



Baird Investor Group

Tuesday, September 9, 2008



Applied Fluid Technologies Division

Mark Sheahan, Vice President





AFTD Fluid Landscape and Drivers

- Fluid Landscape
 - Sealants, adhesives, protective coatings, foam and composites
 - High viscosity, highly abrasive materials
 - Plural component materials
- Growth Drivers
 - Changes in materials
 - Environmental and governmental regulations
 - Energy demands
 - Efficiency and productivity improvements
 - Identification of new market opportunities



Select AFTD Technical Strategies

- Innovation leadership in selected areas
 - Processing plural component materials
 - Imbedding process control in our applications
 - Expanded use of electric pumps into traditional air operated applications to reduce energy consumption and improve process controls

- Development of a standardized, modular mechanical and electrical architecture
 - Makes products easily configurable to match customer needs from tank to tip
 - Reuse of existing components improves quality and reduces inventory and time-to-market
 - Higher volumes reduce product cost





SAE Product Line

Sealant and Adhesives

Pumps

Applicators and Accessories

Hot Melt

Meter, Mix and Dispense

Automotive Precision Dispense

Automation





Technology Direction

Sealants & Adhesives

- Customer Requirements
 - More accurate and precise dispense control
 - Higher reliability/durability
 - Lower cost
 - Easy to use and maintain
 - Ability to easily manage and track dispense information
 - Application know-how and support
 - Smaller footprint
 - Ability to integrate with a cell controller
 - Material compatibility
 - Global footprint, local service and support
- Technology Direction
 - Transition the business from a customer intimate (project based business) to a technology leadership (product based business) with increased investment in R&D and the Graco product development process
 - Implement consolidation of multiple control and user interface platforms to a common, open architecture
 - Cost reduction from conventional, PLC control architectures
 - Increased reliability, scalability, control performance and integration capability with a smaller footprint
 - Improved product design and ease of use
 - Increase use of embedded sensor and control technology to improve process management and control
 - Develop meter-mix-dispense product lines into a consistent, global product family
 - Rationalize and standardize legacy products
 - Utilize laboratory in NC for capability demonstrations and development of unique solutions





Sealants and Adhesives

Typical Industries Served:

- Automotive OEM and Components
- Appliance
- Door and Window manufacturers
- Aircraft/Aerospace
- Fabricated metal
- Solar
- Wind blade manufacturers
- Air bag seam sealing
- Woodworking
- Consumer electronics
- Medical and Dental
- Sporting goods
- Product assembly

Typical Applications:

- Bonding
- Sealing
- Surface Coating
- Batching
- RTM Infusion
- Gasketing
- Potting/Encapsulation
- Glazing
- Vacuum Encapsulation
- Bead dispensing
- Cartridge/Syringe/Vial filling
- Molding





HPCF Product Line

High Performance Coatings & Foam

Protective Coatings
Airless Sprayers



Protective Coatings
Plural Component Sprayers



Protective Coatings
Applicators & Accessories



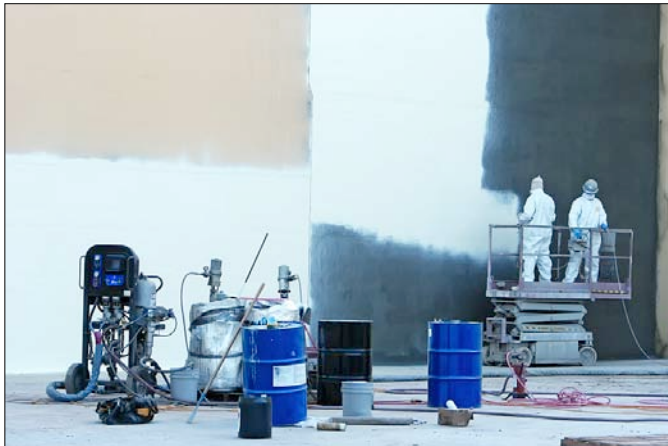
Foam & Polyurea
Proportioners



Foam & Polyurea
Applicators & Accessories



Transfer Pumps

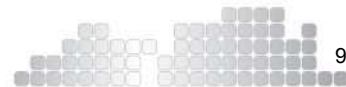




Technology Direction

High Performance Coatings & Foam

- Customer Requirements
 - Performance
 - Spray Pressure & Flow
 - Ability to accurately control
 - Mix Ratio (2K)
 - Fluid Temperature (Foam)
 - Reliability
 - Spray pattern accuracy and performance
 - Durability
 - Ease of use
 - Easy to maintain
 - Price
 - Availability of parts and service
- Technology Direction
 - Consolidate the legacy platforms developed over the last 40 years with common air-motor platform that exceeds the performance of the current designs
 - First to market with a smart pump providing
 - Advanced pump diagnostics
 - Material tracking
 - Leverage common plug & play control architecture to improve control performance, integration capability and reduce costs
 - Implement a recycle strategy on applicators to drive conversion and upgrade to new platforms
 - Breakthrough applicator technology





High Performance Coatings and Foam

Polyurethane Foam

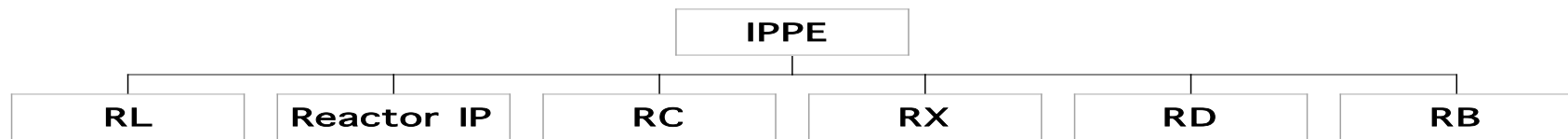
Applications:

- Wall insulation
- Tank and pipe coating
- Roof insulation
- In-plant OEM
- Rim and band joust

Polyurea and Protective Coatings:

- Concrete joint filling
- Potable water
- Truck bedliners
- Marine and shipbuilding
- Wastewater treatment
- Secondary containment
- Waterproofing
- Offshore oil platform production
- Railcar manufacturing and repair
- Container manufacturing
- Wind tower manufacturers

IPPE Product Line



Low Pressure
Circulating Sys
Rotary Gear
100 lbs/min
Variable Ratio
5:1 / 5:1



High Pressure
Dead Headed
Piston Pump
45 lbs/min
Fixed Ratio



High Pressure
Circulating Sys
Rotary Axial Piston
200 lbs/min
Variable Ratio
5:1 / 5:1



High Pressure
Circulating Sys
Rotary Axial Piston
800 lbs/min
Variable Ratio
5:1 / 5:1



High Pressure
Circulating Sys
Piston Pump
200 lbs/min
Variable Ratio
5:1 / 5:1



High Pressure
Circulating Sys
Rotary Axial &
Piston Pump
17 lbs/min
Variable Ratio
24:1



Technology Direction

In-Plant Polyurethane Equipment

- Consolidate of the various Gusmer and Decker legacy platforms into a common, plug and play architecture
- Implement common control architecture on the entry level IPPE systems to reduce cost and improve competitiveness
- Leverage Graco's unique impingement mix technology for emerging spray foam applications

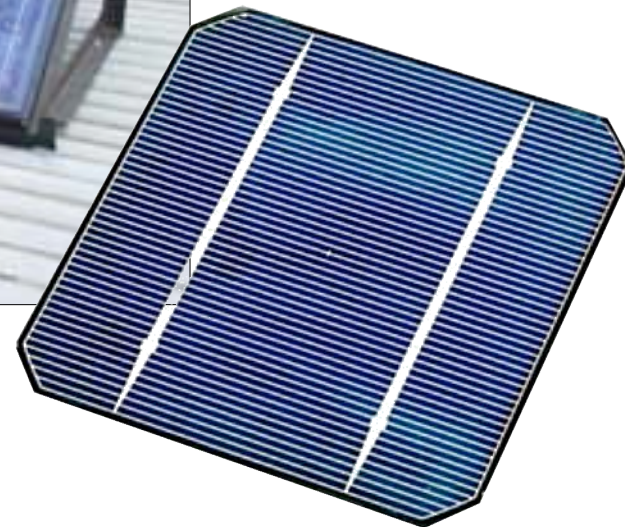


In-Plant Polyurethane Equipment

Typical Applications:

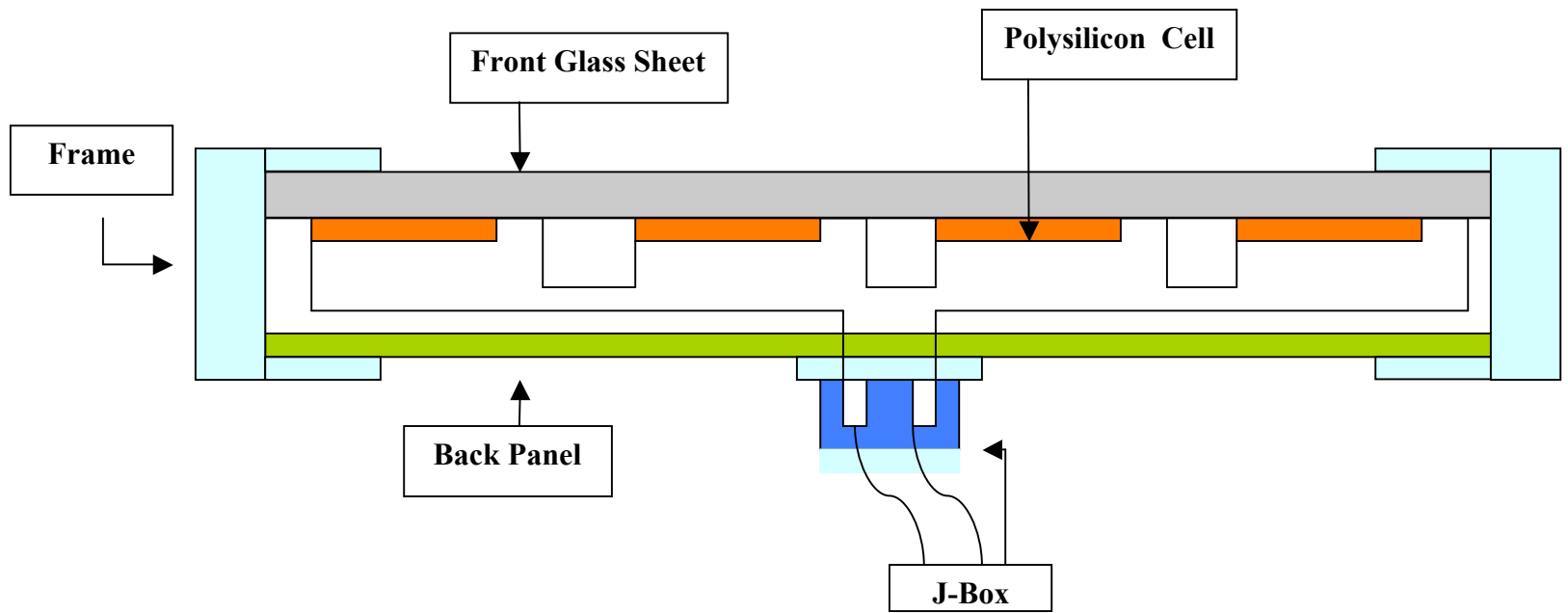
- Insulation for coolers and containers
- Exterior body panels
- Refrigerator panels
- Cabinets
- Seats and seat backs
- Insulation for doors and windows
- Pipe insulation
- Surfboards
- Heater tanks
- Wall and floor panels
- Hoods
- Fenders
- Bumpers
- Grills
- Septic tanks
- Snowmobile hoods
- Computer housings
- Steering wheels
- Interior panels
- Simulated wood finishes
- Wind energy turbine cones
- Foam pigs

Example of Served SAE Market (Solar)

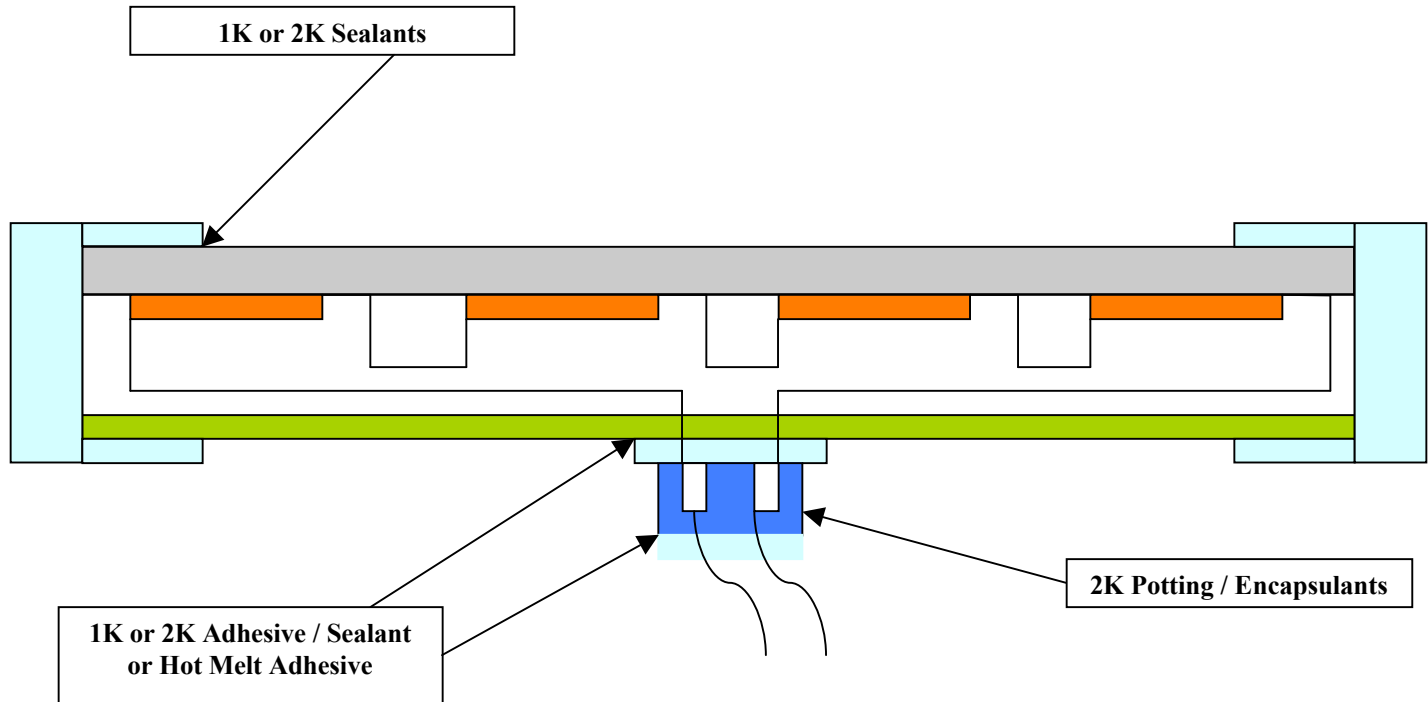


Source:
SolarHome123.com

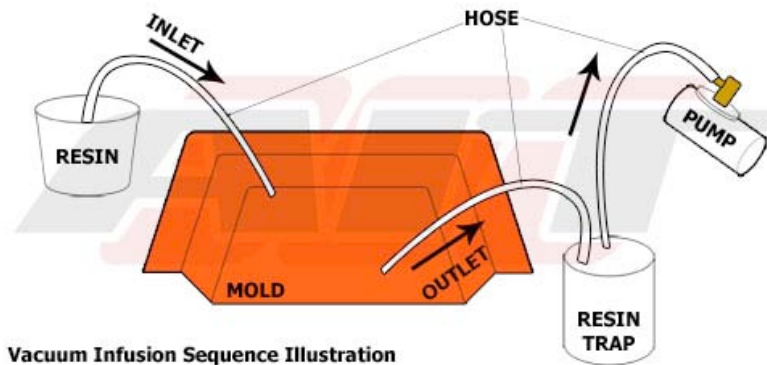
Cross Section Polysilicon Solar Cell Module -



Polysilicon Module Assembly Applications



Example - Wind Energy (Resin Infusion)



Vacuum Infusion Sequence Illustration

Half blade cured, to be glued to second half



Infusion

- Graco machines used to fill infusion reservoirs

One piece, no bonding two halves

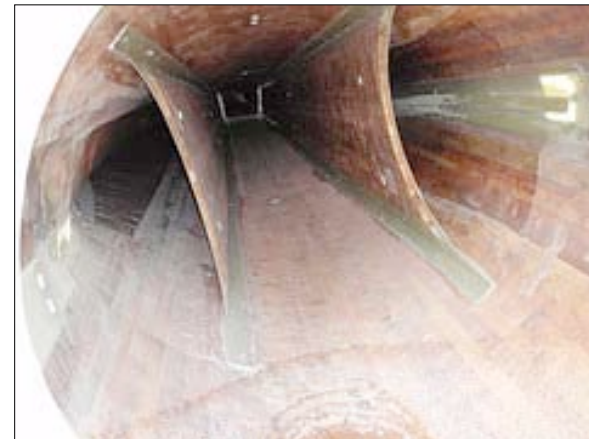


Example - Wind Energy (Bonding)

- Process Needs:
 - 4-25 kg/ min
 - Stationary dispense or
 - Mobile, (new concepts)
 - Ratio monitoring
 - Smaller flow for touch up
 - and hub bonding
- Graco Equipment
 - DC 12



• Hub Bonding



• 2 halves & rib bonding

Example - Wind Energy (Repair)

- Process Needs
 - Low flow
 - Intermittent need
 - Fill containers
 - Polyester and epoxy
- Graco equipment
 - PR 70 on a cart
 - HFR, LCL UK
 - Indy, Glascraft



• Many areas require final touch up

• Blade showing places for repair

Example - Wind Energy (Tower Coating)

- Process Needs
 - In-plant
 - On site
 - Ratio Assurance
 - High flow
 - Touch up
- Graco Machine
 - Xtreme Mix
 - HydraCat
 - Xtreme NXT
 - Supply Pumps



Industrial Products Division

David M. Lowe, Vice President and General Manager





Industrial Products Division - Industrial Environment

- Attractive global trends
 - Increasing industrialization, especially transportation and infrastructure
 - More regional manufacturing located in close proximity to growing markets
 - More manufacturers with experience capitalizing on regional productivity/cost opportunities
 - Greater environmental awareness
 - Consumers demand for world-class products
- Many favorable factors for Graco
 - Serve a broad range of industries
 - End users hunger for superior technology
 - Pursuit of quality/process improvements/automation/labor savings
 - Global brand awareness in the industrial sphere
 - Changing materials drive the need to upgrade equipment



Key End User Markets

Finishing

- Automotive
- Automotive feeder
- Truck/Bus/RV
- Military and utility vehicles
- Aerospace
- Farm and construction
- Wood
- General metal

Auto Refinish

- Auto repair / Aftermarket
- Fleet
- Hobbyists

Process

- Food / Beverage
- Dairy
- Pharmaceutical
- Cosmetic
- Oil / Gas
- Electronics
- Waste water
- Mining
- Ceramics



Customers and Channel

- Leading global manufacturers have decades of experience with Graco
 - Reliability, durability
 - Superior technology solutions and product line breadth
 - Prompt delivery and spare parts support
 - Outstanding installation, start-up and after-sale support by competent, well-trained distributors

Graco has a powerful name in the plant paint shop and on the factory floor and is frequently specified by end users.

- Graco pursues distributor candidates who are willing to serve these end users at the very high level required
 - Global manufacturers bring Graco equipment in country with new investments
 - Entrepreneurs can be recruited to carry Graco because specialized industrial distributors are able to make a good living with Graco (especially Finishing equipment)

Motivated distribution provides high-quality, local end-user support and service requiring only modest investments on Graco's part.



Finishing Equipment - Current Products

Applicators

Air Spray

- AirPro
- Finex

Air Assist

- G 15
- G 40

Electrostatic

- Pro Xs 2, 3, 4



Pumps/Packages

Triton 1:1, 3:1

Falcon 10:1, 20:1

Monarch 15:1, 23:1

President 15:1, 30:1

Merkur 15:1, 20:1, 30:1, 40:1

Senator 17:1

Orion 15:1, 28:1



Accessories

Regulators

Filters

Pressure Pots

Hoses

Gauges

Agitators

Valves



Proportioners

HydraCats

ProMix Easy

ProMix 2KS 3KS

ProMix Auto

ProControl

ProBatch





Auto Refinish Equipment – Current Products

Spray Guns

Full line of spray guns for all applications

- **Razor**
 - Conventional
 - HVLP
 - Compliance
 - Waterborne
 - Metallics
- **Finex**
 - Best performing entry level spray gun in the market



Air Line Products

Ensure air quality to spray guns

Regulators

Valves

Filters

Air Drying Systems



SHARPEE



Process Equipment - Current Products

Diaphragm Pumps

1/4" Husky 205

3/8" Husky 307

1/2" Husky 515

3/4" Husky 716

1" Husky 1040

1.5" Husky 1590

2" Husky 2150

3" Husky 3275

Husky 515 Transfer Pumps



Ink Pumps/Packages

President 20:1

Senator 19:1

Viscount II 1900

Bulldog 31:1

Viscount II 3100

Bulldog 12:1

Viscount II 1200

King 24:1

Viscount 2400



Sanitary Pumps/Packages

Piston Pumps

Monark 5:1

Senator 4:1

Bulldog 10:1



Diaphragm Pumps

1040, 1590, 2150 FDA-Compliant

3150 SB, SF, and 3-A Series

Piston Transfer Pumps

FastFlo 1:1

Standard 2:1

Monark 5:1



Industrial Cleaning Pumps

Hydra-Clean Industrial Pressure Washers

NXT10:1

NXT 23:1

Premier 34:1





Technology Drivers

- Operational cost savings
 - Lower air consumption, electric power
 - Higher spray Transfer Efficiency (TE)
 - Long life pumps

- Performance
 - Improved spray atomization
 - Higher accuracy mix ratios
 - Lower pulsation pumps

- Ergonomics
 - Lighter weight guns, lower trigger pull
 - Intuitive controls

- Process control
 - Smart pumps
 - Closed loop flow control

- Regulatory
 - High TE guns/guns for water-based paints
 - Low flush volume pumps
 - Waterborne compatible products

- Niche market expansion
 - Expanded AODD offering (sanitary, oil/gas, corrosive)
 - Auto Refinishing

New Product Example – ProMix 2ks

- Key Market Drivers
 - Superior performance – Reliable mix with latest coatings
 - Savings – Reduce paint waste and solvent use
 - Ease of use – Less complex but broader application range
 - Automation – Easier system integration
 - Competitive pressure – Waterborne material market
- Other factors
 - Platform product to replace three existing lines
 - Cost reduction opportunity for automatic systems
- Results
 - New dosing technology for waterborne materials
 - 30 color, 4 catalyst and 3 component material capability
 - Improved fluid passages reduce material waste and solvent
 - Plug and play integration
 - User friendly web interface
 - Significant cost reduction for full feature automatic system



New Product Example – Merkur

- Key Market Drivers
 - Superior performance – Smooth pressure delivery
 - Savings – Lower air consumption, less maintenance
 - Process Control – Pump monitoring
 - Competitive pressure – Bellows seal pumps
- Other Factors
 - Shared technology from NXT, CED pumps
 - Platform product to replace four existing lines
 - Cost reduction opportunity
- Results
 - Pressure pulsation reduced by 20-50%
 - 20% lower air consumption
 - DataTrak feature for pump monitoring and runaway protection
 - Chromex pump rod and new packings – 100% more pump life
 - Innovative new bellows seal pump
 - Reduced product cost





New Product Example – AirPro

- Key Market Drivers
 - Performance - Excellent finish over a broad range of applications
 - Savings - Improved TE, less air consumption
 - Ease of Use - Light weight, ergonomic gun
 - Competitors offer extensive catalog, new light-weight guns

- Other Factors
 - Second phase of a new platform started with the Razor gun
 - Core competency in atomization and gun manufacturing

- Results
 - Spray performance meets or beats key competition
 - 6 unique applications addressed
 - TE improved by 10%
 - HVLP gun has 30% lower air consumption
 - Lightest gun in its class, lowest trigger pull force
 - Many common parts with the Razor



Contractor Equipment Division

Dale Johnson





Worldwide CED Growth Initiatives

Market Dynamics

- Graco served market size approx. \$450M-\$500M
- Worldwide architectural paint sales growth 2-3% / year
- Overall equipment market growth 2-4% / year with stronger International market growth and specific country construction cycles
- Worldwide construction cycles create obstacles (USA) and opportunities (Developing Countries)
- Graco's geographical expansion reduces country cycles impact
- Worldwide economic expansion creates positive construction cycles
- Worldwide construction new technologies creates market growth and needs for new equipment
- Adaptation of worldwide construction techniques creates growth
 - American Standards – studs, sheetrock, stucco, I-Beam
 - European Standards – Poured cement (floors, walls), cement block walls
- Cost of labor, job completion speed and quality drives “power equipment” growth over a traditional “hand applied” application



Worldwide CED Historical Growth Initiatives

Expand “New Markets” – Growth Up To 10% / Year

- Define new applications in existing related markets
- Total Markets Initiative targeted served market \$500M-\$600M
- Develop breakthrough products for each application
- Acquisitions for speed, technology, channel

Develop New Products – Growth Up To 5% / Year

- Maintain Upgrade and Breakthrough Process
- Expand Global Products, Market Niches Worldwide
- Utilize Private Label/Brands for Unique Customers

Expand Distribution Outlets Worldwide – Growth Up To 3% / Year

- Worldwide Channel Expansion “15 minutes to every Pro Painter”
- “Pro” focus “Stocking Outlets”, Target Developing Geographies

Conversion of End User – Growth Up To 3% / Year

- Conversion to Spray (manual applicators to power applicators)
- Airless Spray Ownership Worldwide: N.A. 89%, Europe 28%, Asia 1%
- Demonstration/Education



Contractor Equipment - Total Markets Strategy

Historical CED Growth – Key Initiatives “New Products/Markets”

	<u>Mid 1980's</u>	<u>Early 1990's</u>	<u>Mid 1990's</u>	<u>Early 2000's</u>	<u>2009 Beyond</u>
Strategy	New Products	Niche Markets	Breakthrough/ Upgrade	Entry Level	Total Market Initiatives
Products	Technology “Ultra”	Texture, Striping, Roofing	New Products with Innovation/ Technology	Product Technology	New Products Texture, Striping, Paint
Market	Existing Market	New Markets/ Channels	Existing Markets	New Channel “Home Depot”	New Markets/ Channels/ Acquisitions
Sales	+5% Growth	+4% Growth	+4% Growth	+5% Growth	New Opportunity



Total Markets Overview

Current Served Market

Market Opportunity

Total Texture	Total Pavement	Total Paint																								
<ul style="list-style-type: none"> • Interior Textures • Elastomeric Textures • Acrylic Textures <ul style="list-style-type: none"> • <i>19 New Application Markets</i> 	<ul style="list-style-type: none"> • Pavement Marking – Paint • Sports Turf – Paint • Lot Layout <ul style="list-style-type: none"> • <i>13 New Application Markets</i> 	<ul style="list-style-type: none"> • Interior Painting • Exterior Painting • Residential • Commercial / Industrial • New Construction • Repaint / Remodel • Fine Finishing • Roofing <ul style="list-style-type: none"> • <i>9 New Application Markets</i> 																								
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Lubrication Equipment Division

Brian Zumbolo



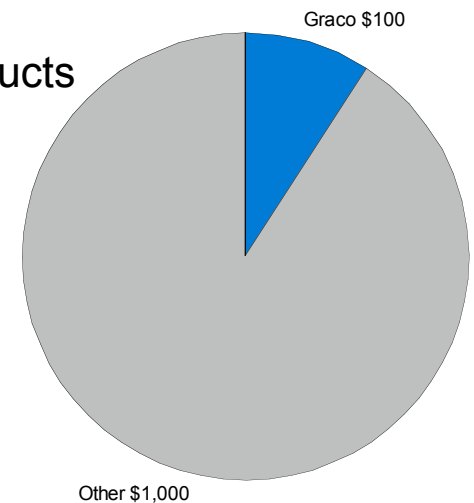


Worldwide LED Growth Initiatives

■ Market Dynamics

- Worldwide Lubrication Equipment market is approximately \$1.1B worldwide
 - Vehicle Service Equipment - \$400M
 - Industrial Lubrication Equipment - \$700M
- Worldwide demand for lubricants 2-3% growth per year
- Lubrication equipment growth 4-5% per year with increasing demand outside of North America
- Graco entered the Industrial Lubrication market with the 2006 acquisition of Lubriquip
 - Characterized by low-tech, undifferentiated products
 - Primary technologies are well-established with mature product lines
 - All technology is virtually identical
 - Stable competition in each market segment

Graco 9% WW Market Share





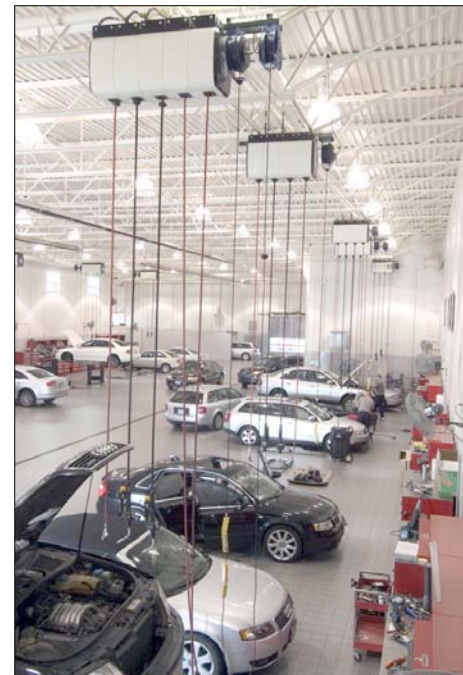
Served Markets

(\$ Millions)	<u>Size</u>	<u>Share</u>	<u>Expected Growth Rate</u>	
			<u>Market</u>	<u>Graco Volume</u>
World	\$ 1,100	9%	5%	8%
Americas	\$ 500	13%	3%	5%
Europe	\$ 325	2%	5%	8%
Asia	\$ 275	4%	10%	15%

Vehicle Service Equipment

Applications/Markets

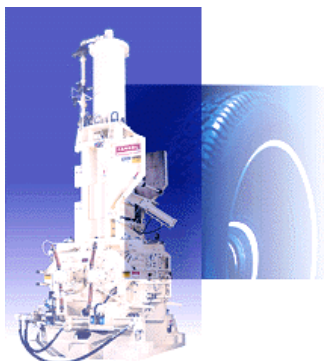
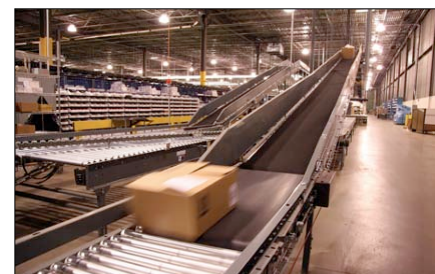
- Auto Dealerships
- Fast Oil Change Facilities
- Fleet Service Centers
- Mining
- Fuel



Industrial Lubrication Equipment

Applications/Markets

- Machine-Tool
- Gas Compressor
- Chain/Conveyor
- On-Board Vehicle





Worldwide LED Growth Initiatives

- **Develop New Products**
 - Growth through technology and differentiation
 - All products in the market are virtually identical and undifferentiated
 - Product designed for ROI sell
 - Labor and material savings
 - Platform development
 - Modularity
 - Leverage Graco Technology from other businesses
 - Expand targeted market - Development of entry-level lines
- **Geographical Expansion**
 - Development of LED focused organizations in Europe and Asia Pacific
 - Expand Distribution Worldwide
 - Industrialization in growing economies
 - China, India, Eastern Europe
- **Convert Users from Manual to Automatic Lubrication**
 - Improved equipment life
 - Labor and material savings
- **Strategic Acquisitions**
 - Fill product gaps, obtain technology, gain market share, gain access to key customers



Proven Quality. Leading Technology.

Move

Measure

Control

Dispense

Spray

