

**W.W. Grainger, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands of dollars)

	For the Years Ended December 31,		
	2017	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net earnings	\$ 622,443	\$ 632,838	\$ 785,174
Provision for losses on accounts receivable	16,376	16,216	10,181
Deferred income taxes and tax uncertainties	(5,048)	(5,884)	4,076
Depreciation and amortization	264,064	248,857	227,967
Impairment of goodwill, intangible and other assets	28,186	52,318	—
Net (gains) losses from sales of assets and business divestitures	(8,795)	(18,521)	2,765
Stock-based compensation	32,661	35,735	46,861
Losses from equity method investment	37,771	31,193	11,740
Change in assets and liabilities – net of business acquisitions and divestitures:			
Accounts receivable	(103,126)	(45,600)	(3,085)
Inventories	(4,915)	(4,403)	(37,737)
Prepaid expenses and other assets	(5,024)	18,641	15,788
Trade accounts payable	72,332	72,882	23,130
Other current liabilities	112,445	(3,937)	(24,101)
Current income taxes payable	3,967	(3,513)	6,943
Accrued employment-related benefits cost	(6,380)	7,542	(27,721)
Other – net	(400)	(10,281)	(5,872)
Net cash provided by operating activities	<u>1,056,557</u>	<u>1,024,083</u>	<u>1,036,109</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Additions to property, buildings and equipment and intangibles	(237,283)	(284,249)	(373,868)
Proceeds from sales of assets and business divestitures	120,228	55,023	14,857
Equity method investment	(34,754)	(34,103)	(20,382)
Cash paid for business acquisitions	—	(159)	(464,431)
Other – net	5,726	1,224	466
Net cash used in investing activities	<u>(146,083)</u>	<u>(262,264)</u>	<u>(843,358)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net (decrease) increase in commercial paper	(369,766)	39,748	325,000
Borrowings under lines of credit	73,781	36,055	54,770
Payments against lines of credit	(43,256)	(37,358)	(78,559)
Proceeds from issuance of long-term debt	401,764	515,985	1,307,183
Payments of long-term debt	(39,301)	(262,248)	(52,838)
Proceeds from stock options exercised	47,418	34,125	60,885
Payments for employee taxes withheld from stock awards	(27,884)	(21,107)	(46,205)
Excess tax benefits from stock-based compensation	—	11,905	27,553
Purchase of treasury stock	(605,431)	(789,773)	(1,400,071)
Cash dividends paid	(304,473)	(302,971)	(306,474)
Net cash used in financing activities	<u>(867,148)</u>	<u>(775,639)</u>	<u>(108,756)</u>
Exchange rate effect on cash and cash equivalents	9,404	(2,170)	(20,503)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS:</b>	<u>52,730</u>	<u>(15,990)</u>	<u>63,492</u>
Cash and cash equivalents at beginning of year	274,146	290,136	226,644
Cash and cash equivalents at end of year	<u>\$ 326,876</u>	<u>\$ 274,146</u>	<u>\$ 290,136</u>
<b>Supplemental cash flow information:</b>			
Cash payments for interest (net of amounts capitalized)	\$ 78,043	\$ 63,143	\$ 31,591
Cash payments for income taxes	\$ 334,647	\$ 359,506	\$ 442,486

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