

TABLE OF CONTENTS		Page No.
PART I		
FINANCIAL INFORMATION		
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Statements of Earnings	
	for the Three Months and Nine Months Ended	
	September 30, 2006 and September 30, 2005	3
	Condensed Consolidated Statements of Comprehensive	
	Earnings for the Three Months and Nine Months Ended	
	September 30, 2006 and September 30, 2005	4
	Condensed Consolidated Balance Sheets	
	as of September 30, 2006 and December 31, 2005	5 - 6
	Condensed Consolidated Statements of Cash Flows	
	for the Nine Months Ended September 30, 2006 and	
	September 30, 2005	7 - 8
	Notes to Condensed Consolidated Financial Statements	9 - 21
Item 2.	Management's Discussion and Analysis of Financial	
	Condition and Results of Operations	22 - 32
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	33
Item 4.	Controls and Procedures	33
PART II		
OTHER INFORMATION		
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	34
Item 5.	Other Information	34 - 35
Item 6.	Exhibits	36
Signatures		37
EXHIBITS		
Exhibit 11	Computations of Earnings Per Share	
Exhibits 31 & 32	Certifications	

PART I FINANCIAL INFORMATION**Item 1. Financial Statements (Unaudited)****W.W. Grainger, Inc. and Subsidiaries****CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**

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

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2006	2005	September 30, 2006	2005
Net sales	\$ 1,519,499	\$ 1,428,342	\$ 4,421,496	\$ 4,136,030
Cost of merchandise sold	920,412	880,180	2,668,777	2,561,863
Gross profit	599,087	548,162	1,752,719	1,574,167
Warehousing, marketing and administrative expenses	447,774	412,280	1,322,445	1,199,135
Operating earnings	151,313	135,882	430,274	375,032
Other income and (expense):				
Interest income	5,571	3,263	16,311	8,112
Interest expense	(485)	(453)	(1,480)	(1,381)
Equity in income of unconsolidated entities	480	811	2,549	2,121
Gain on sale of unconsolidated entity			2,291	
Unclassified net	(75)	(123)	95	(225)
Total other income and (expense)	5,491	3,498	19,766	8,627
Earnings before income taxes	156,804	139,380	450,040	383,659
Income taxes	52,310	51,271	165,574	141,169
Net earnings	\$ 104,494	\$ 88,109	\$ 284,466	\$ 242,490
Earnings per share:				
Basic	\$ 1.20	\$ 0.98	\$ 3.21	\$ 2.70
Diluted	\$ 1.16	\$ 0.97	\$ 3.11	\$ 2.65
Weighted average number of shares outstanding:				