

**W.W. Grainger, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
(In thousands of dollars, except for share and per share amounts)

	For the Years Ended December 31,		
	2017	2016	2015
Net sales	\$ 10,424,858	\$ 10,137,204	\$ 9,973,384
Cost of merchandise sold	6,327,301	6,022,647	5,741,956
Gross profit	4,097,557	4,114,557	4,231,428
Warehousing, marketing and administrative expenses	3,048,895	2,995,060	2,931,108
Operating earnings	1,048,662	1,119,497	1,300,320
Other income and (expense):			
Interest income	2,570	717	1,166
Interest expense	(80,458)	(66,332)	(33,571)
Loss from equity method investment	(37,771)	(31,193)	(11,740)
Other, net	2,321	(3,631)	(5,470)
Total other expense	(113,338)	(100,439)	(49,615)
Earnings before income taxes	935,324	1,019,058	1,250,705
Income taxes	312,881	386,220	465,531
Net earnings	622,443	632,838	785,174
Less: Net earnings attributable to noncontrolling interest	36,713	26,910	16,178
Net earnings attributable to W.W. Grainger, Inc.	<u>\$ 585,730</u>	<u>\$ 605,928</u>	<u>\$ 768,996</u>
Earnings per share:			
Basic	<u>\$ 10.07</u>	<u>\$ 9.94</u>	<u>\$ 11.69</u>
Diluted	<u>\$ 10.02</u>	<u>\$ 9.87</u>	<u>\$ 11.58</u>
Weighted average number of shares outstanding:			
Basic	<u>57,674,977</u>	<u>60,430,892</u>	<u>65,156,864</u>
Diluted	<u>57,983,167</u>	<u>60,839,930</u>	<u>65,765,121</u>

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