

GRAINGER W W INC
Form 10-Q
November 02, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2006

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from

to

Commission file number 1-5684

W.W. Grainger, Inc.

(Exact name of registrant as specified in its charter)

Illinois

(State or other jurisdiction of incorporation or organization)

36-1150280

(I.R.S. Employer Identification No.)

100 Grainger Parkway, Lake Forest, Illinois

(Address of principal executive offices)

60045-5201

(Zip Code)

(847) 535-1000

(Registrant's telephone number including area code)

Not Applicable

(Former name, former address and former fiscal year; if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by

Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for

such shorter period that the registrant was required to file such reports), and (2) has been subject to

such filing requirements for the past 90 days.

Yes

X

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a

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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:				