchase \$600 million in stock in 2017, a reduction from the \$800 million announced in 2015.

CAPITAL DEPLOYMENT

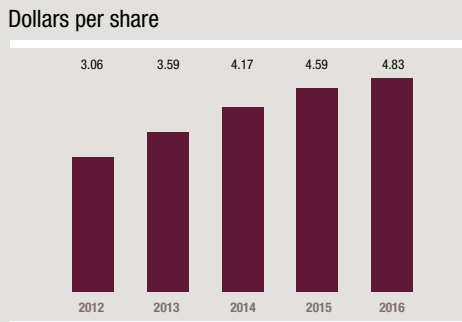
Business investment is expected to subside in the coming years due to lower capital requirements. In prior years, the company made significant investments to upgrade its distribution center network, technology systems and eCommerce platform to support the shift to online purchasing. As less cash is required for capital expenditures, more cash is freed up for paying down debt, while funding dividends and share repurchases.

In 2016, Grainger returned \$1.1 billion in cash to shareholders in the form of dividends and share repurchases. The company repurchased approximately 3.6 million shares of stock for \$790 million and paid \$303 million in dividends. Grainger is proud of its 45-year track record of increasing its dividend. The company is among only 3 percent of S&P 500 companies that have increased their dividend each year for more than four decades.

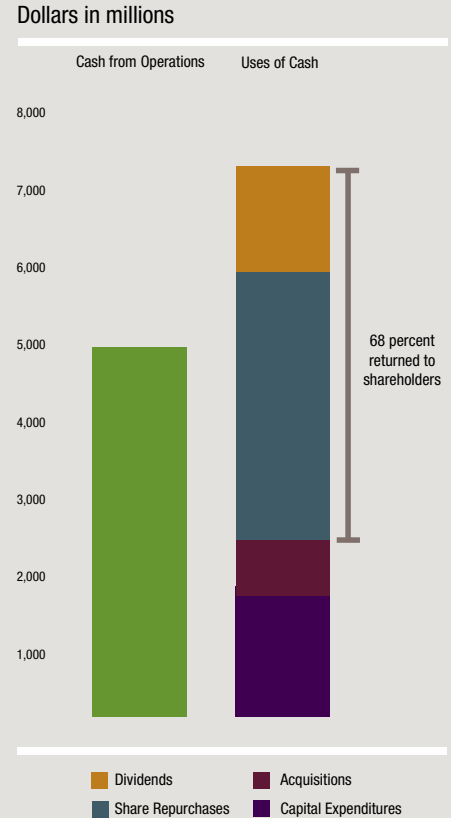
SHARES OUTSTANDING (at year end)



DIVIDENDS PAID



CASH GENERATION/DEPLOYMENT (2012–2016)



OPERATING RESPONSIBLY

G

rainger's Corporate Social Responsibility (CSR) program is a natural extension of the company's core operating principles. At the heart of those principles lies a commitment to customers, communities and team members. Grainger built its CSR strategy around four pillars that define its values as a corporate citizen:



SUSTAINING OUR ENVIRONMENT

Grainger recognizes that environmental stewardship is a significant global issue, and the company is taking steps to more effectively manage its energy use and greenhouse gas (GHG) emissions. Grainger has participated in the CDP* since 2009, and in 2012 the company became the first industrial distributor to publicly disclose its carbon footprint. In 2016, Grainger earned a CDP score of "A-" for the second consecutive year.

Recycling rates have improved for 4 consecutive years in Grainger's DCs. In 2016, **85 percent** of DC waste was recycled.



In 2016, Grainger completed its inaugural CDP supply chain survey. CDP supply chain partners reported a combined 76 million metric tons of CO₂ reduction resulting in more than **\$700 million** in annual emissions reduction savings.

With more than **70,000** green product SKUs, Grainger's 2016 sales of green products exceeded **\$550 million**.



SERVING OUR COMMUNITIES

Grainger continues to positively influence the places its team members live and work. The company is proud to participate in the Grainger Community Grant Program (GCGP), sponsored by The Grainger Foundation, an independent, private foundation established in 1949 by William W. Grainger, the company's founder. In 2016, The Grainger Foundation made grants through the GCGP totaling \$6.6 million, supporting more than 1,000 nonprofit organizations. In 2017, Grainger will look to share best practices and connect its partners with each other to increase effectiveness.

In 2016, more than **\$2 million** in contributions were awarded through the Grainger Matching Charitable Gifts Program.



In 2016, Grainger committed to a **\$1 million** level of support for the American Red Cross during its 2017 fiscal year through its Annual Disaster Giving Program.

162 scholarships totaling **\$324,000** were awarded to **86** community colleges in 2016 as part of the Grainger Tools for Tomorrow® Scholarship Program in support of technical education.



VALUING OUR PEOPLE

Grainger succeeds when its team members thrive. In 2017, the company will continue to work to ensure global team members have the knowledge, training and support to perform their roles safely and confidently.

Grainger employees completed a combined **22,000 hours** of safety training in 2016.



In 2016, Grainger had **2 locations** with more than **1,000,000 hours** worked without a lost time accident (LTA).

Grainger had **307 branches** with no Occupational Safety and Health Administration (OSHA) recordable event in 2016.



OPERATING RESPONSIBLY

Professionalism and integrity are the foundation of Grainger's culture. In 2017, the company will continue to exhibit the highest standards of corporate governance and business ethics.

170 Certified Supplier Diversity businesses offered more than **33,000** items to Grainger's U.S. customers in 2016.



100 percent of U.S. and Grainger Choice Suppliers and their subsuppliers are expected to comply with the company's supplier code of ethics as a condition of doing business.

100 percent of new and existing team members completed business ethics training in 2016.



* The CDP (formerly known as Carbon Disclosure Project) climate performance scoring methodology awards points for companies that highlight they are undertaking, or have undertaken, "positive" climate change actions.

Within each of these four pillars, Grainger addresses issues that are material to the business and its stakeholders and most meaningful to the company's role in the industry, the marketplace and the environment. Please visit www.GraingerCSR.com for more information on Grainger's approach to Corporate Social Responsibility. While Grainger's CSR commitments are global, the CSR report is primarily focused on the company's operations in the United States. These operations currently represent the majority of Grainger's business, based on percentage of revenue, scope of operations and number of employees. Where applicable, the specific geography is noted in the relevant footnotes to that data.

HELPING EACH OTHER GROW AND SUCCEED



In 2017, Grainger was again named to *Fortune's* annual list of the World's Most Admired Companies. Among industry competitors in the Wholesalers: Diversified category, Grainger ranks No. 1 for the fourth consecutive year.



"We attract, develop and retain top talent in every market we serve and leverage their diverse perspectives to grow the business aggressively and profitably. When every team member knows that his or her voice is being heard and accomplishments are recognized, we unlock the team's full potential and the potential of the business."

Joseph C. High, Senior Vice President and Chief People Officer



"Our team members bring different skills, perspectives and experiences to the table to help customers keep their facilities running and the people in them safe. In turn, Grainger is committed to fostering a workplace where dedicated, talented people can thrive."

D.G. Macpherson, Chief Executive Officer

For the past 90 years, Grainger has recognized that building a team with the right skills and a deep commitment to service is foundational for success. That is why Grainger has made it a priority to create a culture where the company and its team members can grow and thrive. The company's focus is to:

Select and develop people who anticipate and create a great customer experience:

Grainger recruits talent from diverse organizations and the best colleges and universities. At the same time, Grainger recognizes that sometimes the best candidates can be internal.

Equip and energize team members to excel amid change:

Grainger will keep evolving as customer needs and purchasing preferences change. To be successful, the company must have team members who can adapt quickly. Grainger is committed to team members' professional and personal growth. From its onboarding and orientation programs to on-the-job development, formal classes and mentoring, the company provides many opportunities for

team members to engage in learning and development to serve customers in ways most effective for them.

Reward and recognize performance and results: Grainger understands that offering competitive and comprehensive benefits is critical to attracting and retaining talented team members. Key offerings of the company's benefits package include competitive health benefits, a premier profit-sharing plan and educational assistance, a program providing tuition reimbursement for courses or degree programs that are job-related.

Creating a great team member experience and an inclusive workplace: Grainger is committed to cultivating a diverse workforce and an inclusive workplace where talented and engaged people can bring their whole selves to work. Grainger is committed to being a company where all individuals are respected, treated fairly, recognized for accomplishments, provided work-life balance and given the opportunity to excel. Grainger leverages its people leaders and Business Resource Groups (BRGs) to help achieve this goal. BRGs are an

inclusive collection of team members who voluntarily work together to advance the company's position in the global marketplace by leveraging their unique perspectives and skills. Grainger's BRGs cover the following employee populations:

- Administrative Business Partners
- African-Americans
- Asian Pacific Islanders
- Equality Alliance
- Generational
- Latino
- Veterans and Military Supporters
- Women

Grainger's team members are passionate about helping businesses and institutions keep their facilities running and people safe. In turn Grainger offers the stability of an established industry leader combined with interesting opportunities to learn, grow and make a difference at customer sites and in communities. Grainger's team members have helped it build a rich heritage of service for the past nine decades. Their commitment will enable Grainger to deliver an effortless customer experience for years to come.

FINANCIAL DEFINITIONS AND RECONCILIATIONS

The company supplements GAAP financial information with certain non-GAAP measures, including adjusted operating earnings, adjusted net earnings, adjusted diluted earnings per share and free cash flow.

Adjusted measures

Adjusted measures exclude items noted below that may not be indicative of core operating results and provide a better baseline for analyzing trends in the underlying business.

	Twelve Months Ended December 31,	
	2016	2015
Operating earnings reported	\$1,119,497	\$1,300,320
Restructuring	39,613	45,351
Other:		
Goodwill and intangible impairment	52,318	—
Unclaimed property contingency	36,375	—
Inventory reserve adjustment	9,847	—
GSA contingency	9,180	—
Subtotal	147,333	45,351
Operating earnings adjusted	\$1,266,830	\$1,345,671

	Twelve Months Ended December 31,	
	2016	2015
Net earnings reported	\$605,928	\$786,996
Restructuring	26,501	30,111
Other:		
Goodwill and intangible impairment	52,318	—
Unclaimed property contingency	22,781	—
Inventory reserve adjustment	7,278	—
GSA contingency	5,750	—
Discrete tax items	(9,378)	(5,984)
Subtotal	105,250	24,127
Net earnings adjusted	\$711,178	\$793,123

	Twelve Months Ended December 31,	
	2016	2015
Diluted earnings per share reported	\$ 9.87	\$11.58
Adjustments, pretax	2.41	0.69
Tax effect (1)	(0.55)	(0.24)
Discrete tax items	(0.15)	(0.09)
Total, net of tax	1.71	0.36
Diluted earnings per share adjusted	\$11.58	\$11.94

(1) The tax impact of adjustments is calculated based on the income tax rate in each applicable jurisdiction.

Free cash flow

The company defines free cash flow as net cash flow provided by operating activities less purchase of property, plant and equipment plus proceeds from the sale of assets. The company believes free cash flow is meaningful to investors as an indication of the company's strength and ability to generate cash.

	Twelve Months Ended December 31,	
	2016	2015
Net cash provided by operating activities	\$1,002,976	\$989,904
Less:		
Additions to property, building and equipment	284,249	373,868
Add:		
Proceeds from the sale of assets	55,023	14,857
Free cash flow	\$ 773,750	\$630,893

CONSOLIDATED STATEMENTS OF EARNINGS

<i>(In thousands of dollars, except for share and per share amounts)</i>	For the Years Ended December 31,		
	2016	2015	2014
Net sales	\$10,137,204	\$9,973,384	\$9,964,953
Cost of merchandise sold	6,022,647	5,741,956	5,650,711
Gross profit	4,114,557	4,231,428	4,314,242
Warehousing, marketing and administrative expenses	2,995,060	2,931,108	2,967,125
Operating earnings	1,119,497	1,300,320	1,347,117
Other income and (expense):			
Interest income	717	1,166	2,068
Interest expense	(66,332)	(33,571)	(10,093)
Loss from equity method investment	(31,193)	(11,740)	—
Other non-operating income	1,300	1,102	483
Other non-operating expense	(4,931)	(6,572)	(5,189)
Total other expense	(100,439)	(49,615)	(12,731)
Earnings before income taxes	1,019,058	1,250,705	1,334,386
Income taxes	386,220	465,531	522,090
Net earnings	632,838	785,174	812,296
Less: Net earnings attributable to noncontrolling interest	26,910	16,178	10,567
Net earnings attributable to W.W. Grainger, Inc.	\$ 605,928	\$ 768,996	\$ 801,729
Earnings per share:			
Basic	\$ 9.94	\$ 11.69	\$ 11.59
Diluted	\$ 9.87	\$ 11.58	\$ 11.45
Weighted average number of shares outstanding:			
Basic	60,430,892	65,156,864	68,334,322
Diluted	60,839,930	65,765,121	69,205,744
Diluted Earnings Per Share:			
Net earnings as reported	\$ 605,928	\$ 768,996	\$ 801,729
Earnings allocated to participating securities	(5,406)	(7,515)	(9,444)
Net earnings available to common shareholders	\$ 600,522	\$ 761,481	\$ 792,285
Weighted average shares adjusted for dilutive securities	60,839,930	65,765,121	69,205,744
Diluted earnings per share	\$ 9.87	\$ 11.58	\$ 11.45

Segment Information

<i>(In thousands of dollars)</i>	2016	2015	2014
Sales			
United States	\$7,870,105	\$7,963,416	\$7,926,075
Canada	733,829	890,530	1,075,754
Other Businesses	1,884,963	1,405,750	1,182,186
Intersegment sales	(351,693)	(286,312)	(219,062)
Net sales to external customers	\$10,137,204	\$9,973,384	\$9,964,953
Operating earnings			
United States	\$1,274,851	\$1,371,626	\$1,444,288
Canada	(65,362)	27,368	87,583
Other Businesses	40,684	48,051	(37,806)
Unallocated expenses	(130,676)	(146,725)	(146,948)
Operating earnings	\$1,119,497	\$1,300,320	\$1,347,117

CONSOLIDATED BALANCE SHEETS

<i>(In thousands of dollars, except for share and per share amounts)</i>	As of December 31,	
	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 274,146	\$ 290,136
Accounts receivable — net	1,223,096	1,209,641
Inventories — net	1,406,470	1,414,177
Prepaid expenses and other assets	81,766	85,670
Prepaid income taxes	34,751	49,018
Total current assets	3,020,229	3,048,642
Property, Buildings and Equipment		
Land	355,976	323,765
Buildings, structures and improvements	1,313,233	1,352,498
Furniture, fixtures, machinery and equipment	1,742,293	1,694,050
	<u>3,411,502</u>	<u>3,370,313</u>
Less: Accumulated depreciation and amortization	1,990,611	1,939,072
Property, buildings and equipment — net	1,420,891	1,431,241
Deferred income taxes	64,775	83,996
Goodwill	527,150	582,336
Intangibles — net	586,126	463,294
Other assets	75,136	248,246
Total Assets	\$5,694,307	\$5,857,755
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term debt	\$ 386,140	\$ 353,072
Current maturities of long-term debt	19,966	247,346
Trade accounts payable	650,092	583,474
Accrued compensation and benefits	212,525	196,667
Accrued contributions to employees' profit sharing plans	54,948	124,587
Accrued expenses	290,207	266,702
Income taxes payable	15,059	16,686
Total current liabilities	1,628,937	1,788,534
Long-term debt (less current maturities)	1,840,946	1,388,414
Deferred income taxes and tax uncertainties	126,101	154,352
Employment-related and other noncurrent liabilities	192,555	173,741
Shareholders' equity		
Cumulative preferred stock — \$5 par value — 12,000,000 shares authorized; none issued or outstanding	—	—
Common stock — \$0.50 par value — 300,000,000 shares authorized; 109,659,219 shares issued	54,830	54,830
Additional contributed capital	1,030,256	1,000,476
Retained earnings	7,113,559	6,802,130
Accumulated other comprehensive earnings	(272,294)	(221,091)
Treasury stock, at cost — 50,854,905 and 47,630,511 shares, respectively	(6,128,416)	(5,369,711)
Total W.W. Grainger, Inc. shareholders' equity	1,797,935	2,266,634
Noncontrolling interest	107,833	86,080
Total shareholders' equity	1,905,768	2,352,714
Total Liabilities and Shareholders' Equity	\$5,694,307	\$5,857,755

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In thousands of dollars)</i>	For the Years Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net earnings	\$ 632,838	\$ 785,174	\$ 812,296
Provision for losses on accounts receivable	16,216	10,181	12,945
Deferred income taxes and tax uncertainties	(5,884)	4,076	(13,732)
Depreciation and amortization	248,857	227,967	208,326
Impairment of goodwill and other intangible assets	52,318	—	16,652
(Gains) losses from non-cash charges and sales of assets	(18,521)	2,765	41,037
Stock-based compensation	35,735	46,861	49,032
Losses from equity method investment	31,193	11,740	—
Change in operating assets and liabilities – net of acquisitions and divestitures:			
Accounts receivable	(45,600)	(3,085)	(122,580)
Inventories	(4,403)	(37,737)	(92,443)
Prepaid expenses and other assets	18,641	15,788	(24,550)
Trade accounts payable	72,882	23,130	32,019
Other current liabilities	(25,044)	(70,306)	8,693
Current income taxes payable	(3,513)	6,943	(1,487)
Accrued employment-related benefits cost	7,542	(27,721)	35,027
Other – net	(10,281)	(5,872)	(1,421)
Net cash provided by operating activities	1,002,976	989,904	959,814
Cash flows from investing activities:			
Additions to property, buildings and equipment	(284,249)	(373,868)	(387,390)
Proceeds from sales of assets	55,023	14,857	26,755
Equity method investment	(34,103)	(20,382)	—
Cash paid for business acquisitions	(159)	(464,431)	(30,713)
Other – net	1,224	466	7,290
Net cash used in investing activities	(262,264)	(843,358)	(384,058)
Cash flows from financing activities:			
Net increase in commercial paper	39,748	325,000	5,000
Borrowings under lines of credit	36,055	54,770	108,721
Payments against lines of credit	(37,358)	(78,559)	(117,277)
Proceeds from issuance of long-term debt	515,985	1,307,183	150,504
Payments of long-term debt and commercial paper	(262,248)	(52,838)	(170,907)
Proceeds from stock options exercised	34,125	60,885	48,579
Excess tax benefits from stock-based compensation	11,905	27,553	33,772
Purchase of treasury stock	(789,773)	(1,400,071)	(525,120)
Cash dividends paid	(302,971)	(291,395)	(255,466)
Net cash used in financing activities	(754,532)	(62,551)	(758,123)
Exchange rate effect on cash and cash equivalents	(2,170)	(20,503)	(21,633)
Net change in cash and cash equivalents	(15,990)	63,492	(204,000)
Cash and cash equivalents at beginning of year	290,136	226,644	430,644
Cash and cash equivalents at end of year	\$ 274,146	\$ 290,136	\$ 226,644
Supplemental cash flow information:			
Cash payments for interest (net of amounts capitalized)	\$ 63,143	\$ 31,591	\$ 10,172
Cash payments for income taxes	359,506	442,486	509,378

HISTORICAL FINANCIAL SUMMARY

		2016	2015	2014
Financial Summary (\$000)	Net sales	\$10,137,204	\$9,973,384	\$9,964,953
	Earnings before income taxes	1,019,058	1,250,705	1,334,386
	Income taxes	386,220	465,531	522,090
	Net earnings attributable to W.W. Grainger, Inc.	605,928	768,996	801,729
	Working capital	1,722,487	1,794,371	1,697,487
	Additions to property, buildings and equipment and capitalized software	284,249	373,868	387,390
	Depreciation and amortization	222,645	206,841	190,171
	Current assets	3,020,229	3,048,642	2,967,549
	Total assets	5,694,307	5,857,755	5,283,049
	Shareholders' equity	1,905,768	2,352,714	3,284,101
	Cash dividends paid	302,971	306,474	291,395
	Long-term debt (less current maturities)	1,840,946	1,388,414	403,333
	Per Share (\$)	Earnings – basic	9.94	11.69
Earnings – diluted		9.87	11.58	11.45
Cash dividends paid		4.83	4.59	4.17
Book value		32.41	43.30	48.70
Year-end stock price		232.25	202.59	254.89
Ratios	Percent of return on average shareholders' equity	28.5	27.3	24.3
	Percent of return on average total capitalization	14.6	19.8	20.9
	Earnings before income taxes as a percent of net sales	10.1	12.5	13.4
	Earnings as a percent of net sales	6.0	7.7	8.1
	Cash dividends paid as a percent of net earnings	50.0	39.9	36.3
	Total debt as a percent of total capitalization	54.1	45.8	12.9
	Current assets as a percent of total assets	53.0	52.0	56.2
	Current assets to current liabilities	1.9	2.5	2.4
	Average inventory turnover – FIFO	3.1	3.1	3.1
Average inventory turnover – LIFO	4.3	4.1	4.2	
Other Data	Average number of shares outstanding – basic	60,430,892	65,156,864	68,334,322
	Average number of shares outstanding – diluted	60,839,930	65,765,121	69,205,744
	Number of employees	25,636	25,758	23,622
	Number of outside sales representatives	4,785	4,778	4,907
	Number of branches	598	668	681
	Number of products in the Grainger® catalog issued February 1	383,000	452,000	590,000

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

HISTORICAL FINANCIAL SUMMARY

2013	2012	2011	2010	2009	2008	2007	2006
\$9,437,758	\$8,950,045	\$8,078,185	\$7,182,158	\$6,221,991	\$6,850,032	\$6,418,014	\$5,883,654
1,287,599	1,117,789	1,051,527	853,778	707,337	773,218	681,861	603,023
479,850	418,940	385,115	340,196	276,565	297,863	261,741	219,624
797,036	689,881	658,423	510,865	430,466	475,355	420,120	383,399
1,621,103	1,603,748	1,438,375	1,162,318	1,026,690	1,064,094	1,021,663	852,472
272,145	249,860	196,942	127,124	142,414	194,975	197,423	136,764
164,902	145,612	137,211	137,793	140,974	135,137	127,882	114,884
3,044,285	2,900,640	2,694,900	2,238,071	2,131,515	2,144,109	1,800,817	1,862,086
5,266,328	5,014,598	4,716,062	3,904,377	3,726,332	3,515,417	3,094,028	3,046,088
3,326,836	3,117,366	2,724,279	2,287,670	2,227,199	2,033,805	2,098,108	2,177,615
255,466	220,077	180,527	152,338	134,684	121,504	113,093	97,896
445,513	467,048	175,055	420,446	437,500	488,228	4,895	4,895
11.31	9.71	9.26	7.05	5.70	6.07	5.01	4.36
11.13	9.52	9.07	6.93	5.62	5.97	4.91	4.24
3.59	3.06	2.52	2.08	1.78	1.55	1.34	1.11
48.32	44.87	38.94	32.97	30.81	27.20	26.40	25.90
255.42	202.37	187.19	138.11	96.83	78.84	87.52	69.94
24.7	23.6	26.3	22.6	20.2	23.0	19.7	17.2
21.4	20.5	22.2	18.7	16.4	20.3	19.2	17.2
13.6	12.5	13.0	11.9	11.4	11.3	10.6	10.2
8.4	7.7	8.1	7.1	6.9	6.9	6.6	6.5
32.1	31.9	27.4	29.8	31.3	25.6	26.9	25.5
14.0	15.3	15.9	17.8	19.1	20.7	5.0	0.4
57.8	57.8	57.1	57.3	57.2	61.0	58.2	61.1
2.5	2.7	1.9	2.6	2.7	2.8	2.2	2.6
3.0	2.8	3.0	3.1	2.7	2.9	3.1	3.1
4.1	3.9	4.0	4.4	3.8	4.1	4.3	4.4
69,455,507	69,811,881	69,690,854	70,836,945	73,786,346	76,579,856	82,403,958	87,838,723
70,576,432	71,181,733	71,176,158	72,138,858	74,891,852	77,887,620	84,173,381	90,523,774
23,741	22,413	21,446	18,596	18,006	18,334	18,036	17,074
4,479	4,157	4,029	3,079	2,845	2,433	2,386	1,805
709	715	711	607	612	617	610	593
570,000	410,000	354,000	307,000	233,000	183,000	139,000	115,000

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.

GRAINGER LEADERSHIP TEAM



JAMES T. RYAN
Chairman of the Board

James T. Ryan is Grainger's Chairman of the Board, a role he has held since April 2009. Mr. Ryan served as Chief Executive Officer from June 2008 through September 2016. He was Chief Operating Officer from 2007 to 2008 and was appointed to the Board of Directors in February 2007.

Prior to these roles, Mr. Ryan served as Group President, responsible for the company's businesses operating under the Grainger brand in the United States. Mr. Ryan began his career at Grainger in 1980.



D.G. MACPHERSON
Chief Executive Officer

D.G. Macpherson was named Chief Executive Officer effective October 2016. He served as Chief Operating Officer for Grainger from August 2015 through September 2016.

Prior to these roles, Mr. Macpherson was Senior Vice President and Group President, Global Supply Chain and International, where he led the development of the corporate strategy and continuous improvement, the global supply chain organization, the company's single channel online business model and international operations in Europe and Asia. Prior to that, Mr. Macpherson was Senior Vice President and President, Global Supply Chain and Corporate Strategy. Prior to joining Grainger, Mr. Macpherson was Partner and Managing Director at the Boston Consulting Group.



LAURA D. BROWN
Senior Vice President, Communications and Investor Relations

Laura D. Brown was named Senior Vice President, Communications and Investor Relations in 2010. She is responsible for Grainger's internal and external communications, public affairs and investor relations.

Since joining Grainger, Ms. Brown has held a number of executive roles, including Vice President, Global Business Communications and Vice President, Investor Relations, a role she assumed in 2008. Prior to this role, Ms. Brown served as Vice President of Marketing. Ms. Brown joined Grainger in 2000 as Vice President, Internet Business Analysis and Supplier Management for Grainger.com.®



FRED J. COSTELLO
Vice President and President, Grainger International

Fred J. Costello was named Vice President and President, Grainger International effective October 2016. In this role, Mr. Costello is responsible for leading Grainger's multichannel and Export operations in Europe, Asia and Latin America.

Prior to this role, Mr. Costello was Vice President and President, Global Product Management and was responsible for managing the overall product offering, developing key global product categories and the company's global private label offer and driving leverage across the North American product teams. Mr. Costello joined Grainger in 2002 and has held roles of increasing responsibility.



MATTHEW E. FORTIN
Vice President and President, Global Product Management

Matthew E. Fortin was named Vice President and President, Global Product Management effective October 2016. He is responsible for Grainger's overall product assortment strategy.

Mr. Fortin joined Grainger in 2006 to help start the Lean initiative, taking on roles of increasing responsibility in Supply Chain before building and leading Grainger Global Sourcing operations in China in 2010. He helped lead Grainger China to profitable growth and since 2014 served as Vice President, Grainger Global Sourcing, where he gained private label sourcing alignment across various business units and consolidated all China operations.



GREGORY J. HARMAN
Vice President, Chief Information Officer

Gregory J. Harman was named Chief Information Officer effective April 2016. In this role he is responsible for leading the Enterprise Systems team in building a scalable and responsive systems infrastructure that meets the needs of customers, suppliers and team members worldwide.

Since joining Grainger in 2002, Mr. Harman has held a number of roles of increasing responsibility. Most recently, he led the Supply Chain team at Acklands – Grainger, the company's business in Canada. While there, he oversaw the launch of the Toronto distribution center, the implementation of the warehouse management system and the SAP implementation.



JOSEPH C. HIGH
Senior Vice President and Chief People Officer

Joseph C. High joined Grainger as Senior Vice President and Chief People Officer in June 2011. As the global Human Resources leader, he aligns business strategies with people initiatives to build high performing leaders and teams that meet the needs of diverse customers, driving company success and shareholder value.

Prior to joining Grainger, Mr. High was the Senior Vice President of Human Resources at Owens Corning in Toledo, Ohio. Previous to that role, he was head of Human Resources for ConocoPhillips in Houston. Mr. High also served as an Officer at Rockwell Automation and Cummins Engine Company.



JOHN L. HOWARD
Senior Vice President and General Counsel

John L. Howard joined Grainger as Senior Vice President and General Counsel in January 2000. His responsibilities include all of the company's legal and corporate development functions.

Before joining Grainger, Mr. Howard served as Vice President and General Counsel for Tenneco Automotive and as Vice President, Law at Tenneco, Inc. From 1990 to 1993, Mr. Howard served in The White House as Counsel to the Vice President of the United States. His prior government positions include service as an Associate Deputy Attorney General at the U.S. Department of Justice.



RONALD L. JADIN
Senior Vice President and Chief Financial Officer

Ronald L. Jadin was named Senior Vice President and Chief Financial Officer for Grainger in March 2008. His responsibilities include financial planning and analysis, financial reporting, internal audit, treasury operations and financial services.

Prior to this role, Mr. Jadin served as Vice President and Controller. Since joining Grainger in 1998, Mr. Jadin held roles of increasing responsibility including serving as Vice President, Finance, for Grainger Industrial Supply and Director of Financial Planning and Analysis. Prior to joining Grainger, Mr. Jadin spent 15 years serving in financial analysis and management capacities within General Electric.



JOHN B. KAUL
Vice President and President, Acklands – Grainger Inc.

John B. Kaul was named Vice President and President, Acklands–Grainger Inc. effective September 2015. He is responsible for all aspects of Grainger's business in Canada.

Mr. Kaul returned to Acklands–Grainger in 2015, following a more than two-year term as president of Fabory, Grainger's fastener business operating in Europe. Mr. Kaul first joined Acklands–Grainger in 2004, after serving in a series of progressively senior roles, including Vice President and General Manager, western Canada, and Vice President, National Accounts.

GRAINGER LEADERSHIP TEAM



DEIDRA C. MERRIWETHER

Vice President, Pricing and Indirect Procurement

Deidra C. Merriwether was named Vice President, Pricing and Indirect Procurement effective March 2016 and is responsible for leading all aspects of Grainger's U.S. pricing strategy. She is also responsible for Grainger's procurement of indirect goods and services. Prior to this role, Ms. Merriwether was the Vice President, Finance, Americas, where she led financial planning and analysis supporting the U.S., Canadian and Latin American businesses.

Prior to joining Grainger, Ms. Merriwether held positions of increasing responsibility at Sears Holdings Corporation, PriceWaterhouseCoopers and Eli Lilly & Company.



DEBRA S. OLER

Vice President and President, Large Customer and Direct Sales

Debra S. Oler was named Vice President and President for the Large Customer and Direct Sales organizations in September 2015. Ms. Oler has responsibility for growing profitable sales with Grainger's large customers in the U.S.; she also leads Grainger's Inventory Management Solutions and Sourcing operations.

Since joining Grainger in 2002, Ms. Oler has held positions of increasing responsibility. Prior to her current role she was General Manager, Grainger Industrial Supply, responsible for leading Grainger's Sales, Customer Service and Brand operations in the United States. Before this she led Grainger's Brand organization.



DAVID L. RAWLINSON II

President, Online Business

David L. Rawlinson II is the President of Grainger's global Online Business. In this role, Mr. Rawlinson is responsible for the operations, strategy and continued growth of the Online Business, which operates under the brands Zoro (U.S.), MonotaRO (Japan and Indonesia), NaviMRO (South Korea), Cromwell Direct (U.K.) and Zoro Tools Europe (Germany). Immediately prior to this role, Mr. Rawlinson was Vice

President of Operations, Online Business.

Mr. Rawlinson joined Grainger in 2012 as Vice President, Deputy General Counsel and Corporate Secretary. He was responsible for the Company's corporate governance initiatives, M&A and legal support for eCommerce and the Online Business.



PAIGE K. ROBBINS

Senior Vice President, Global Supply Chain, Branch Network, Contact Centers and Corporate Strategy

Paige K. Robbins is Grainger's Senior Vice President, Global Supply Chain, Branch Network, Contact Centers and Corporate Strategy. Ms. Robbins has responsibility for all aspects of the customer experience from order to delivery. Her responsibilities include managing the company's distribution center operations, branch network, contact

centers, inventory investment, transportation and fulfillment networks, along with Grainger's corporate strategy, analytics and customer insight team.

Ms. Robbins joined Grainger in September 2010 as Vice President of Logistics Management and most recently led the Global Supply Chain. Prior to joining Grainger, Ms. Robbins served as Partner and Managing Director at the Boston Consulting Group.



ELIZABETH B. UBELL

Vice President and President, Medium Customer, Marketing and eCommerce

Elizabeth B. Ubell is responsible for Marketing and eCommerce for the U.S. along with leading and expanding Grainger's U.S. Medium Customer Business, which includes Inside Sales. Ms. Ubell joined Grainger as the Vice President of Corporate Strategy and Continuous Improvement in July 2014.

Ms. Ubell brings extensive global experience in strategy, marketing and general management across a variety of industries. Prior to joining Grainger, Ms. Ubell was Vice President, Corporate Strategy at Newell Rubbermaid where she also served as Consumer Group Vice President, Strategy, Customer & Marketing Services.

BOARD OF DIRECTORS

RODNEY C. ADKINS

Former Senior Vice President of International Business Machines Corporation, President of 3RAM Group LLC, Miami Beach, Fla.

(2, 3)

BRIAN P. ANDERSON

Former Executive Vice President and Chief Financial Officer, OfficeMax Incorporated, Itasca, Ill.

(1, 2)

V. ANN HAILEY

Former Executive Vice President and Chief Financial Officer, L Brands (formerly Limited Brands, Inc.), Columbus, Ohio

(1, 2)

STUART L. LEVENICK

Retired Group President, Caterpillar Inc., Peoria, Ill.

(2, 3, †)

D.G. MACPHERSON

Chief Executive Officer, W.W. Grainger, Inc.

NEIL S. NOVICH

Former Chairman, President and Chief Executive Officer, Ryerson Inc., Chicago, Ill.

(1, 2)

MICHAEL J. ROBERTS

Former Global President and COO of McDonalds Corporation, Chicago, Ill.

(2, 3)

GARY L. ROGERS (retiring 4/26/17, not standing for re-election)

Former Vice Chairman, General Electric Company, Fairfield, Conn.

(2, 3)

JAMES T. RYAN

Chairman of the Board, W.W. Grainger, Inc.

E. SCOTT SANTI

Chairman 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

NOTE: As of April 1, 2017.

CORPORATE GOVERNANCE

COMPENSATION PRACTICES

Executive Compensation

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

Equity Compensation

All stock-based incentive plans have been approved by shareholders.	Yes
The Company's 2015 Incentive Plan does not allow reloads, repricing, stock options issued at a discount to fair market value, or stock options to be transferred by a participant for consideration.	Yes
Stock options are always awarded at an exercise price equal to the closing price of the Company's common stock on the day of the grant.	Yes
The Company has not misdated or backdated stock options resulting in a restatement.	Yes
The Company discloses performance criteria in its stock-based compensation plans.	Yes
Dividends are not available on performance shares.	Yes
The Company, in coordination with a proxy advisory firm, commits to an appropriate burn rate.	Yes

Pay for Performance

Compensation Element	Link to Performance
Base Salary	Base salary increases are linked to individual performance.
Annual Cash Incentives	Annual cash incentives are linked to achieving predetermined Company objectives.
Long-Term Incentives	<ul style="list-style-type: none"> • Stock options are granted based on individual performance and linked to stock price performance for ten years. • Performance shares are granted based on achieving specific, predetermined Company objectives over the three-year performance period.
Benefits	The profit sharing plan encourages financial performance that drives increased shareholder value.
Ownership Guidelines	Officers are subject to ownership guidelines: <ul style="list-style-type: none"> • CEO at least 6X salary • Other senior officers at least 3X salary
Risk Mitigation	The Company's incentive programs incorporate a balance of risk mitigation components.

CORPORATE GOVERNANCE

Board is elected by majority vote.	Yes
Majority of Directors independent.	Yes
Separate Chairman and CEO.	Yes
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
Charters for Audit, Compensation, and Board Affairs and Nominating Committees.	Yes
Disclosure Committee function for financial reporting.	Yes
Independent Audit Committee.	Yes
All Audit Committee Members are financial experts.	Yes
Auditors ratified at most recent annual meeting.	Yes
Independent Compensation Committee.	Yes
Board Compensation Committee has independent compensation consultant.	Yes
No overboarded Directors.	Yes

INDEPENDENT DIRECTOR COMPENSATION

The majority of the Director pay package is in the form of Company equity.	Yes
The majority of the pay package is required to be held in the form of Company equity for the entire duration of the Director's service.	Yes
The Company's Director Stock Ownership Guidelines require Directors to own Company equity worth at least 5X the annual retainer.	Yes
The Director pay package is regularly benchmarked to market and reviewed by an Independent Compensation Consultant.	Yes
The Company does not use stock options as part of the Director pay package. ...	Yes
The Company does not have a Director retirement program.	Yes
The Company does not offer perquisites to Directors.	Yes
The Company only reimburses for expenses relating to service as a Director and for attending continuing education programs.	Yes
A Director who is an employee of the Company does not receive any compensation for services as a Director.	Yes

SHAREHOLDER RIGHTS

Company does not have a shareholder rights plan.	Yes
Shareholders have cumulative voting rights.	Yes
Shareholders have majority voting with Director resignation policy.	Yes
Proxy access bylaws (3 percent/3 years).	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

COMPANY INFORMATION

Headquarters

W.W. Grainger, Inc.
100 Grainger Parkway
Lake Forest, IL 60045-5201
847.535.1000
www.grainger.com

Annual Meeting

The 2017 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 26, 2017.

Investor Relations Contacts

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

William D. Chapman (*retiring 4/30/17*)
Senior Director, Investor Relations
847.535.0881

Irene M. Holman
Senior Director, Investor Relations
847.535.0809

Michael P. Ferreter
Senior Manager, Investor Relations
847.535.1439

Media Relations Contact

Joseph A. Micucci
Senior Director, External Relations
847.535.0879

Expected Earnings Release Dates

First Quarter	April 18, 2017
Second Quarter	July 19, 2017
Third Quarter	October 17, 2017
Fourth Quarter	January 24, 2018

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

Auditors

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

Trademarks

The registered and unregistered trademarks contained in this document are the property of their respective owners and the use of such trademarks shall inure to the benefit of the trademark owner.

Common Stock Listing

The company's common stock is listed on the New York Stock Exchange under the trading symbol GWW.

Analyst Coverage (As of April 1, 2017)

Atlantic Equities — Richard Radbourne
Barclays — Scott Davis
BMO Capital Markets — Scott Graham
Cleveland Research — Adam Uhlman
Credit Suisse—North America — Andrew Buscaglia
Deutsche Bank Equity Research — John Inch
Gabelli & Company — Justin Bergner
Goldman Sachs — Joseph Ritchie
KeyBanc Capital Markets — Steve Barger
Langenberg & Co. — Brian Langenberg
Longbow Research — Christopher Dankert
Macquarie Research — Hamzah Mazari
Morgan Stanley — Nigel Coe
Morningstar, Inc. — Brian Bernard
Oppenheimer & Co. — Christopher Glynn
Raymond James — Sam Darkatsh
RBC Capital Markets — Deane Dray
Robert W. Baird & Co. — David Manthey
Stephens Inc. — Matt Duncan
Stifel Nicolaus — Robert McCarthy
Susquehanna Financial Group — Robert Barry
UBS Equities — Shannon O'Callaghan
Wells Fargo Securities — Allison Poliniak-Cusic
William Blair & Company — Ryan Merkel



Grainger would like to thank Bill Chapman for his 33 years of service to the company and congratulate him on his retirement on April 30, 2017. Mr. Chapman has served both the company and the investment community with leadership and professionalism over the past two decades. His contributions to the company are countless.

Mr. Chapman was named Senior Director, Investor Relations, in April 2012 and serves as the company's primary contact with the investment community. Prior to this role, he was Director, Investor Relations. Mr. Chapman serves on the advisory board of the Chicago Chapter of the National Investor Relations Institute (NIRI) and is a past president and chairman. He is also a member of the NIRI National Senior Roundtable.

Mr. Chapman was nominated by the investment community as the Best Investor Relations Officer (Mid Cap) in the 2015 IR Magazine Awards.

In 2012–2014, he was recognized by *Institutional Investor* magazine as the top IR professional in the capital goods/industrials sector.

Mr. Chapman serves as a director, past president and current scholarship chairman of the Wisconsin Alumni Association—Chicago Chapter and is a former director of the National Wisconsin Alumni Association.



Scan this QR code with your smartphone to go directly to Grainger's mobile IR website. Get the latest press releases, financials and more information about the company.



Recyclable. Please recycle.



For 90 years, Grainger has remained committed to helping professionals keep their operations running and their people safe by staying ahead of customer needs. As North America's leading broad line maintenance, repair and operating (MRO) products distributor, with operations also in Europe, Asia and Latin America, Grainger has built an advantaged supply chain network to support its multichannel offering which includes branches, eCommerce channels and comprehensive inventory management capabilities. With customers as a central focus and a continued commitment to innovation, Grainger is well-positioned for the long term. Grainger will uphold its legacy of making responsible decisions for its customers, team members, shareholders and the communities it serves now and in the future.