Grainger Financial Update

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2014 guidance

	LOW	HIGH
Sales $B	$ 9.9	$ 10.0
EPS	$12.20	$12.30
Sales growth	5.0%	5.5%
EPS growth	6%	7%
Op Margin %	14.3%	14.3%
Op Margin expansion	10 bps	20 bps

Note: Excludes unusual items as reported by the company in its quarterly earnings releases.

Guidance unchanged from October 16 press release

4Q 2014 guidance

	LOW	HIGH
Sales $B	**$ 2.5**	**$ 2.5**
EPS	**$ 2.75**	**$ 2.85**
Sales growth *	**4.0%**	**5.5%**
EPS growth	**6%**	**10%**
Op Margin %	**13.1%**	**13.3%**
Op Margin expansion	**80** bps	**100** bps

* Organic Sales growth 6-7% (excludes acquisitions & foreign exchange)

Note: Excludes unusual items as reported by the company in its quarterly earnings releases.

Solid October sales, easier margin comparisons versus 4Q13

2015 guidance

	LOW	HIGH
Sales $B	**$ 10.4**	**$ 10.8**
EPS	**$12.90**	**$ 13.80**
Sales growth	**5%**	**9%**
EPS growth	**6%**	**13%**
Op Margin %	**14.3%**	**14.7%**
Op Margin % vs PY	**0** bps	**40** bps

Note: Excludes unusual items as reported by the company in its quarterly earnings releases.

- Double digit EPS growth at midpoint of guidance
- EPS guidance includes loss from Zoro Europe business start-up (-$0.20 to -$0.25 EPS)

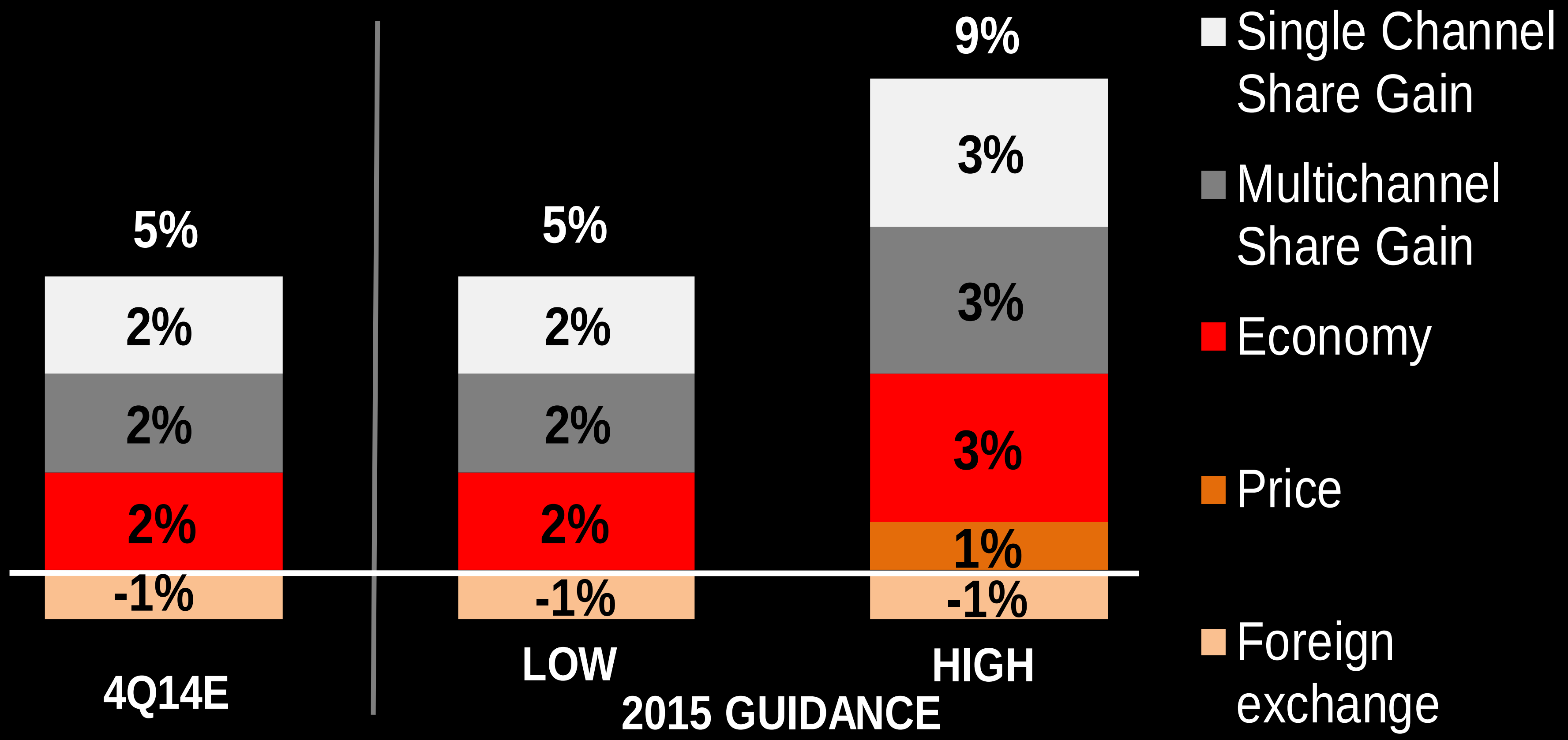
Economy

Real Growth	**2014E**	**2015E**
U.S. MRO Market	**2.0%**	**2.5% avg (1.6% *to* 5.1%)**
U.S. Business Investment	*7.0%*	*7.5% avg (2.3% to 10.1%)*
U.S. Exports	*3.0%*	*4.9% avg (3.1% to 6.7%)*
U.S. Industrial Production	**3.9%**	**3.5% avg (2.5% to 5.0%)**
CANADA GDP	**2.3%**	**2.5%**
EUROZONE GDP	**0.8%**	**1.2%**
MEXICO GDP	**2.5%**	**3.8%**
JAPAN GDP	**1.1%**	**1.2%**

Sources: "Consensus Forecasts - U.S.A." published October 2014.
U.S. MRO Market: statistically derived by Grainger.

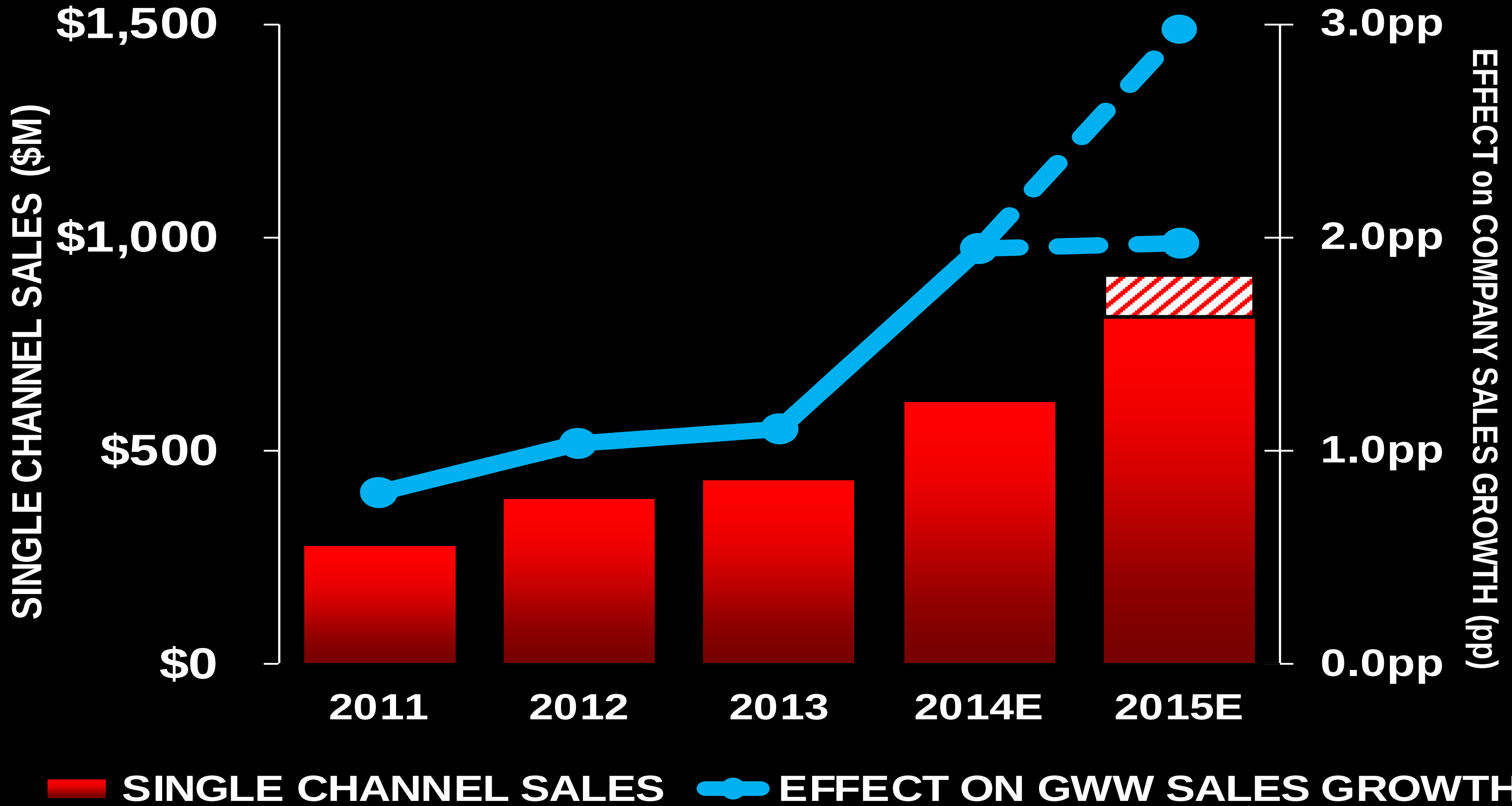
Modestly improving economy in 2015

Sales growth drivers



Higher growth due to stronger economy and share gains from expanded growth programs

Single channel online model sales



Note: Effect on company sales growth shown excludes foreign exchange

Single channel online model has a significant benefit to company sales growth

GP a modest detractor to op margin expansion

Gross Profit % drivers	2015 GUIDANCE LOW	2015 GUIDANCE HIGH	
Price/cost inflation	20	40	bps
Mix effects:			
faster private label growth	5	15	
lower margin WFS acquisition	(5)	(5)	
faster growth with lower margin customers	(30)	(20)	
faster single channel online model growth	(30)	(20)	
Change in gross profit % vs 2014	(40)	10	bps

Note: Gross margin for 2014E is ~43.6%.

Similar to 2014, low inflation and mix drives lower gross profit %

Expense leverage opportunities ramping up

Ongoing Drivers

- **Customers shift to eCommerce**
- **Branch consolidation**
- **Back office to low cost markets**
- **DC continuous improvement**
- **Low inflation**

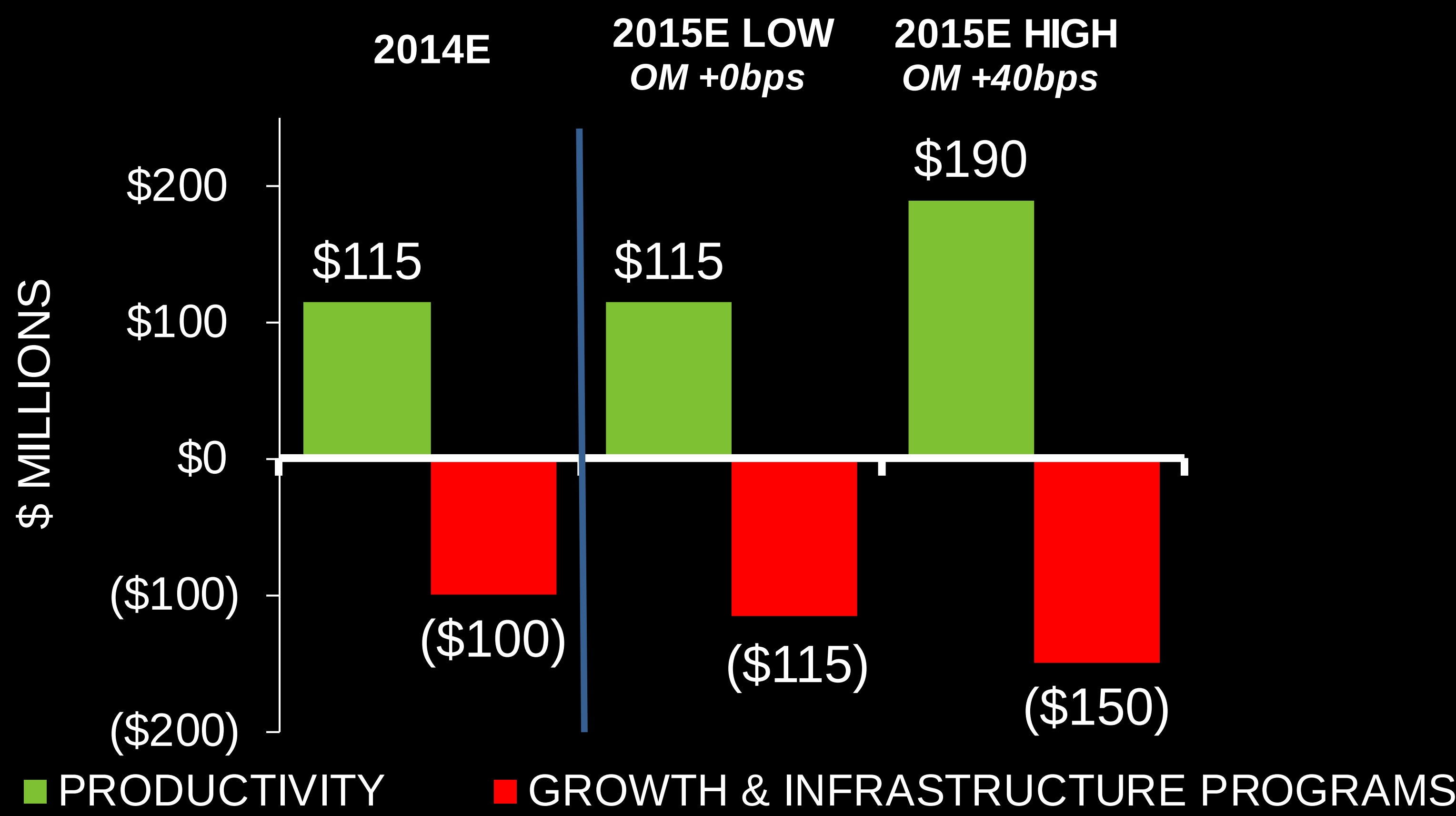
2015 New Opportunities

- **Seller & KeepStock productivity**
- **Phone centers productivity**
- **Single channel online model scale**
- **Structural cost changes**
- **Better indirect buying**

Extending scale advantage across all elements

Productivity funds programs

INCREMENTAL YEAR-OVER-YEAR PRODUCTIVITY & PROGRAM EXPENSE



Productivity funds growth and infrastructure programs

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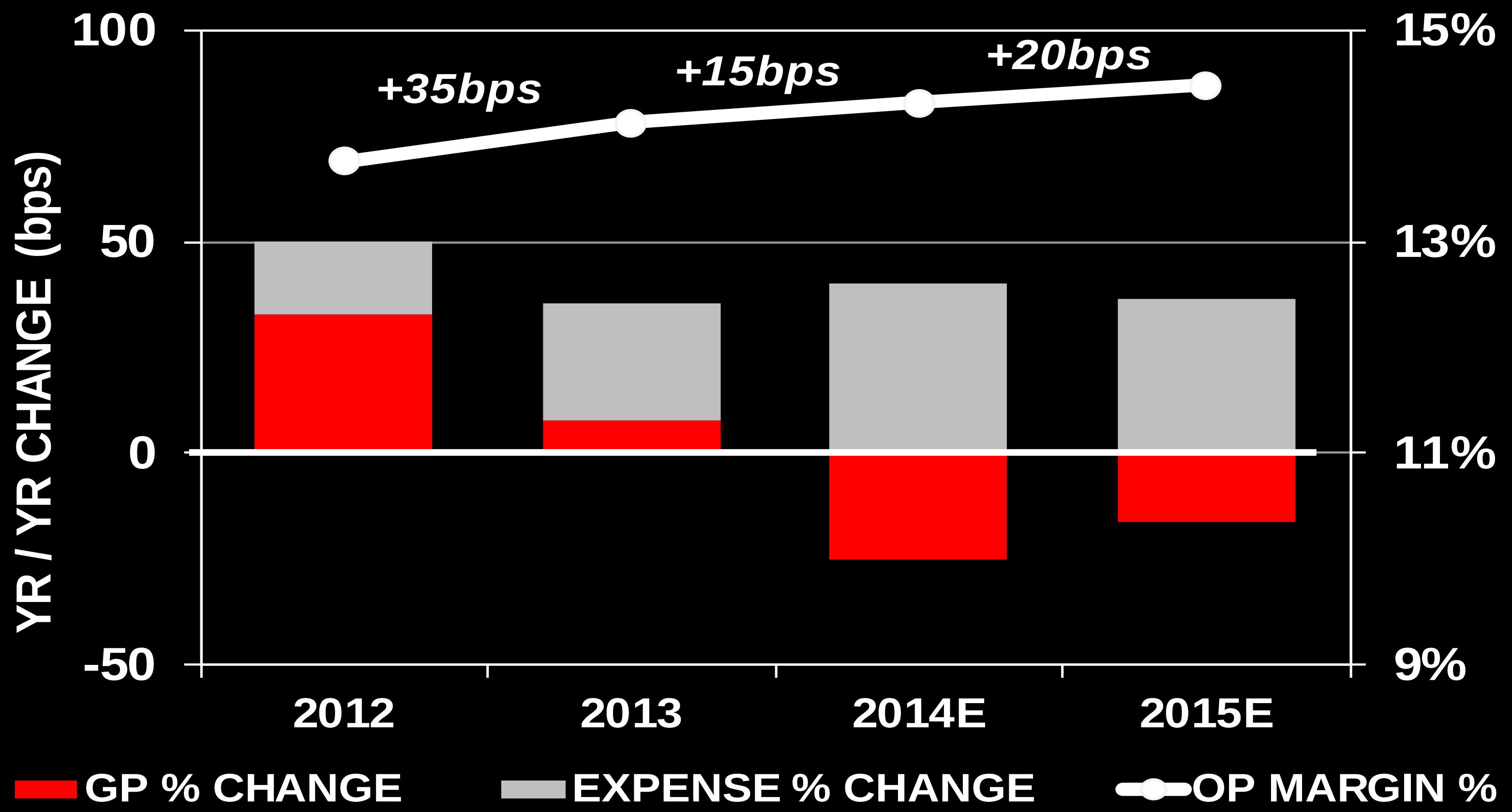
Growth and infrastructure programs

EARNINGS POSITIVE			2015E INCREMENTAL OVER 2014E
SHORT TERM < 1 year	KeepStock $23M	Marketing $14M	$37M
MEDIUM TERM 1-2 years	eCommerce $24M	Sales Coverage $32M	$56M
LONG TERM > 2 years	DCs $12M	Enterprise Systems & SAP $25M	$37M
			$130M

Note: Data shown is midpoint of $115M to $150M range

Balanced portfolio of investments

Operating margin % and drivers



2014E & 2015E are midpoints of guidance ranges.

Expense productivity drives operating margin expansion

2015 guidance by segment

	U.S.		CANADA		OTHER		COMPANY		
	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	
Sales growth	5%	8%	4%	8%	14%	18%	5%	9%	
Op Margin % vs PY (as reported)	(30)	10	(110)	(70)	180	220	0	40	bps

- U.S segment op margin % without intercompany sales is -15 to +25 bps vs. PY.
- U.S. and Canada reflect high investment levels.
- Company margin expansion driven by 1) Other businesses (both single channel online & multichannel businesses) 2) high productivity in headquarters support services (not shown).

Cash and capital strategy

Cash Deployment

- Maintain $200M cash balance +/- $100M
- Increase dividend $\geq$ earnings growth
- Reinvest one-third of cash flow in CAPEX
- Remaining cash for share repurchase and acquisitions

Capital

- Fund small acquisitions (< 5% assets or $300M) with cash
- Fund larger acquisitions with long term debt
- Maintain tier 1 CP rating, strong "A" the floor and $1.5B - $2.0B debt capacity

Cash flow guidance

Millions of Dollars

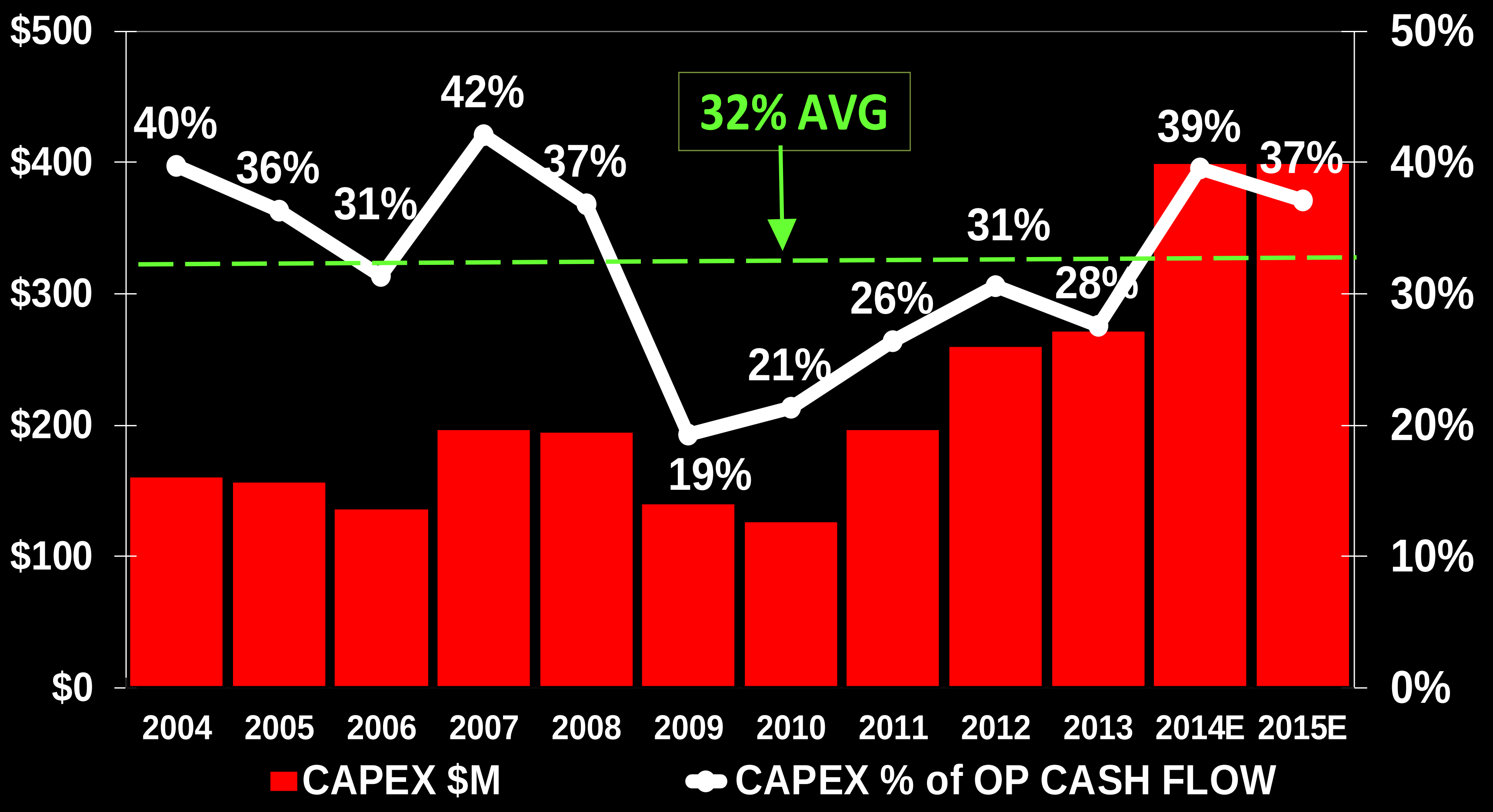
	2014E	2015E
Cash Flow from Operations	**$1000 - $1020**	**$1040 - $1100**
Capital Expenditures (gross)	**375 - 425**	**375 - 425**
% of Cash Flow (midpoint)	~39%	~37%
Share Repurchase	**475 – 525**	**375 - 425**
Dividends	**$290**	**$320 - $335**

~2/3 of Cash from Operations

Depreciation & amortization: 2014E $190-$200; 2015E $200-$210

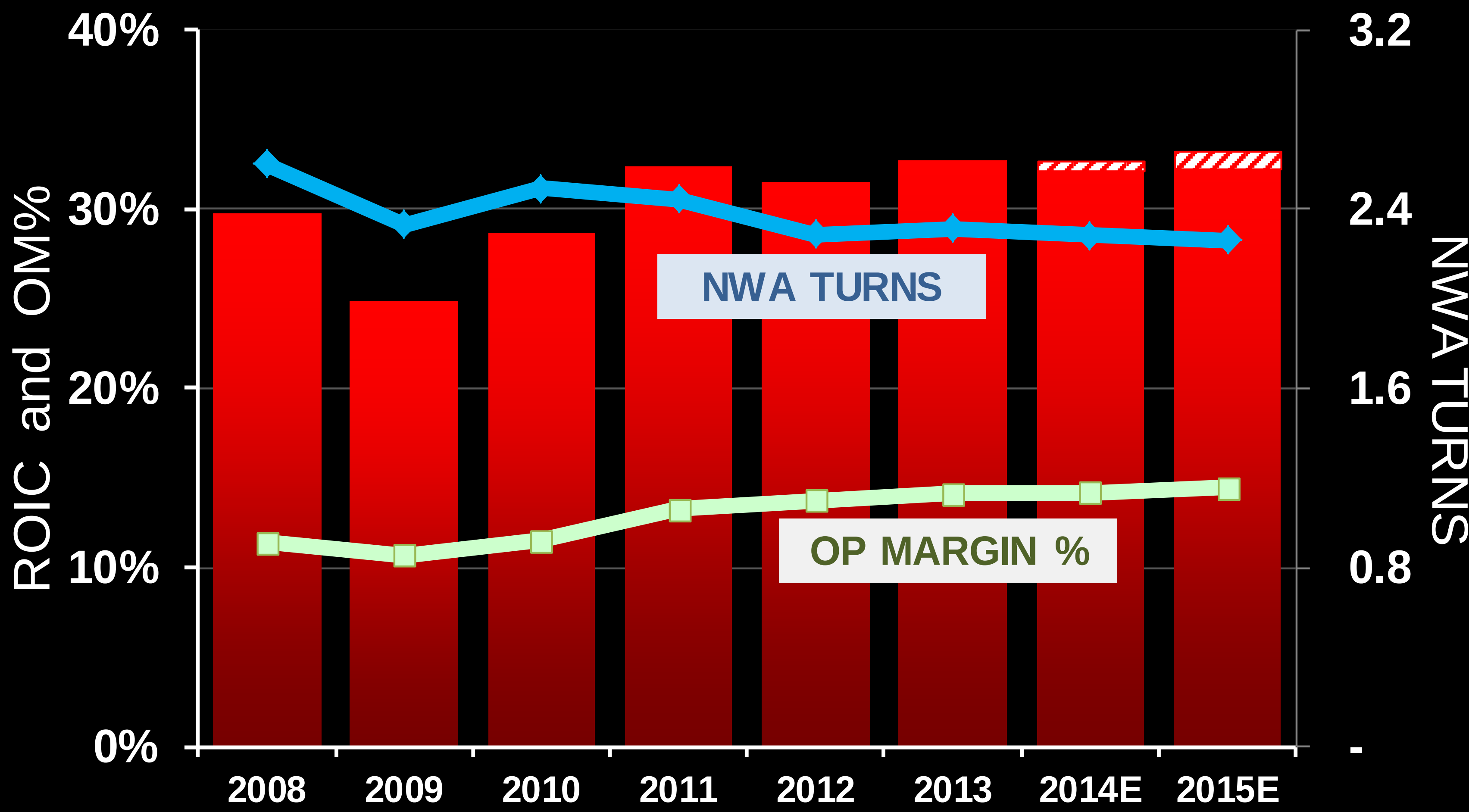
Two-thirds of cash returned to shareholders, even with high capital spending

Capital spending trend



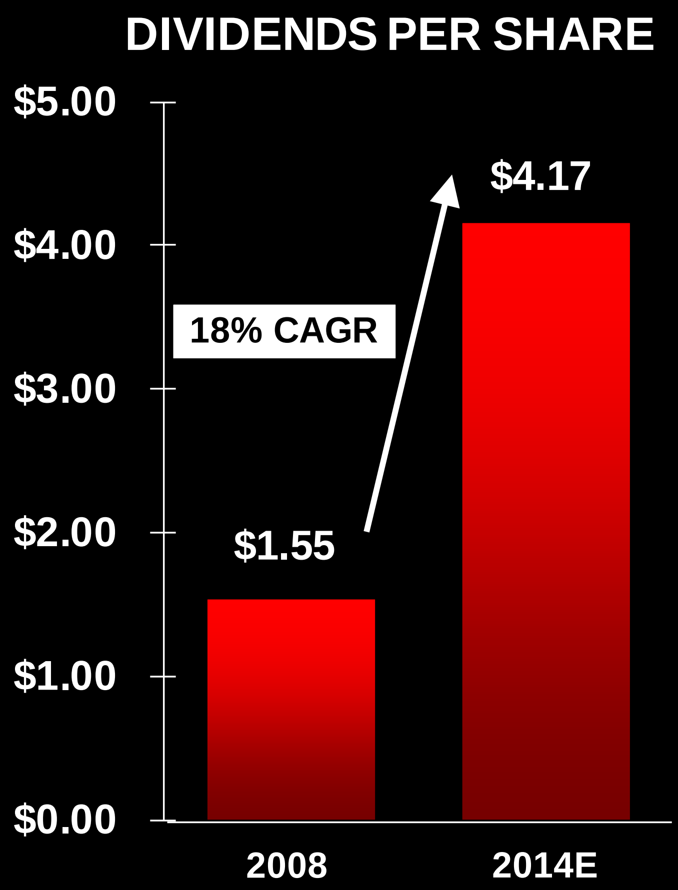
Capital spending ratio peaks in 2014

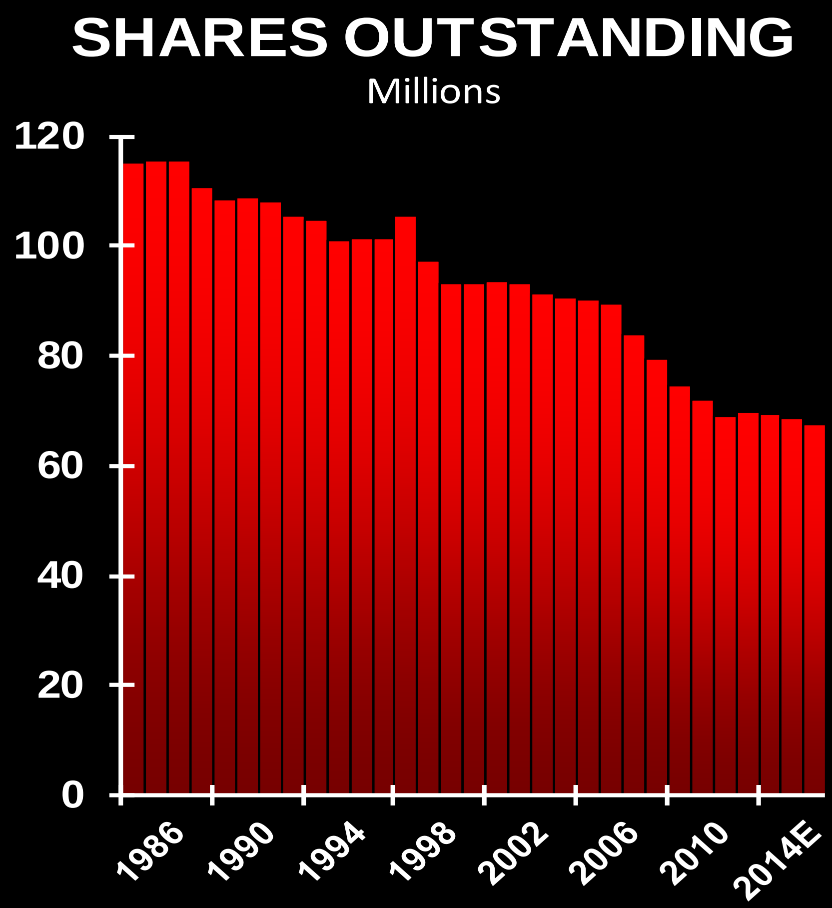
ROIC



Maintaining strong ROIC, even with high investments

Dividends and shares outstanding





2014 is the 43rd consecutive year of increased dividends; GWW is among an elite group of S&P 500 companies that have increased its dividend each year for more than four decades

Long term operating margins

	2015E	2017E	2019E
U.S.	18% - 18%	18% - 19%	19% - 20%
Canada	7% - 8%	10% - 11%	11% - 12%
Other	4% - 5%	7% - 9%	9% - 10%
Company	14% - 15%	15% - 16%	16% - 17%

- High end of range assumes 1-2% price inflation and 30 to 60 bps of average annual op margin expansion.
- Company guidance unchanged from November 2013, softer Canada offset by Other.

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Summary

- This is a great business and competitively advantaged

- We are addressing under performing businesses

- We are focused on:
  - investing to gain share
  - driving increased productivity
  - building on our foundation

Appendix

Financial summary

- Strong growth with large customers and single channel online model where pricing is more aggressive with slow growth elsewhere – mid single digit growth overall
- Modest op margin expansion with small GP rate decline ...
  - Faster growth with large customers and single channel online model, low price/cost inflation
- … offset by stronger cost productivity …
  - Continued shift to internet ordering, DC fulfillment and scaling faster volume growth

2015

- Economy expected to modestly improve, inflation to remain low
- Midpoint of guidance yields high single-digit sales & double-digit EPS growth with positive op margin expansion
- Significant cost productivity offsets modest GP rate decline while funding more sellers, inventory services, broader offer with higher availability and eCommerce capabilities
- Single channel online model businesses growing rapidly and are adding significantly to company sales & earnings growth
- Maintain high ROIC and working capital turns by scaling up supply chain, technology and internet platforms while scaling down backroom, branch
- Deliver top quartile total shareholder returns over 5 years

Growth & Total Shareholder Return (TSR)

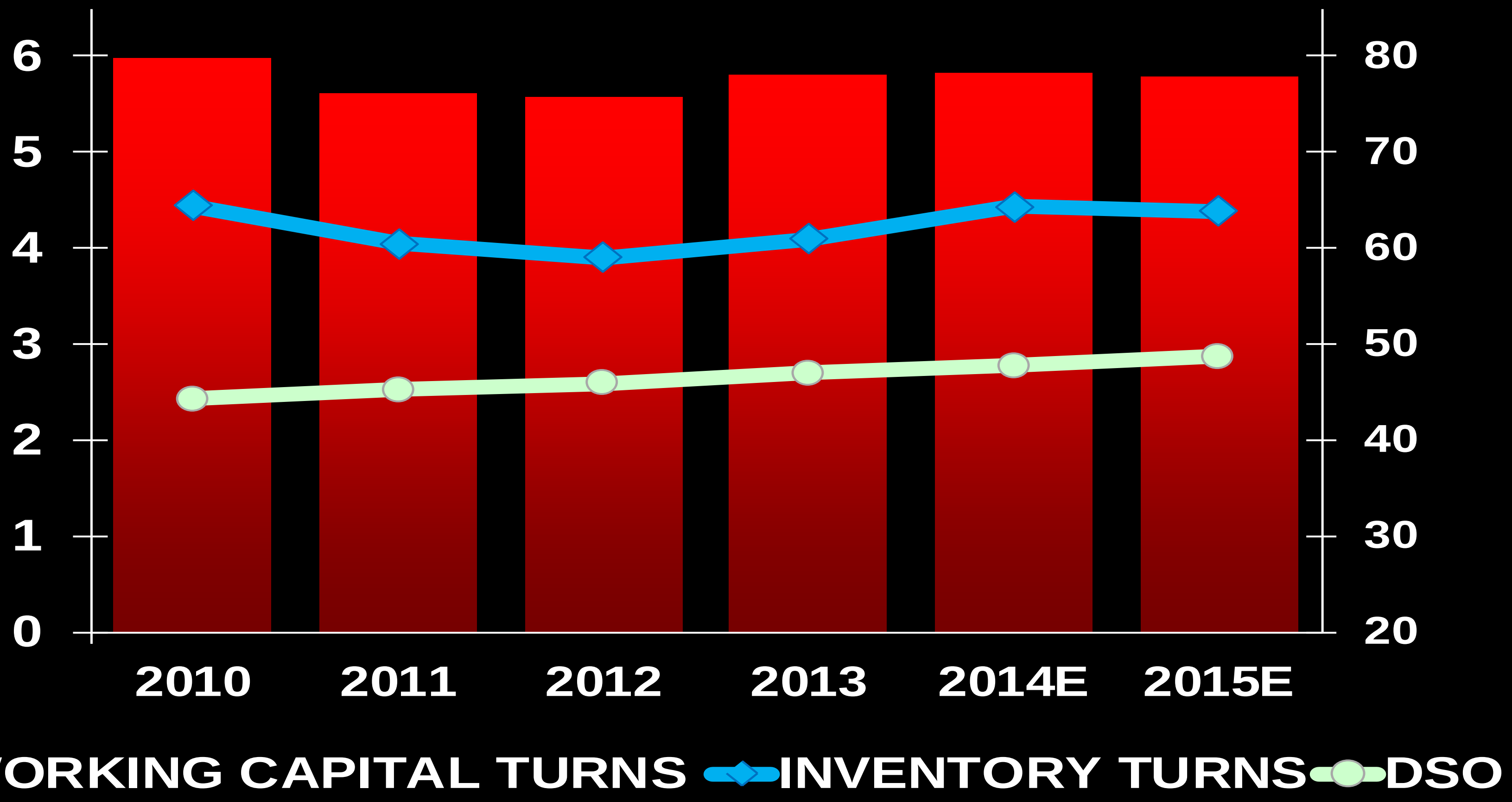
	CAGR 2013-2014E	2015E
SALES	**5%**	**7%**
Op Margin	*2%*	*2%*
OP EARNINGS	**7%**	**9%**
Tax Rate & Shares	*1%*	*1%*
EPS	**8%**	**10%**
Dividend Yield	*2%*	*1%*
TSR	**10%**	**11%**
Net Working Assets	**6%**	**8%**

Note: data shown is midpoint of guidance ranges.

Target top quartile 5 year TSR

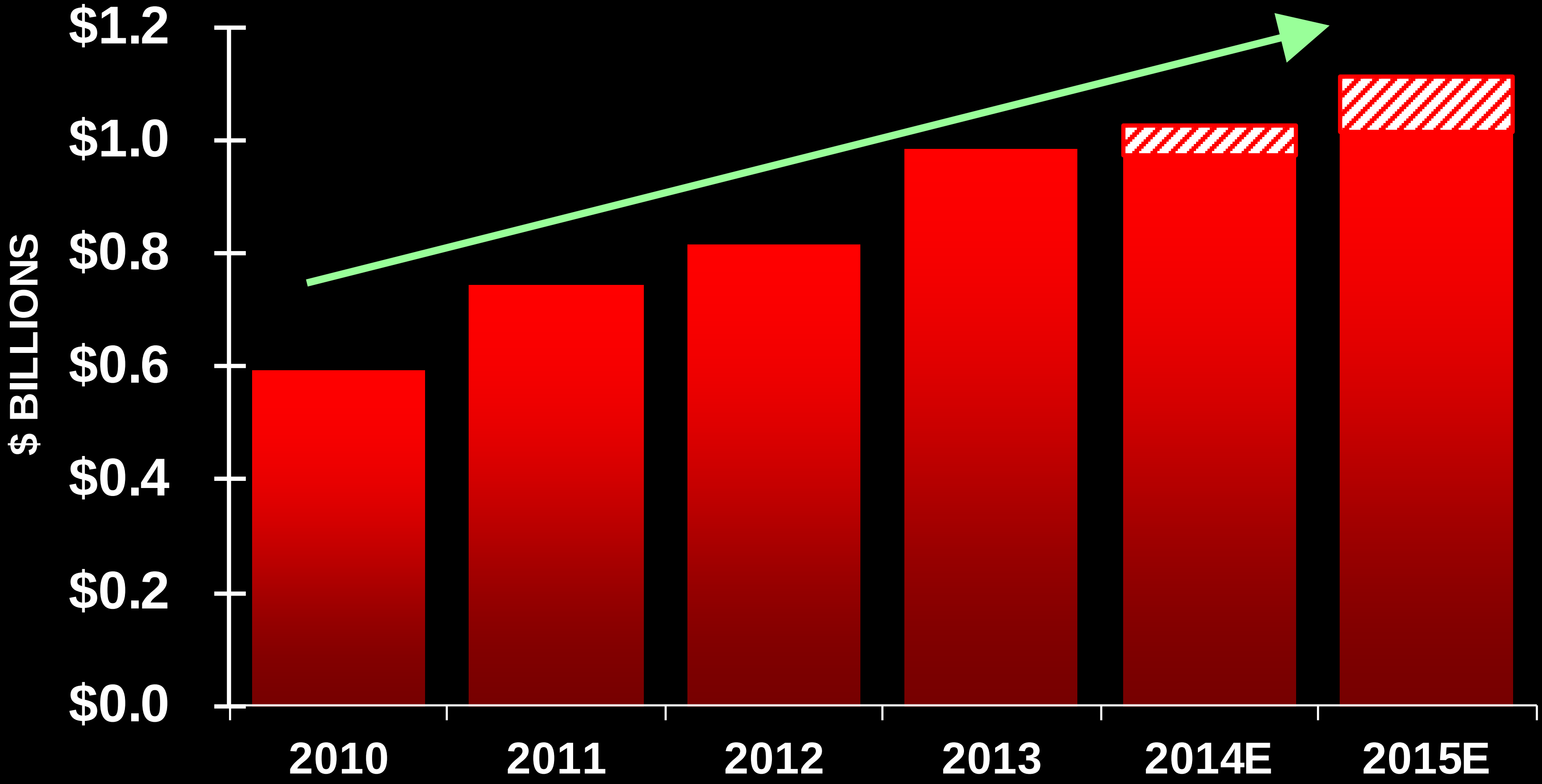
Cash Flow & Balance Sheet

Working capital turns



Working capital turns remain on trend

Cash flow from operations



Strong cash flow continues

Additional information

Sales Days	**Q1**	**Q2**	**Q3**	**Q4**	**FULL YEAR**
2015	**63**	**64**	**64**	**64**	**255**
2014	**63**	**64**	**64**	**64**	**255**
2015 vs 2014	**0**	**0**	**0**	**0**	**0**
2013	**63**	**64**	**64**	**64**	**255**
2014 vs 2013	**0**	**0**	**0**	**0**	**0**

Variance % vs Prior Year	**Q1A**	**Q2A**	**Q3A**	**Q4E**	**FY-E**
2014E Sales (reported)	**5%**	**5%**	**7%**	**4.0 - 5.5%**	**5.0 - 5.5%**
2014E Sales (organic)	**5%**	**5%**	**6%**	**6 - 7%**	**5 - 6%**

2015 estimated effective Tax Rate: 38.1% to 38.5%

ROIC DEFINITION

ROIC is calculated using annualized operating earnings divided by average net working assets. 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.