GRACO INC.

Investing For Our Future

1st Half 2009

Safe Harbor

Today’s presentation includes forward-looking statements that reflect management’s current expectations about the Company’s future business and financial performance.

These statements are subject to certain risks and uncertainties that could cause actual results to differ from anticipated results.

Factors that could cause actual results to differ from anticipated results are identified in Part 1, Item 1A of, and Exhibit 99 to, the Company’s 2008 Form 10-K.

Business Overview

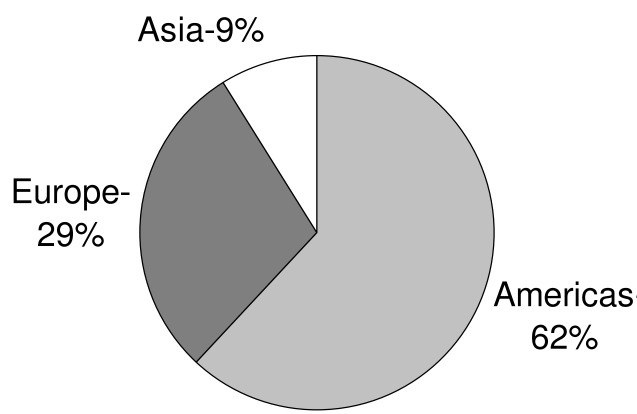
- Graco manufactures equipment to pump, meter, mix and dispense a wide variety of fluids.
  - We specialize in difficult to handle materials with high viscosities, abrasive or corrosive properties
  - Multiple component materials that require precise ratio control
- We are global, with more than 40% of our sales coming from outside the Americas
- We sell primarily through independent 3rd party distributors - approximately 30,000 outlets worldwide.
- Parts and accessories account for approximately 40% of our annual revenue

Contractor Equipment

Market Dynamics

- Graco served market size approximately $450-500M
- Major end-markets include new residential construction, commercial construction, remodel and repaint
- Applications include cleaning, painting, texture, fine finish, pavement marking
- Wagner is the only significant competitor worldwide

2008 Revenue - $267M



Contractor Equipment

Growth Opportunities

- Conversion of end users from manual application methods to equipment is a major focus outside North America
  - In Europe and Asia, spray equipment penetration is less than 40% in developed countries and less than 10% in developing countries
- Application of texture and cementitious materials
  - Graco texture equipment sales have tripled in the past 5 years despite the construction slump
    - In Europe, texture went from less than 10% of Contractor sales to nearly 25% in 5 years
- Expansion of our pavement marking product offering will drive incremental growth
  - Our line marking business has grown at double digit CAGR over the last 5 years

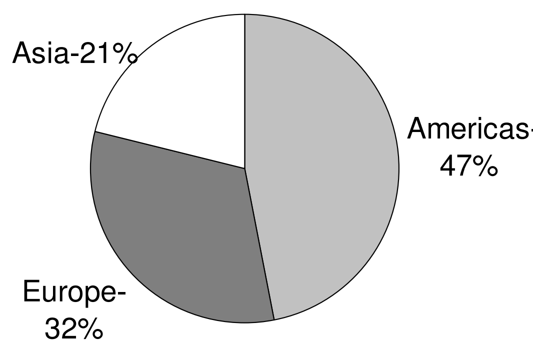



Industrial Equipment

Market Dynamics

- Graco served market is approximately $2.0B worldwide
  - Liquid Finishing and Process Equipment $900M
  - Sealant and Adhesive $600M
  - Protective Coatings, Foam and In-Plant Polyurethane $500M
- Products sold through independent 3rd party value adding distributors
- End users require equipment “solutions” vs. product in a box
- End user purchases are ROI driven
- Likelihood of new entrants low, rational competitors including ITW, Exel, Idex, IR, Dover and Wagner
- Strong Graco brand name and large installed base
- Pricing power and strong margins permit aggressive investments

2008 Revenue - $463M

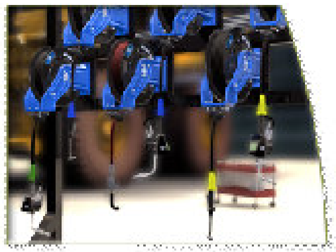


Industrial Equipment




Growth Opportunities

- Expand internationally
  - Industrialization and wage inflation in developing markets
  - Factory relocations to low cost geographies
- Enter new adjacent markets
  - Alternative energy
  - Sanitary
  - Composites
- Capitalize on material changes
  - High performance multiple component materials
  - Low - or no - VOC coatings
  - “Green” initiatives
- Develop new products
  - Integration of equipment with factory data and control systems
  - Reduce energy consumption
  - Expand offering and fill gaps
- Acquisitions

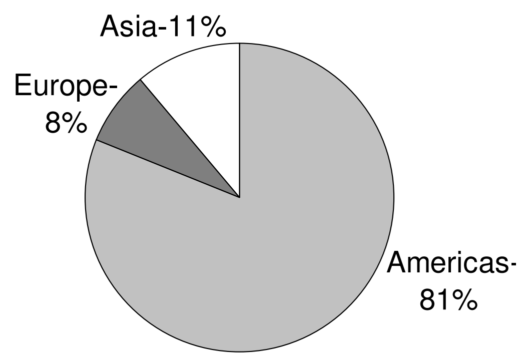


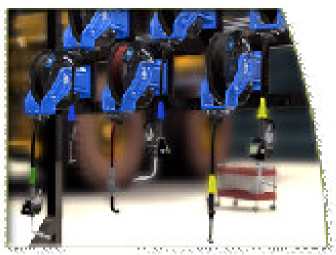
Lubrication Equipment

Market Dynamics

- Worldwide Lubrication Equipment market is approximately $1.1B worldwide
  - Vehicle Service Equipment - $400M
  - Industrial Lubrication Equipment - $700M
- Products sold through independent 3rd party distributors, through oil jobbers and direct to OEM
- Entrenched, stable competition in each market segment
- Major competitors include Lincoln, Vogel, BEKA, Samoa

2008 Revenue - $87M



Lubrication Equipment

Growth Opportunities

- Expand internationally
  - Historical investment and focus has been U.S.
  - Implemented specialized selling organizations in Asia and Europe for 2009
  - Developing products to meet local market needs
  - Building channel

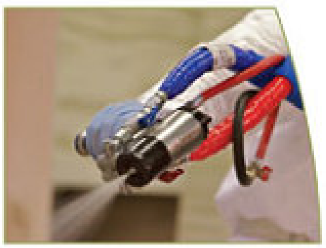
- Industrial lubrication market
  - Entered via small acquisition in 2006
  - Additional small acquisition in 2008
  - Expanding product offering and improving cost position
  - Fragmented competition, provides additional acquisition opportunities

Managing in the Current Environment

- We are taking the long term view of investments that build our business:
  - New Product Development
  - Global expansion – especially developing markets
  - Channel expansion
  - New Applications and Markets
- We have been selectively targeting cost reductions
  - Actions taken through 1H 2009 effectively reduce headcount by approximately 20% vs. 2008 high point
  - Integrated 2 of 3 2008 acquisitions
- Emphasis on cash flow
- We have a robust contingency planning process and intend to remain agile

Opportunities in the Current Environment

- Maximize opportunities in global stimulus spending
  - Infrastructure
- Maximize opportunities to capitalize on material trends
  - 2 component paints
  - 2 component adhesives
  - Spray foam insulation
- Maximize opportunities to participate in green initiatives
  - VOC reduction
  - High solids
  - Waterborne
  - Alternative energy
  - Insulation



Targeting Growth with New Products

- Increased investment in new product development by 20% in 2008
- Will invest approximately $40M in 2009
  - 1H 2009 was $20M
- Target 30% of sales from product developed in the last 3 years
  - 2008 was 26%, increased from 22% in 2007
- Increased emphasis on expanding served market vs. next generation technology
  - But both are important

Example: New Product – Insulating Spray Foam

Graco/Owens Corning Partnership

- Graco unit designed specifically for new OC material and application system
- Water-based foam
- Lower cost of installation vs. traditional insulating spray foam
- Launched June

energyCOMPLETE™
with Flexible Seal Technology
Whole Home Insulation and Air Sealing System

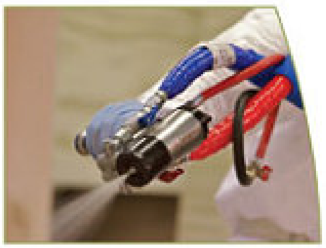
Example: New Product – Protective Coatings Equipment

Graco XM Plural-Component Sprayer

- Provides precise, on-ratio spraying
  - patent-pending dosing technology
- Industry-first USB drive

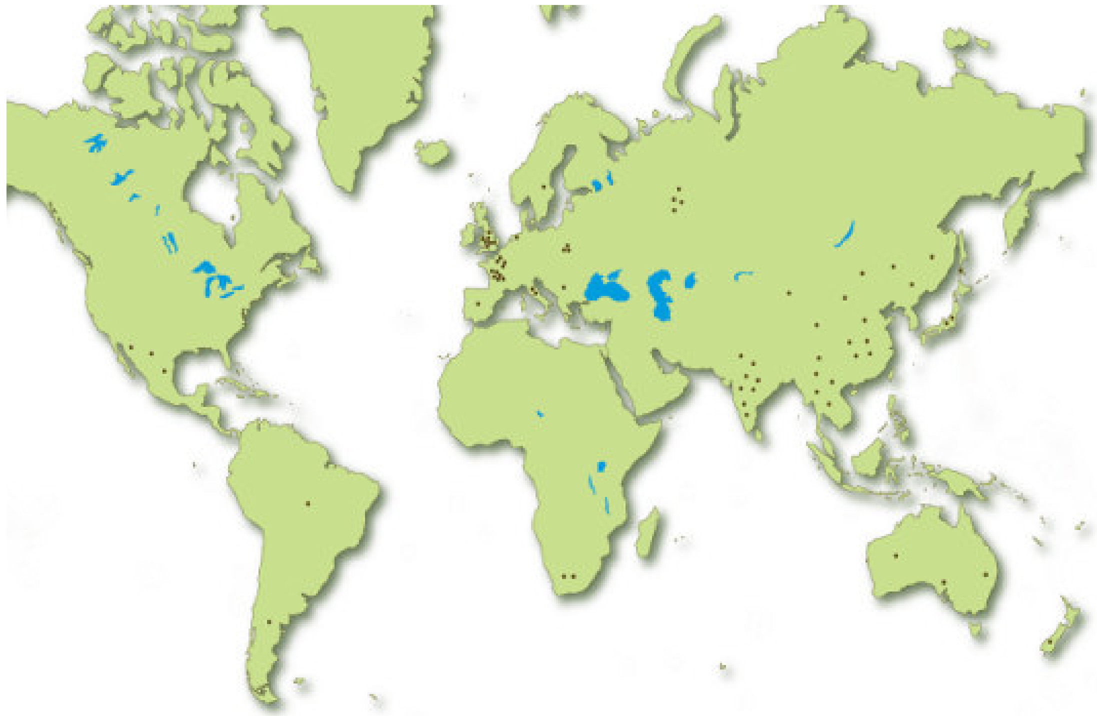
Markets Served

- Global infrastructure
- Traditional and alternative energy
- Mass transportation
- Marine & shipbuilding
- Railcar repair & manufacturing
- Pipe manufacturing
- Storage tanks

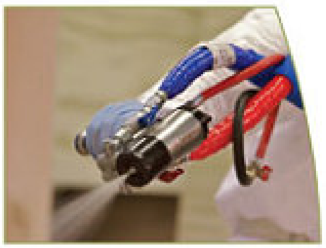


Targeting Growth Through Global Expansion

- Entering emerging markets early with focused investment in sales and marketing resources to establish our distribution channel

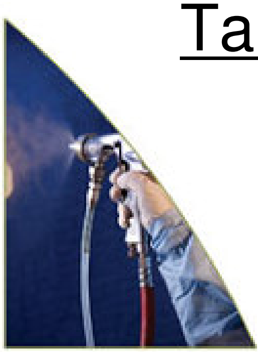


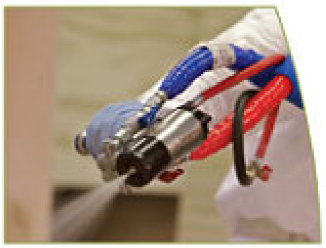
2008 Commercial Team Additions



Targeting Growth through Channel Expansion

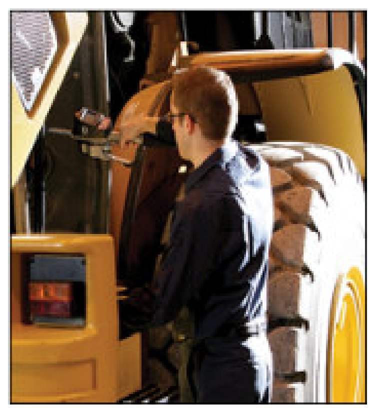
- Added 1300 distribution locations in 2008
  - 350 in Europe
  - 280 in Asia
- Expanded entry level spray equipment channel
  - Beginning 2008 - 1,600 outlets
  - End 2008 - 4,200 outlets
  - Added 300 outlets in Q1 2009





Targeting Growth in New Markets

- Thermoplastic
- Alternative Energy
- Composites
- Sanitary
- Industrial Lubrication



Example: New Market – Thermoplastic Line Striping

ThermoLazer®

- 100% incremental sales
- Worldwide market
- Expands leadership position in short-line pavement marking
- Patentable technologies
- August release for sale
- Immediate opportunity with stimulus spending

Graco Manufacturing

- Aligned with divisions, co-located with product development to speed new product development and improve initial launch cost and quality

- Measured on annual cost change and expected to achieve zero or better year-to-year total cost change
  - Graco has been on the Lean journey for 20 years
    - Our approach is focused on total cost, not inventory turns

- Cost-To-Produce is a unique tool Graco has developed to measure progress on cost reduction

- Primarily U.S. based, with strategic capabilities in Europe and Asia
  - Sourcing is global

Graco Financial Summary

1st Half 2009

Second Quarter 2009 Results

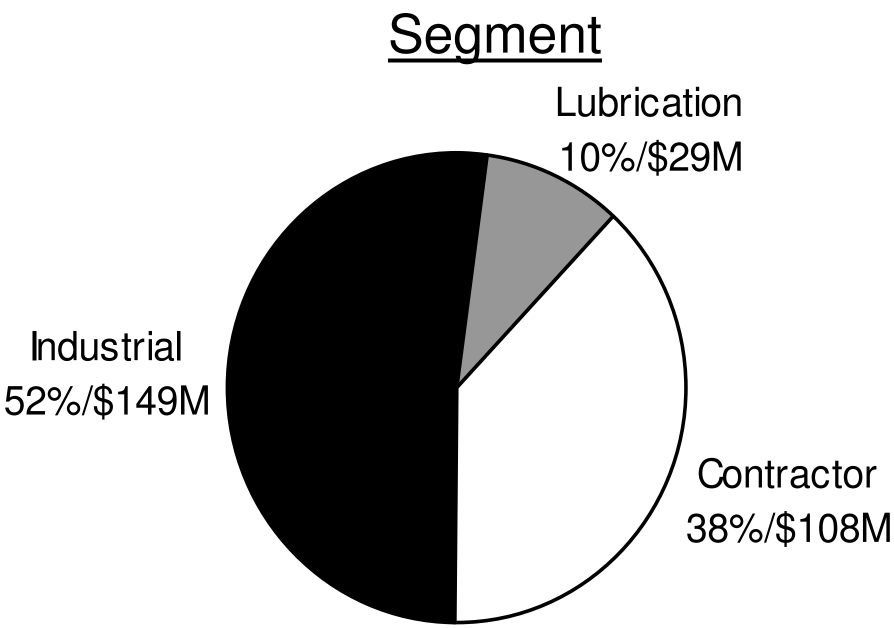
- Sales for the quarter down 38 percent from last year
- Sales were down in all segments and regions
- Second quarter gross profit margin of 49.4 percent was lower than last year (53.8 percent) due mainly to low production levels and unfavorable currency translations
- Operating expenses were down 12 percent due to effects of cost and workforce reductions in fourth quarter 2008 and first quarter 2009, lower incentives and bonus provisions, currency translations, partially offset by increases in product development and pension expense
- Backlogs decreased $2M from the end of prior quarter
- Net earnings decreased 73 percent and diluted EPS at 19 cents were down 72 percent

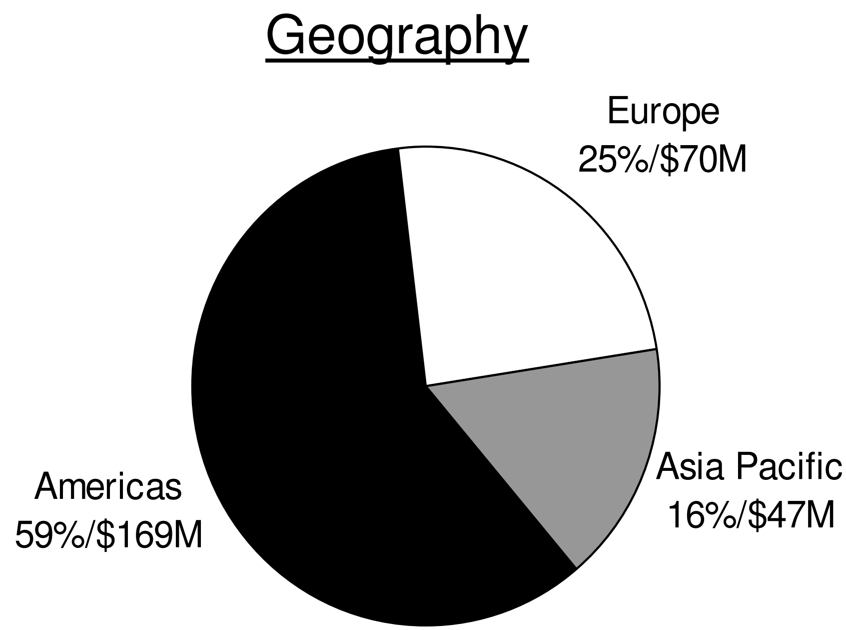
Financial Results

($ Millions except EPS)	1st Half 2009	1st Half 2008	Change
Sales	$ 285.6	$ 443.4	(36%)
Gross Profit Rate	48.1%	54.3%	
Operating Expenses	112.7	121.2	(7%)
Operating Earnings	24.6	119.4	(79%)
Net Earnings	$ 14.4	$ 78.0	(82%)
Earnings Per Share	$ 0.24	$ 1.27	(81%)

2009 1st Half Sales

$286M





Summary – 2008

- Sales down 3%
  - Strong international sales; Europe and Asia up 8% and 3%, respectively
  - Americas mixed but overall revenue down 9%
  - Higher sales in Industrial offset declines in Contractor and Lubrication
- Gross margin – 53%
- Operating profit margin – 23%
- Earnings per share down 14%
- $112 million in share repurchase – 5% of outstanding shares

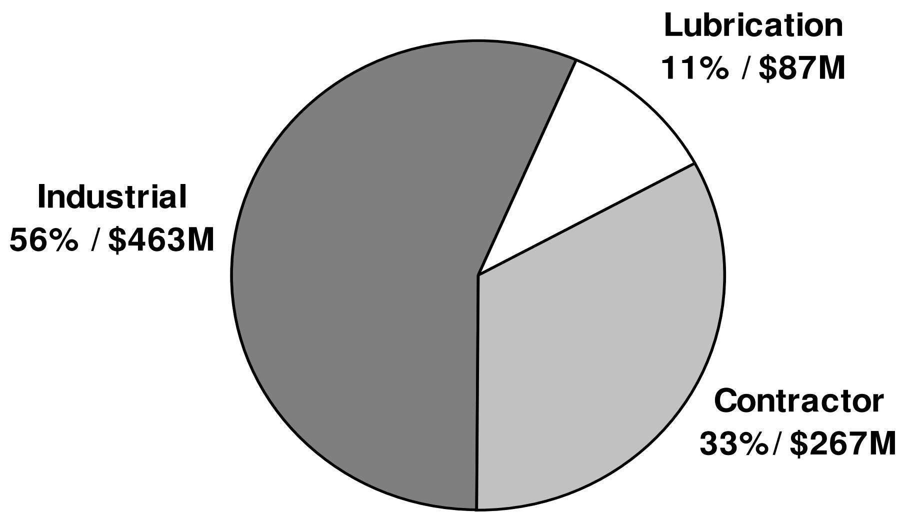
Financial Results – Full Year

($ Millions except EPS)	2008	2007	% Change
Sales	$ 817.3	$ 841.3	(3%)
Gross Profit Rate	52.9%	53.2%	
Operating Expenses	244.8	214.9	14%
Operating Earnings	187.4	232.5	(19%)
Net Earnings	$ 120.9	$ 152.8	(21%)
Earnings Per Share	$ 1.99	$ 2.32	(14%)

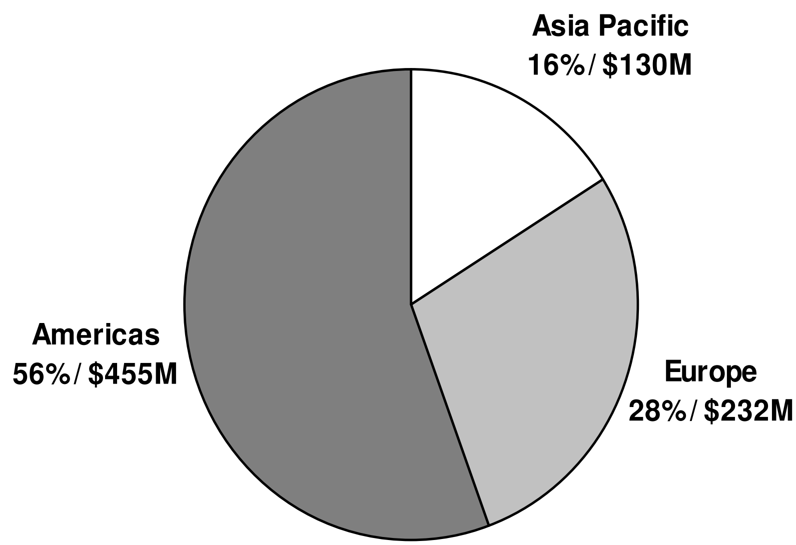
2008 – Full Year of Sales

$817M

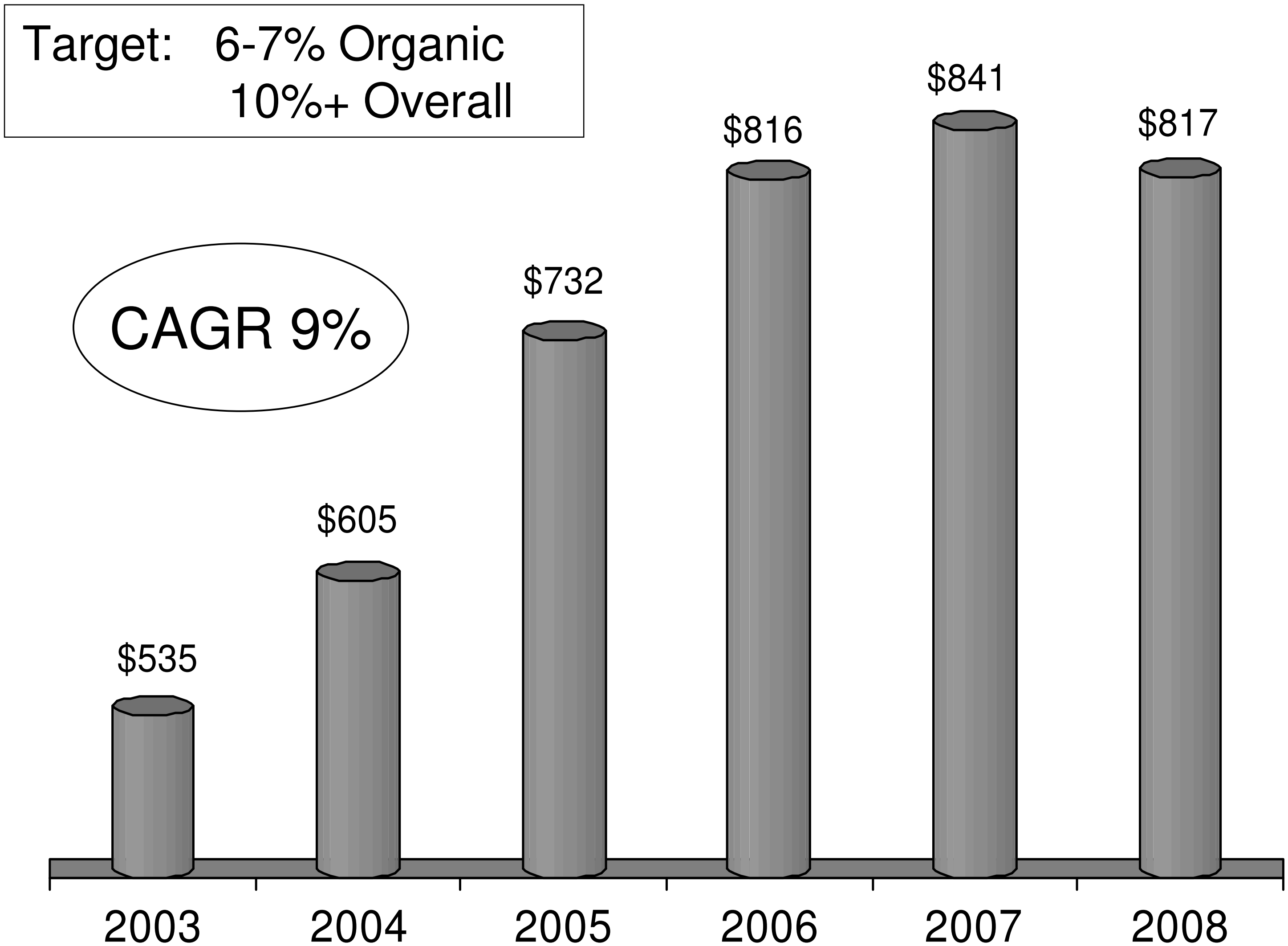
Segment



Geography

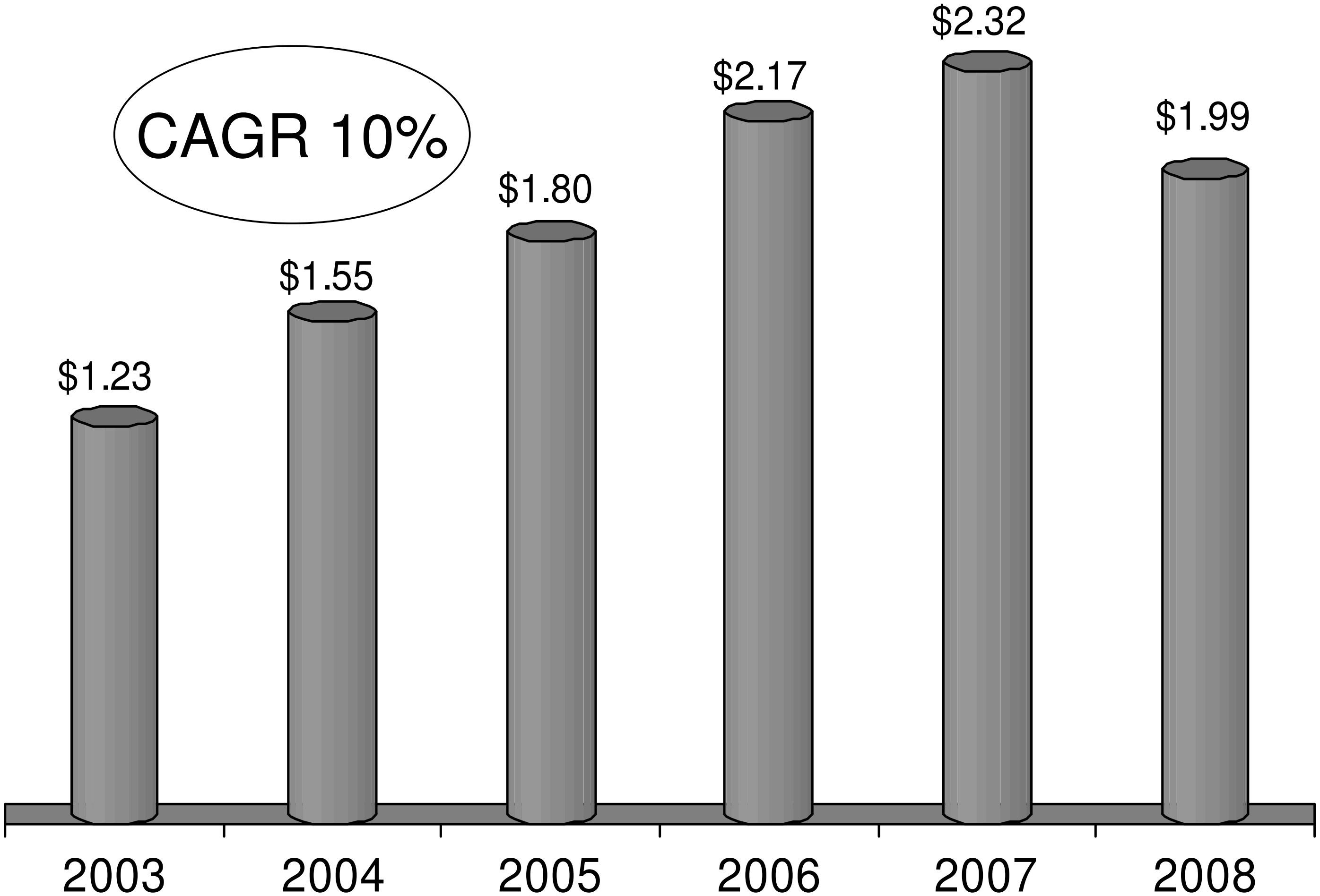


Annual Sales ($ Millions)



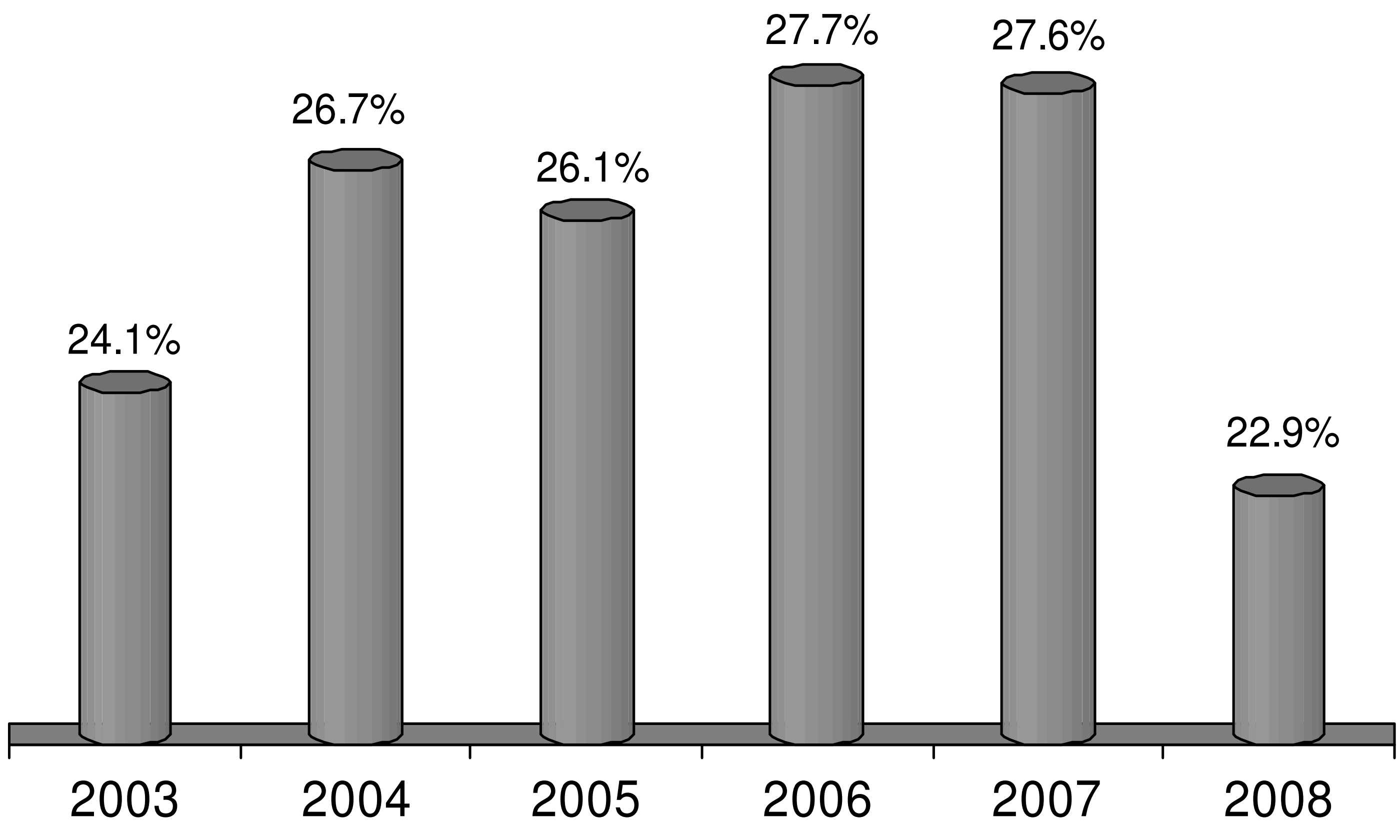
Earnings Per Share

Target:	12%+



Operating Margin

- Disciplined spending
- Increased manufacturing efficiency
- Leverage volume increases
- Continuous improvement culture



Strong Cash Generation

($ Millions)	2008	2007	2006	2005	2004
Operating Cash Flows	$ 162	$ 177	$ 156	$ 153	$ 123
% of Net Income	134%	116%	104%	121%	113%
Capital Expenditures	27	37	34	20	17
Free Cash Flow	$ 135	$ 140	$ 122	$ 133	$ 106
Dividends	$ 45	$ 43	$ 39	$ 36	$ 130
Acquisitions	55	-	31	111	-
Share Repurchases *	101	206	76	32	26
	$ 201	$ 249	$ 146	$ 179	$ 156

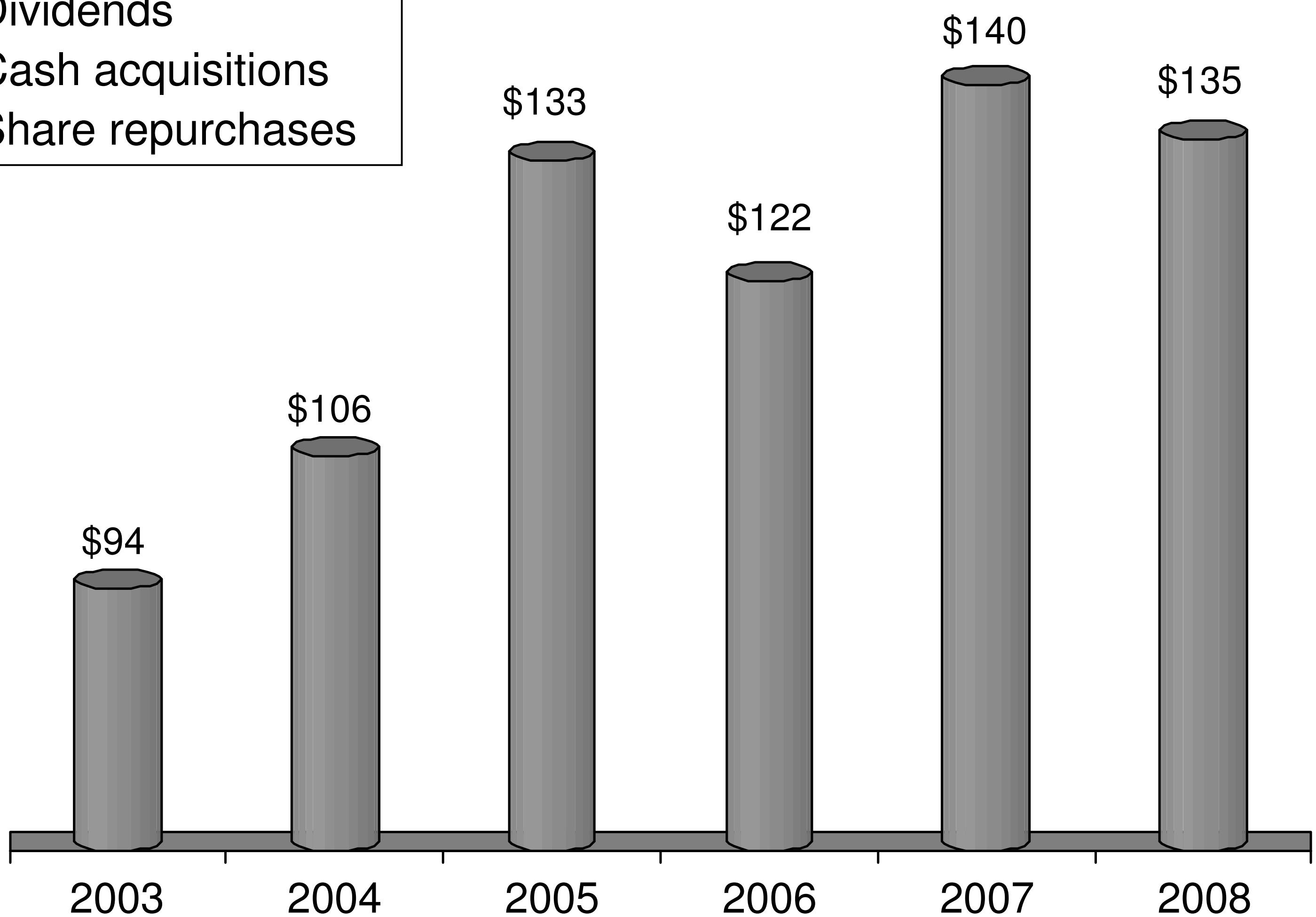
* Net of shares issued

Leverage

($ Millions)	2008	2007	2006	2005	2004
EBITDA	$ 222	$ 261	$ 252	$ 213	$ 179
Debt, Net of Cash	186	121	12	(10)	(55)
Debt to EBITDA	84%	46%	5%		
Operating Earnings	$ 187	$ 232	$ 226	$ 191	$ 162
Interest Expense	$ 8	$ 3	$ 1	$ 1	$ 0.5

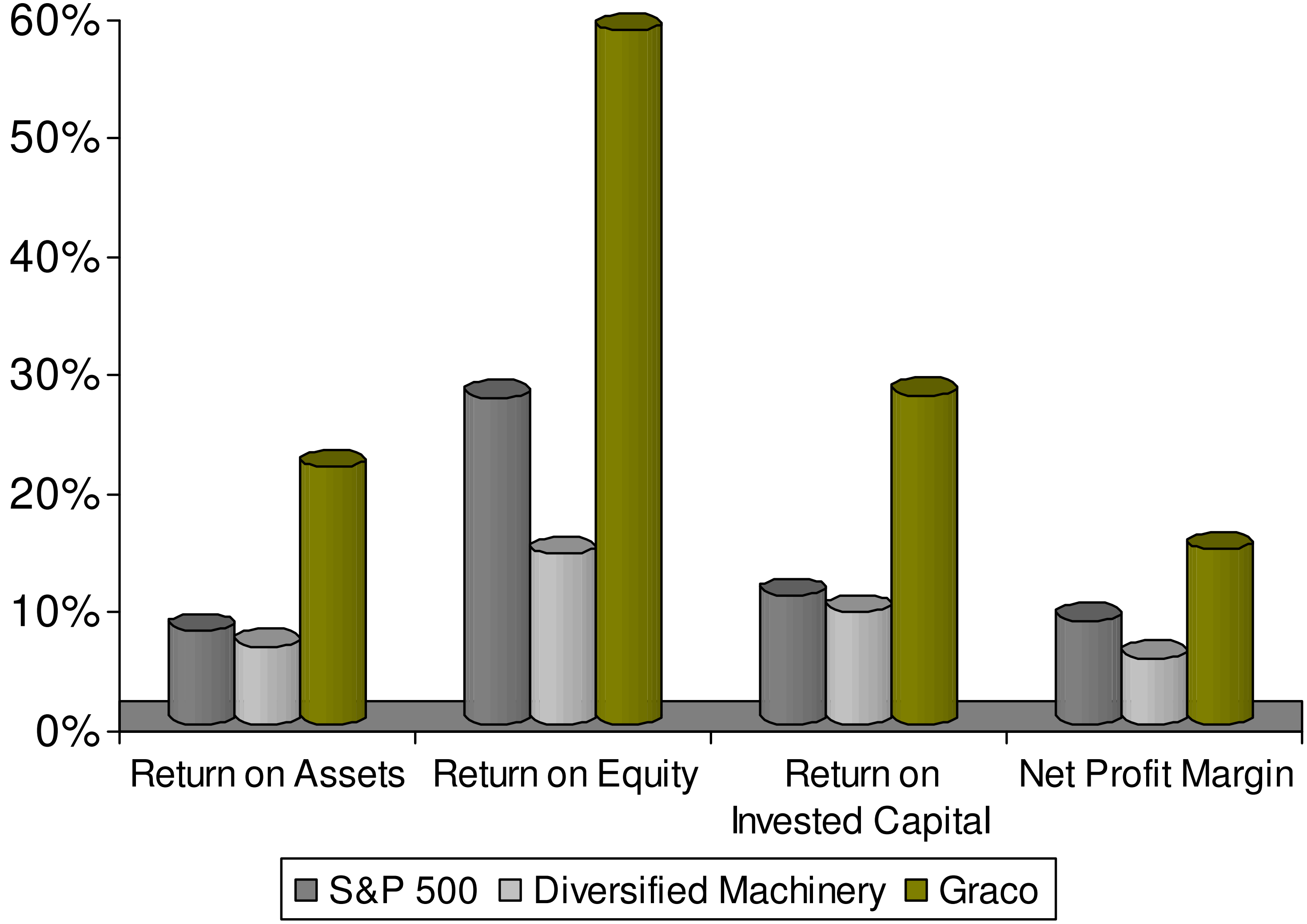
Free Cash Flow ($ Millions)

Strong cash flow for:
- Dividends
- Cash acquisitions
- Share repurchases



Cash provided by operating activities less property, plant and equipment additions plus proceeds from sale of property

Capital Efficiency – 2008



Source: Interactive Data, 2009 Thomson Reuters

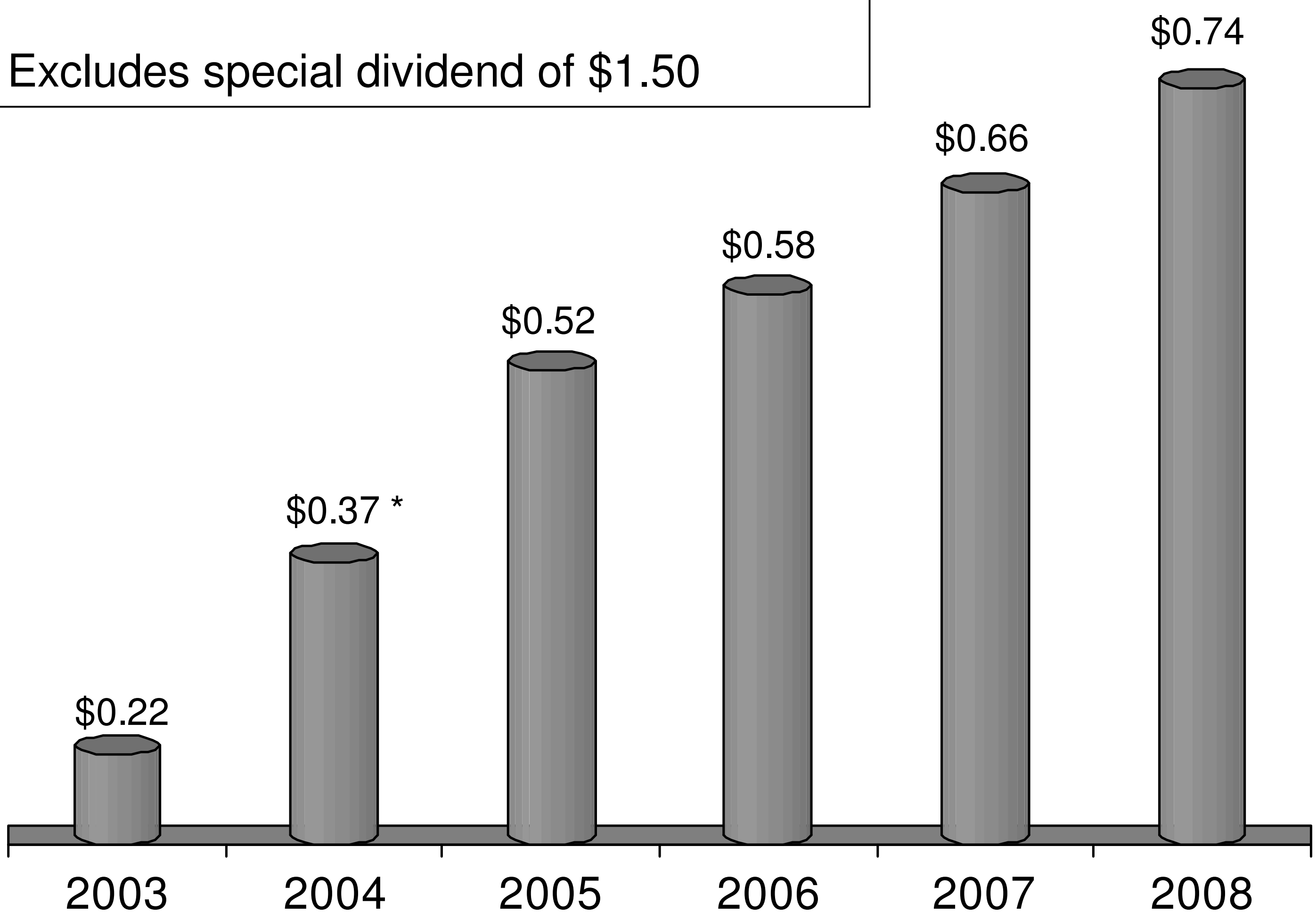
Cash Deployment Priorities

Organic Growth Investments →	- International footprint - Product development - Production capacity & capabilities
Acquisitions →	- Supplement to organic growth - Leverage our strengths
Dividends/Share Repurchase →	- Dividend payout ratio 25-30% - 7 million authorized share repurchase - 11% of outstanding shares approved September 2007

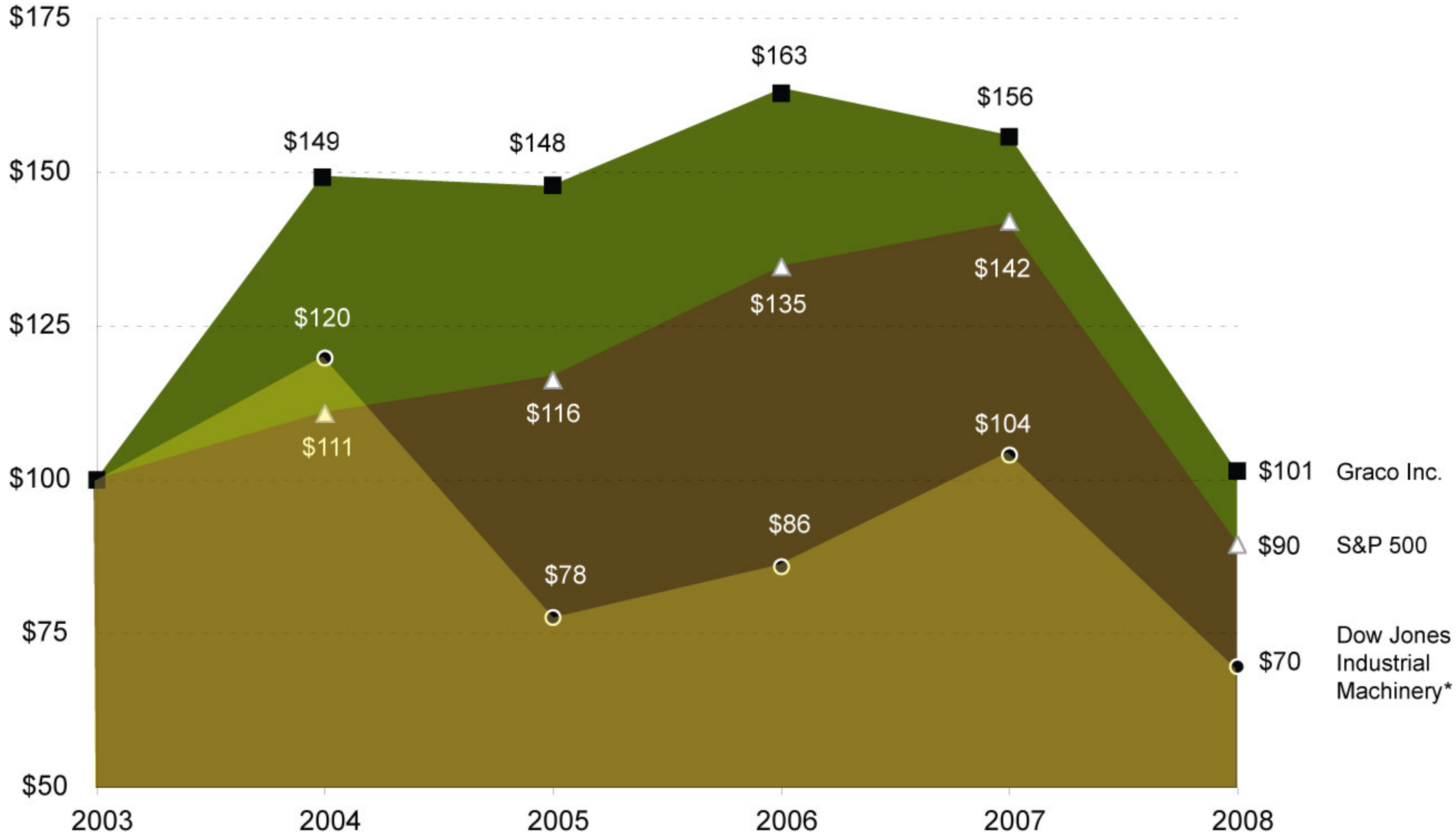
Annual Dividend Growth

- Annual dividend more than tripled

* Excludes special dividend of $1.50



Shareholder Returns



* formerly known as Dow Jones Factory Equipment

Key Investment Attributes

- Leading market positions
- Serves niche markets where customers are willing to purchase quality, technology-based products
- Products perform critical functions
- Consistent investments in capital and growth initiatives
- Shareholder-minded management
- Financial strength

GRACO

Proven Quality. Leading Technology.

Move

Measure

Control

Dispense

Spray