GRACO

Investor Presentation

2009 & 1st Half 2010 Results

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 2009 Form 10-K.

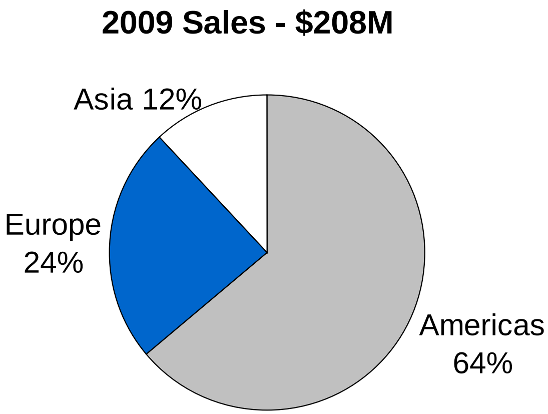
Business Overview

- Graco manufactures equipment to pump, meter, mix and dispense a wide variety of fluids
  - We specialize in difficult to handle materials with high viscosities, and
  - Abrasive or corrosive properties, and
  - 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 is approximately $450 - $500M
- Major end-markets include new residential construction, commercial construction, remodel and repaint
- Applications include painting, texture, fine finish, cleaning, and pavement maintenance
- Channel includes paint retailers, equipment houses and rental centers
- Wagner is the most significant worldwide competitor



2010 Contractor Equipment Product Line

Contractor Equipment

Growth Opportunities

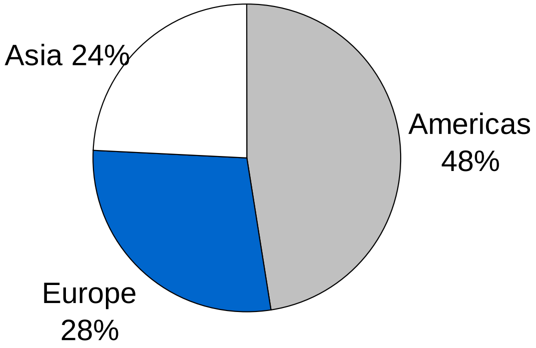
- Conversion of end users from manual application methods to equipment is a major focus outside North America
  - In Europe and Asia, spray equipment penetration is less than 40% in developed countries and less than 10% in developing countries
- Application of texture and cementitious materials
- Entry level product & channel expansion
- Expanding pavement maintenance product line & channel

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 in certain markets, rational competitors including ITW, Exel, Idex, IR, Dover and Wagner
- Strong Graco brand name and large installed base

2009 Sales - $313M



Industrial Equipment

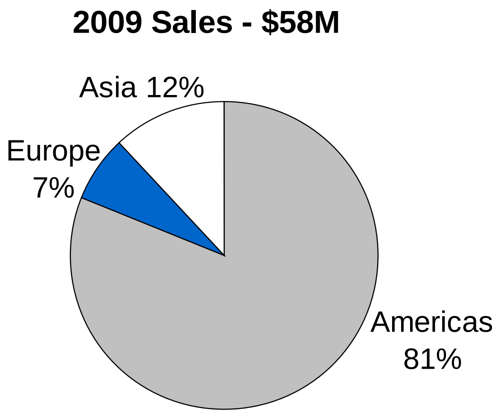
Growth Opportunities

- Expand internationally
  - Industrialization and wage inflation in developing markets
  - Factory relocations to low-cost geographies
- Enter new adjacent markets
  - Sanitary
  - Composites
  - Alternative energy
- 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's
- Entrenched, stable competition in each market segment
- Major competitors include Lincoln, Vogel, BEKA, Samoa



Lubrication Equipment

Growth Opportunities

- Expand internationally
  - Historical investment and focus has been U.S.
  - Implemented specialized selling organization in Europe in 2009
  - Developing products to meet local market needs
  - Building channel
- Industrial lubrication market
  - Entered via small acquisitions
  - Expanding product offering and improving cost position

Targeting Growth with New Products

- Invested nearly $38M in product development in 2009
  - 6.5% of revenue
- Targeting 30% of sales from products developed in the last 3 years
  - 2009 was 26%
- Increased emphasis on expanding product offering into new markets

New Product Example: Graco HFR™ Metering System

- Versatile, precision-controlled, fixed ratio meter, mix and dispense system
  - Handles a variety of two-component materials
  - Polyurethane foams, polyurethane elastomers, epoxies, silicones and polyureas

Markets Served

- Automotive, construction, recreation, solar, medical, electronics, refrigeration and more

New Product Example: Diaphragm Pumps

- 30% more energy efficient than leading competitors
- 20% increase in fluid flow compared to current offering
- Expanded line for a wider range of applications/chemicals

Markets Served

- Process and General Industry

New Product Example: ProShot™ Cordless Sprayer

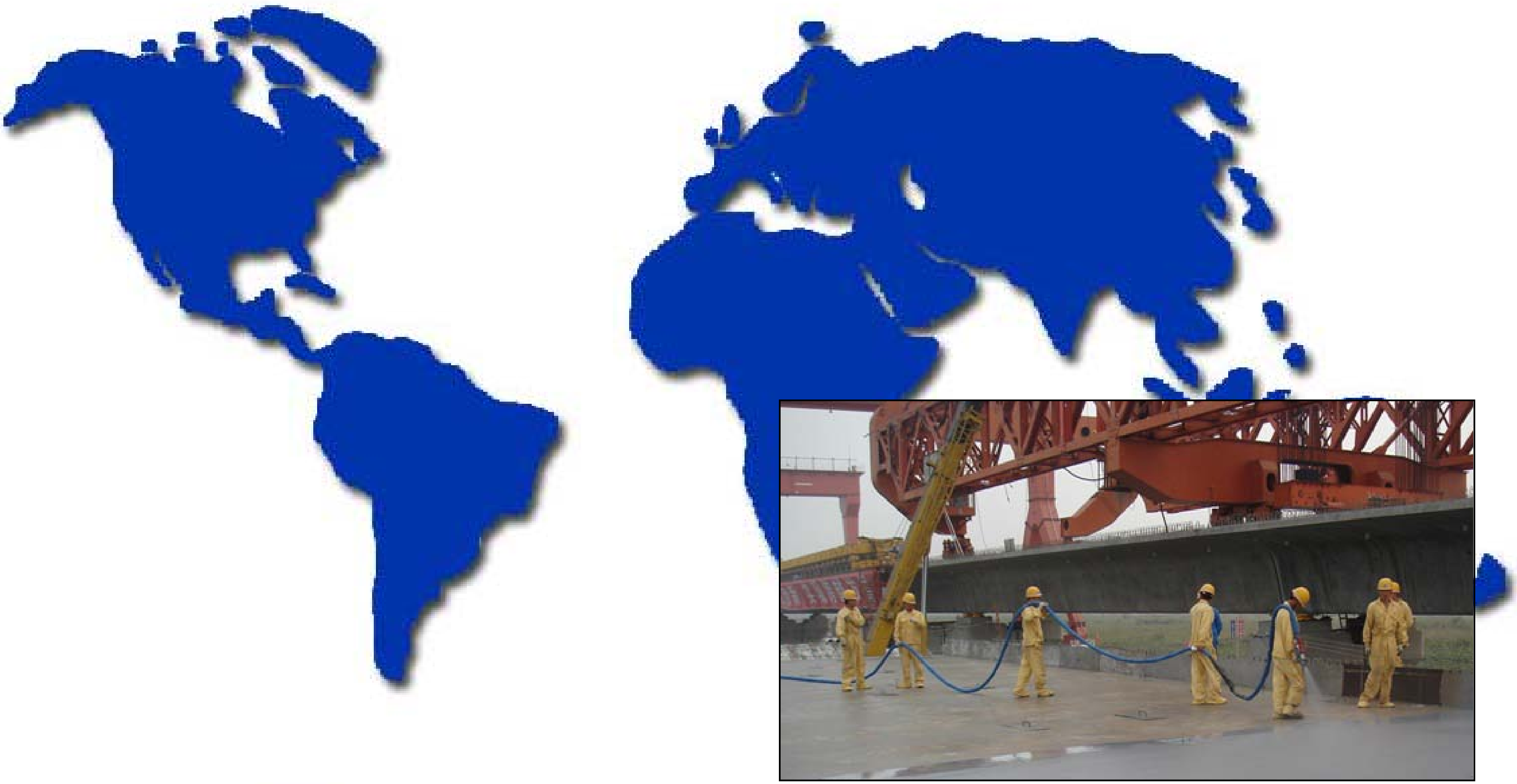
- Breakthrough technology delivers professional airless quality spray in a hand held cordless tool

Markets Served

- Professional Painting Contractor - worldwide

Targeting Growth Through Global Expansion

- Added 1370 distribution outlets in 2009
  - 350 in Europe, 200 in Asia/Latin America



Targeting Growth through Channel Expansion

- Expanded entry level spray equipment channel
  - Entry level product stocked in more than 5,000 U.S. retail locations

PROVEN QUALITY. LEADING TECHNOLOGY.

GRACO

Targeting Growth in New Markets

- Pavement Maintenance
- Alternative Energy
- Composites
- Industrial Lubrication
- Sanitary

GLASCRAFT®
COMPOSITES EQUIPMENT BY GRACO

Example: Existing Market – Line Striping - Paint

LineLazer™

- Global market leadership position in short line paint striping market
- Designed for use with LineDriver™

Example: New Market – Line Striping - Thermoplastic

ThermoLazer™

- 100% incremental launched 2H 2009
- Leverages existing LineDriver™ platform

Example: New Market – Line Removal

GrindLazer™

- 100% incremental launched Q1 2010
- Leverages existing LineDriver™ platform

PROVEN QUALITY. LEADING TECHNOLOGY.

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

Financial Summary

Second Quarter 2010 Results

- Sales for the quarter up 30 percent compared to second quarter last year and up 17 percent from first quarter
- Sales were up in all segments; regionally, sales were up approximately 25 percent in the Americans and Europe, and up 50 percent in Asia Pacific
- Second quarter gross profit margin of 53 percent was above last year as production increased as well as cost reduction actions and cost of severance in 2009
- Operating expenses were up 15 percent related to volume, including incentives
- Backlogs increased $4M from the end of prior quarter
- Net earnings were double second quarter last year and diluted EPS was 41 cents

First Half 2010 Results

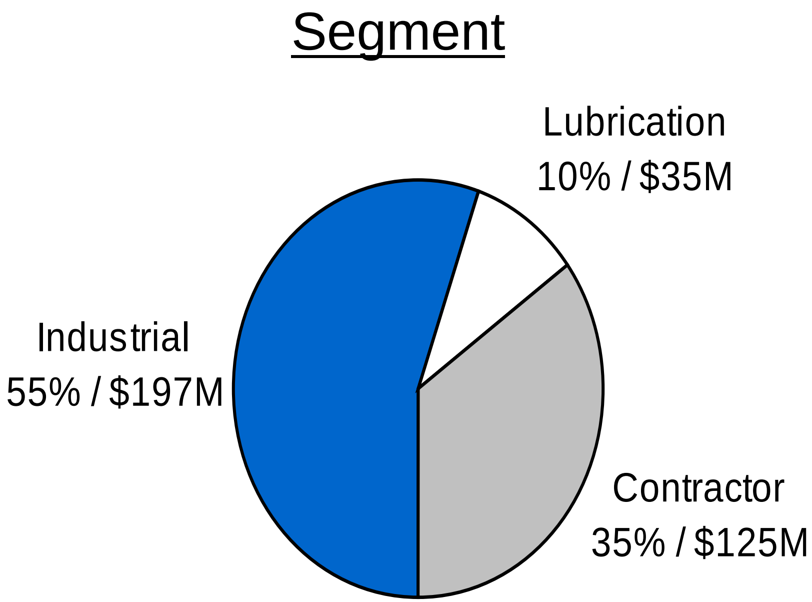
- Sales year-to-date up 25 percent compared to prior year
- Sales were up in all segments and sales were up 17 percent in the Americas, 22 percent in Europe, and 59 percent in Asia Pacific
  - The overall year-to-date growth rate of 25% includes 2 percentage points from translation
- Year-to-date gross profit margin of 53½ percent, up from 48 percent last year, reflecting higher production volume in 2010; 2009 also included workforce reduction costs in the first half
  - Price increased, lower material and pension costs, and divisional mix (higher proportion of sales in the Industrial segment) also contributed to the increase in margin rate
- Operating expenses were up 6 percent related to volume, including incentives
- Backlogs increased $10M as compared to prior year-end
- Net earnings increased by 215 percent compared to last year and diluted EPS was 74 cents

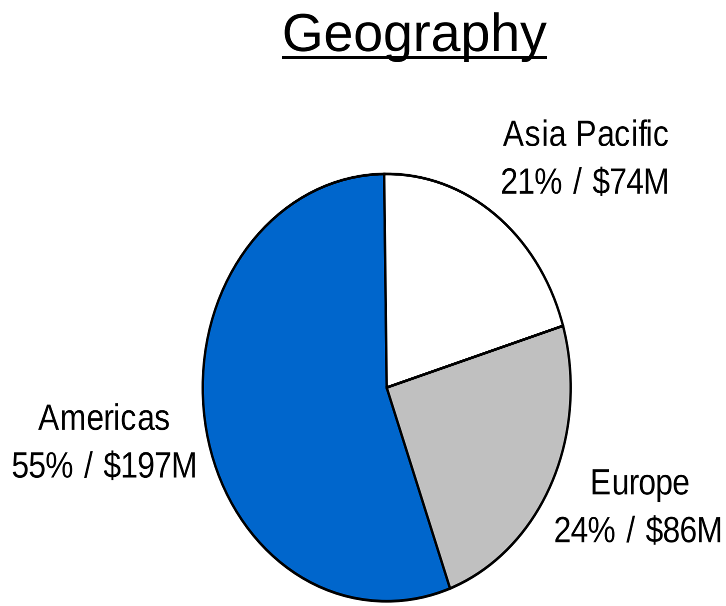
Financial Results

($ Millions except EPS)	1st Half 2010	1st Half 2009	Change
Sales	$ 356.8	$ 285.6	25%
Gross Profit Rate	53.6%	48.1%	
Operating Expenses	119.3	112.8	6%
Operating Earnings	71.9	24.6	193%
Net Earnings	$ 45.4	$ 14.4	215%
Earnings Per Share	$ 0.74	$ 0.24	208%

2010 – First Half Sales

$357M





Summary – 2009

- Sales down 29%
  - Asia the strongest, down 17% with flat contractor sales
  - Americas down 28%, all segments
  - Europe down 39%, all segments (down 35% at consistent exchange rates)
- Gross margin – 51%
- Operating profit margin – 13%
- Earnings per share down 59%
- $100 million debt payments

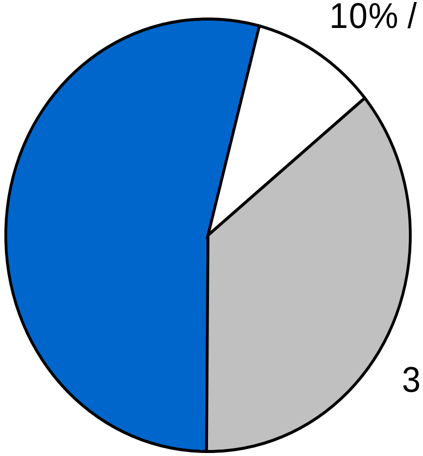
Financial Results

($ Millions except EPS)	Full Year 2009	Full Year 2008	Change
Sales	$579.2	$817.3	(29%)
Gross Profit Rate	50.6%	52.9%	
Operating Expenses	218.3	244.8	(11%)
Operating Earnings	74.5	187.4	(60%)
Net Earnings	$ 49.0	$120.9	(59%)
Earnings Per Share	$ 0.81	$ 1.99	(59%)

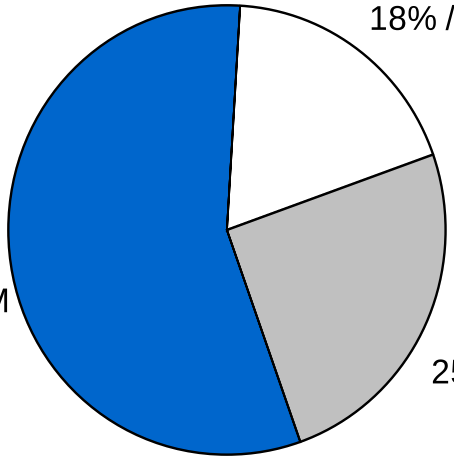
2009 – Full Year of Sales

$579M

Segment

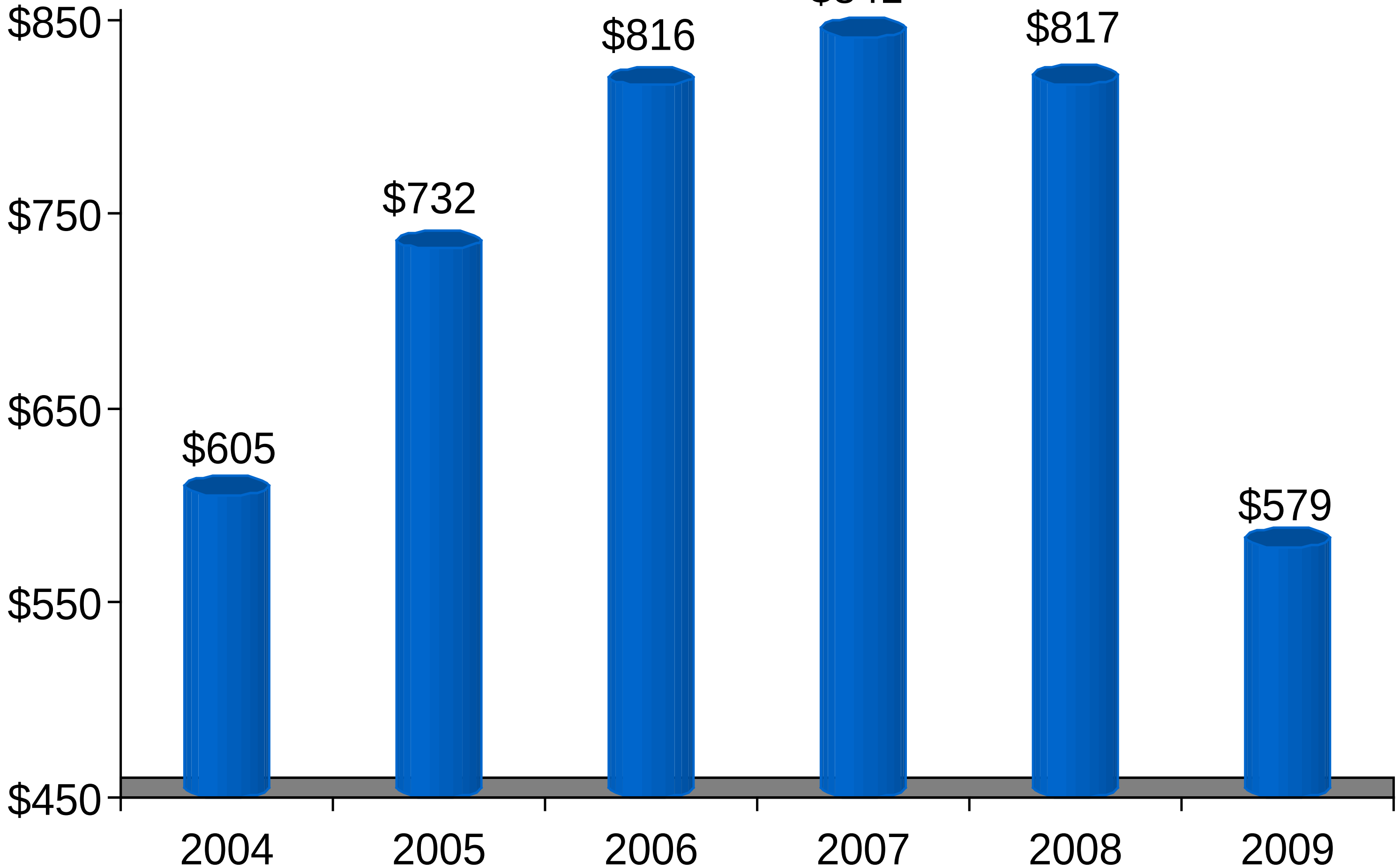


Geography

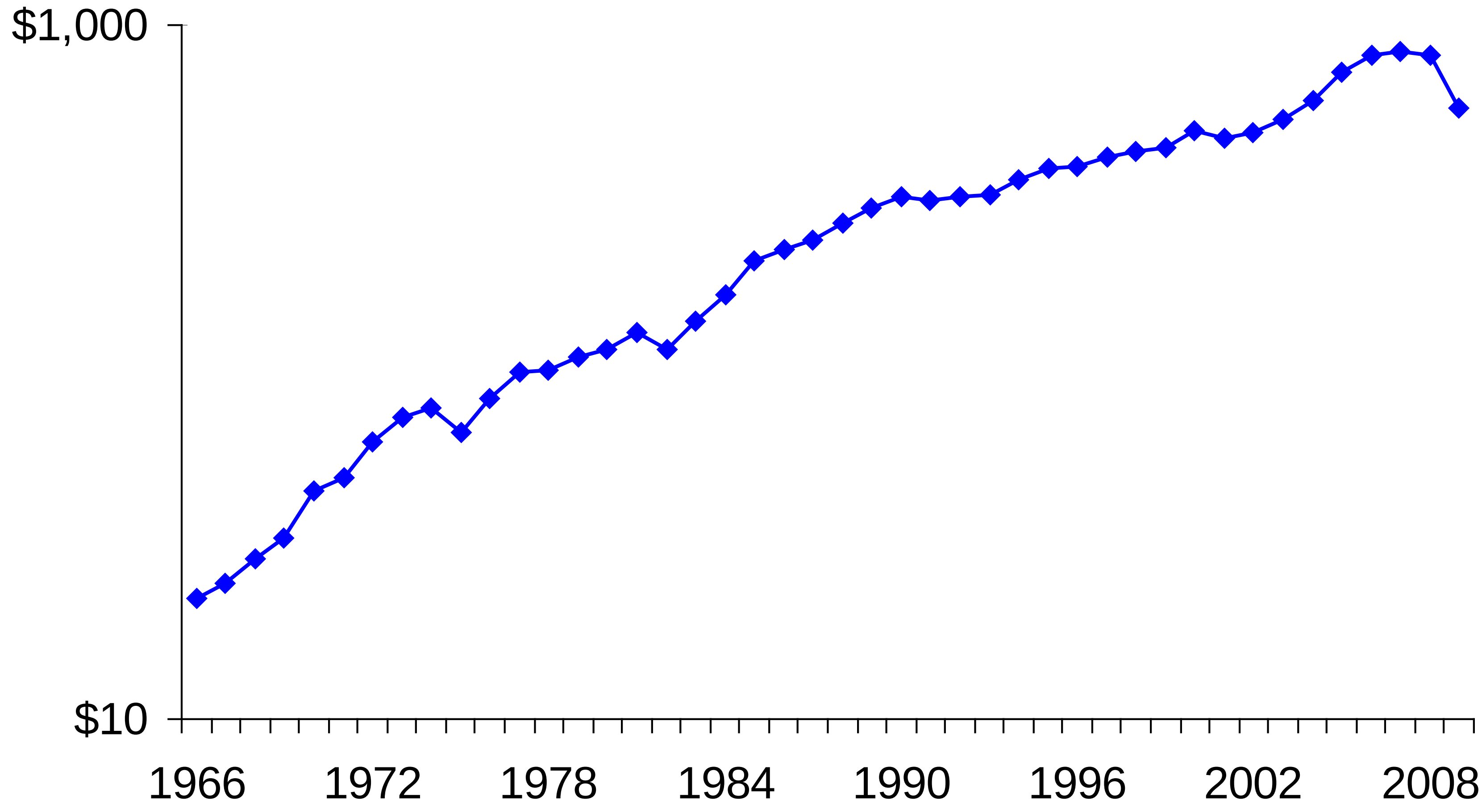


Annual Sales ($ Millions)

Target: 6-7% Organic
10%+ Overall

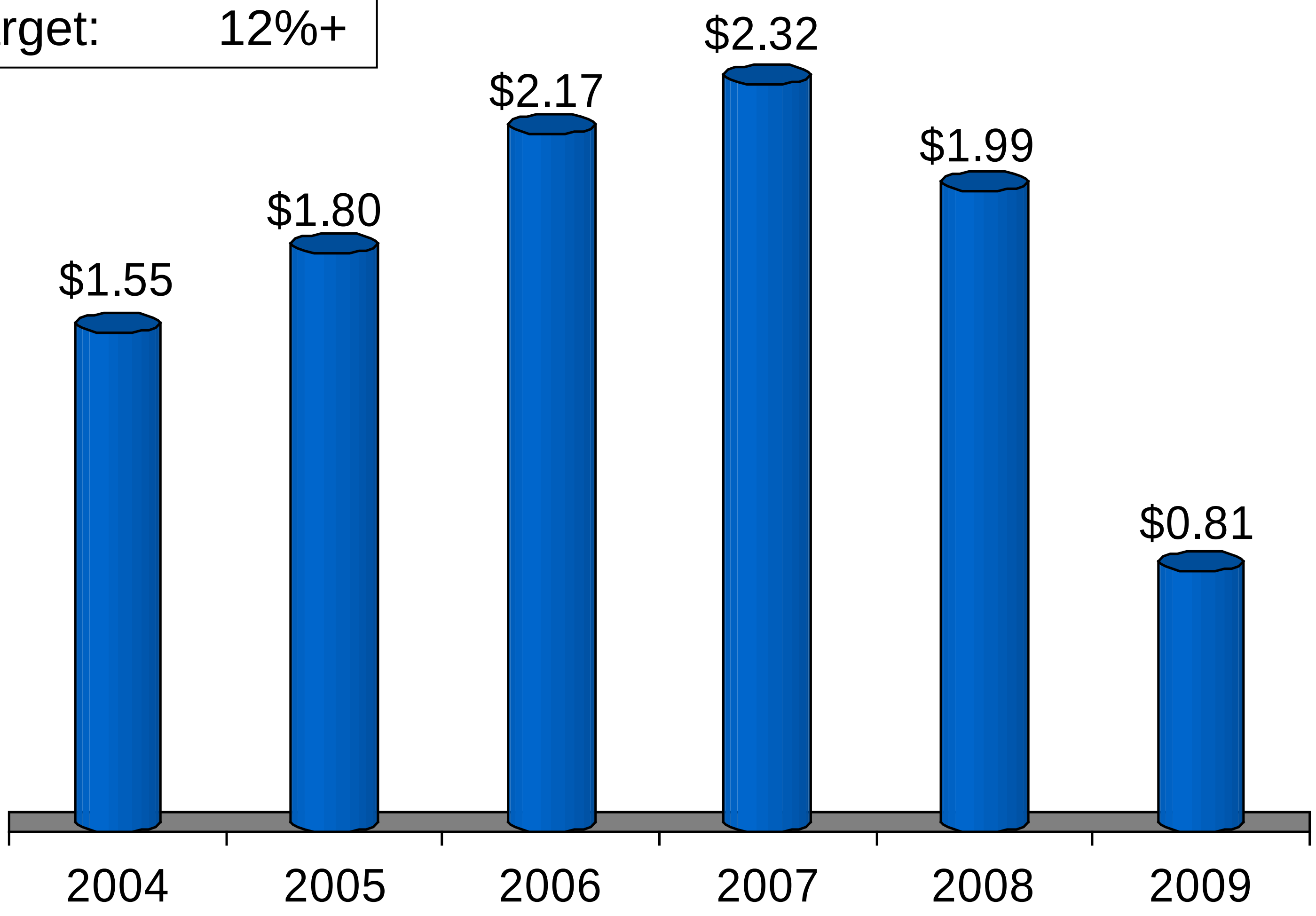


Historic Sales ($ Millions)

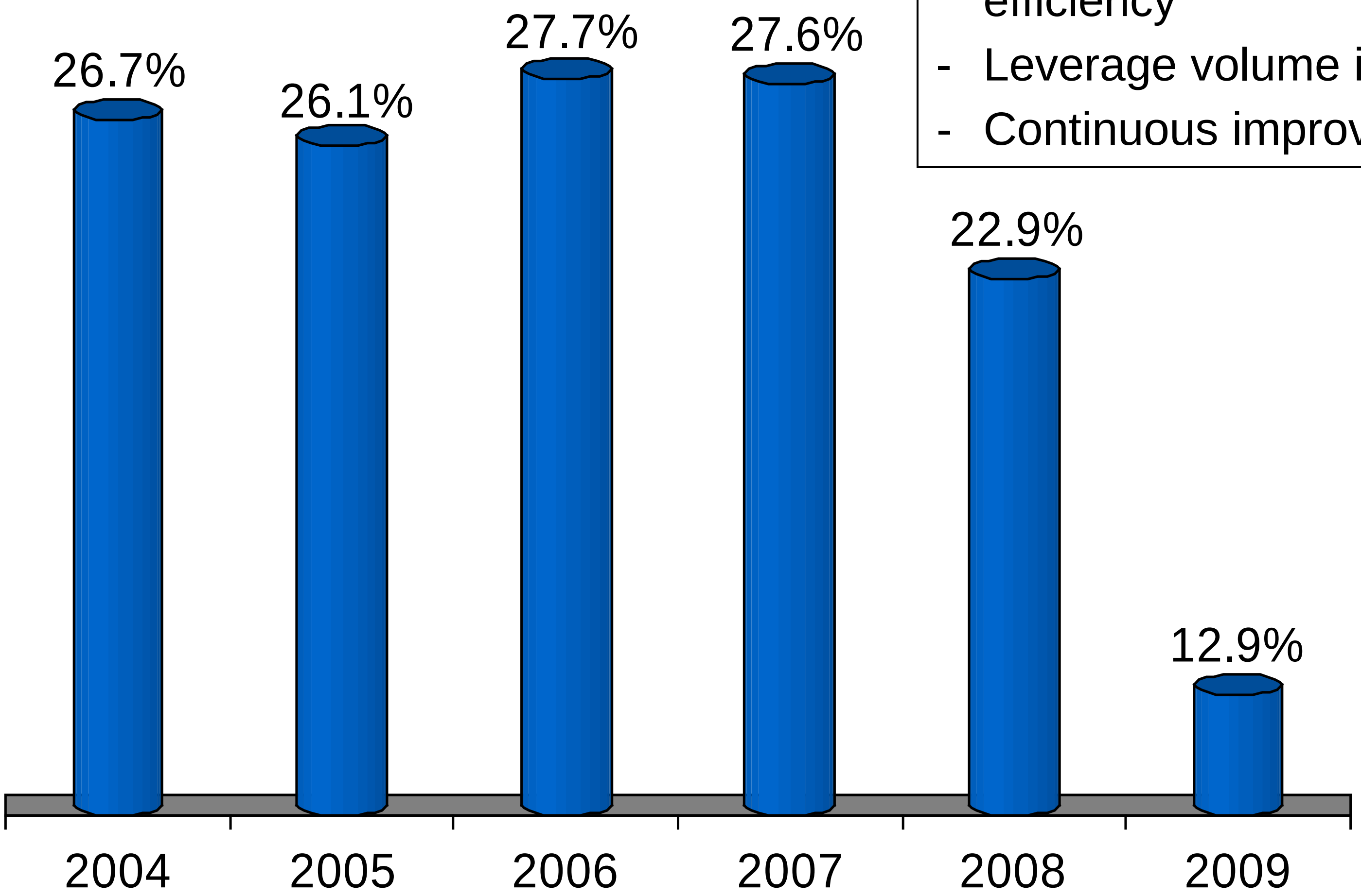


Earnings Per Share

Target: 12%+



Operating Margin



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

Strong Cash Generation

($ Millions)	2009	2008	2007	2006	2005	2004
Operating Cash Flows	$ 147	$ 162	$ 177	$ 156	$ 153	$ 123
% of Net Income	300%	134%	116%	104%	121%	113%
Capital Expenditures	11	27	37	34	20	17
Free Cash Flow	$ 136	$ 135	$ 140	$ 122	$ 133	$ 106
Dividends	$ 45	$ 45	$ 43	$ 39	$ 36	$ 130
Acquisitions	-	55	-	31	111	-
Share Repurchases *	(6)	101	206	76	32	26
	$ 39	$ 201	$ 249	$ 146	$ 179	$ 156

* Net of shares issued

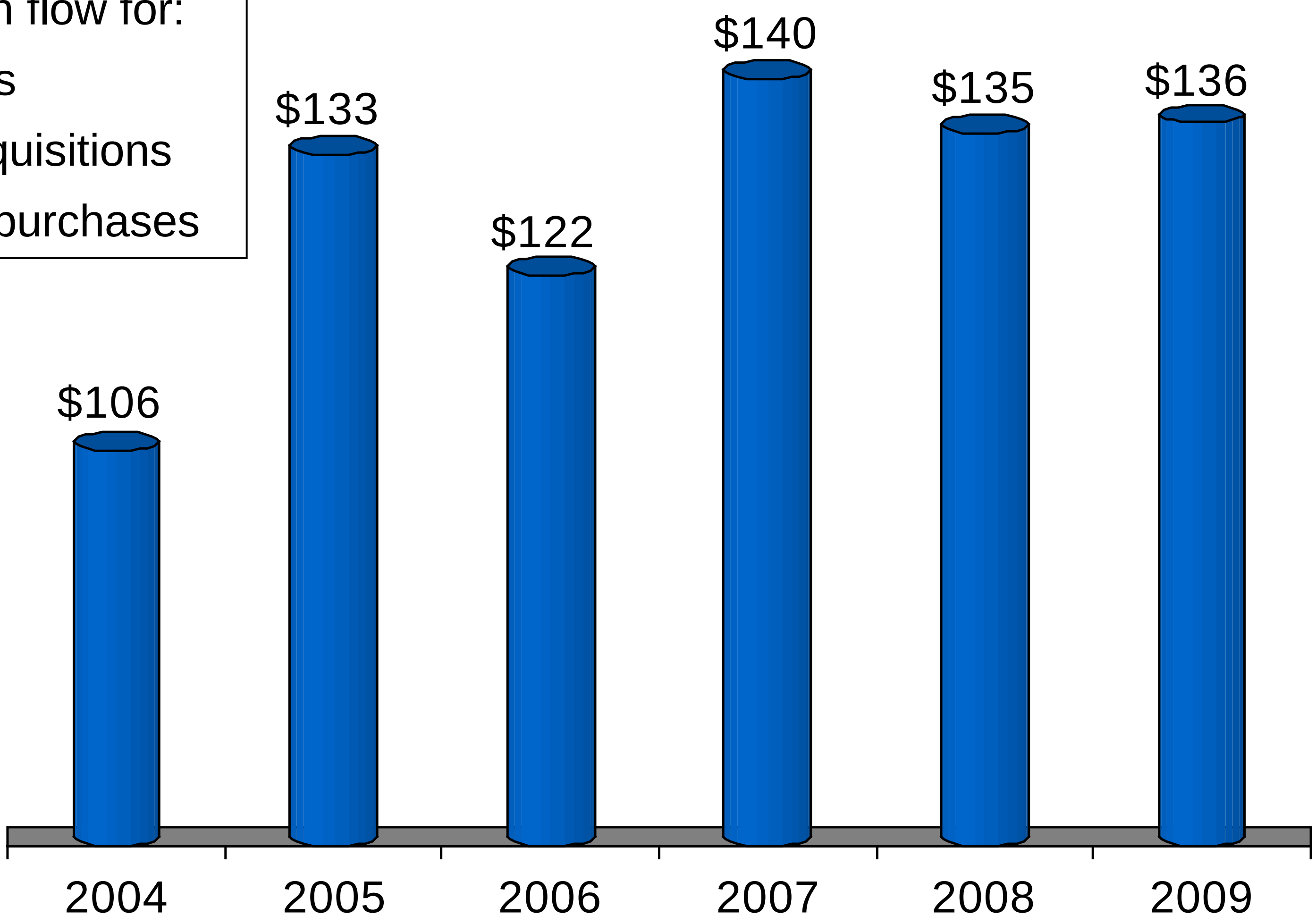
Leverage

($ Millions)	2009	2008	2007	2006	2005	2004
EBITDA	$ 109	$ 222	$ 261	$ 252	$ 213	$ 179
Debt, Net of Cash	$ 93	$ 186	$ 121	$ 12	$ (10)	$ (55)
Debt to EBITDA	85%	84%	46%	5%		
Operating Earnings	$ 74	$ 187	$ 232	$ 226	$ 191	$ 162
Interest Expense	$ 5	$ 8	$ 3	$ 1	$ 1	$ 0.5

Free Cash Flow ($ Millions)

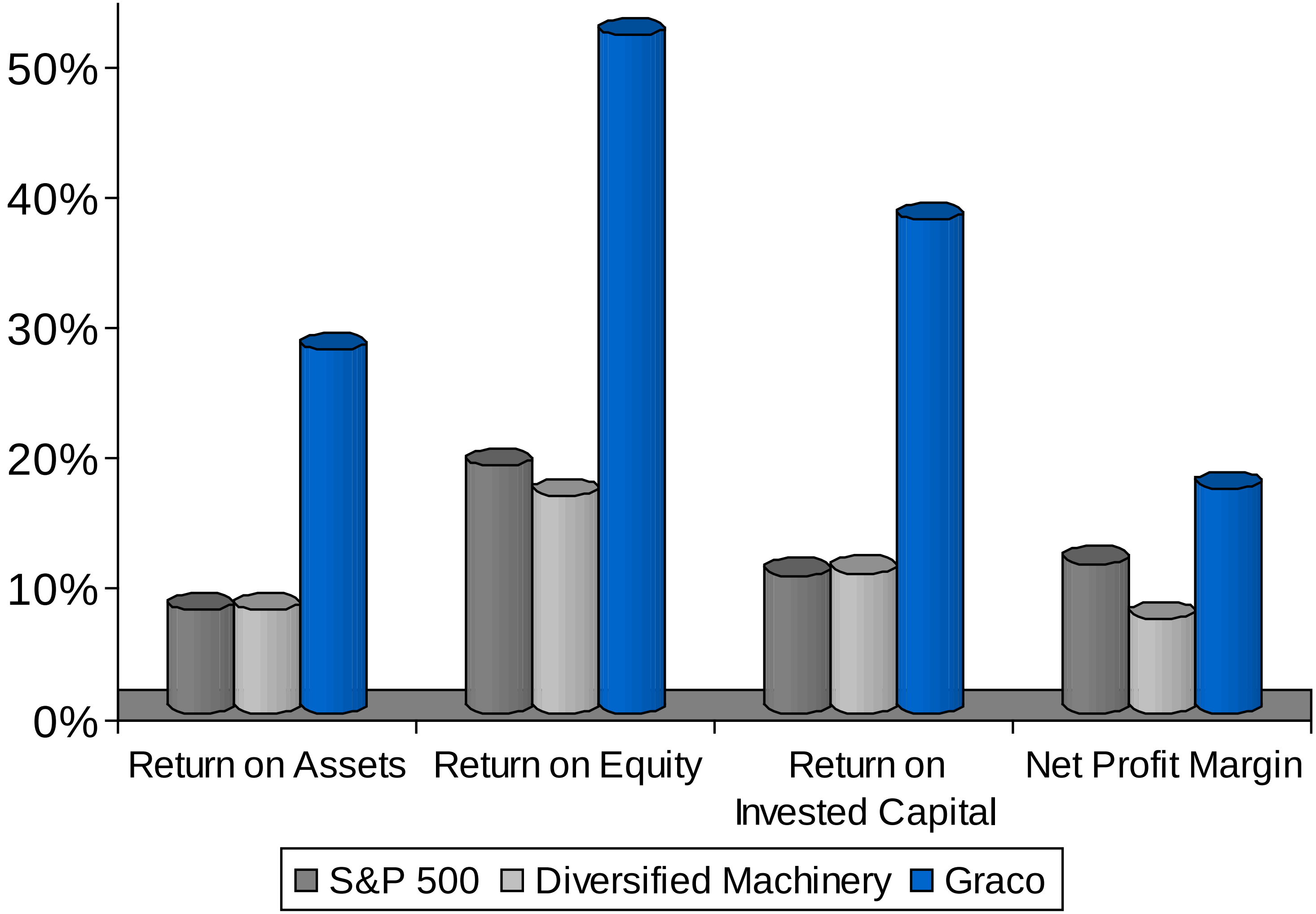
Strong cash flow for:

- Dividends
- Cash acquisitions
- Share repurchases



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

Capital Efficiency – 5 Year Average



Source: Interactive Data, 2010 Thomson Reuters

Cash Deployment Priorities

Organic Growth Investments →

- International footprint
- Product development
- Production capacity & capabilities

Acquisitions →

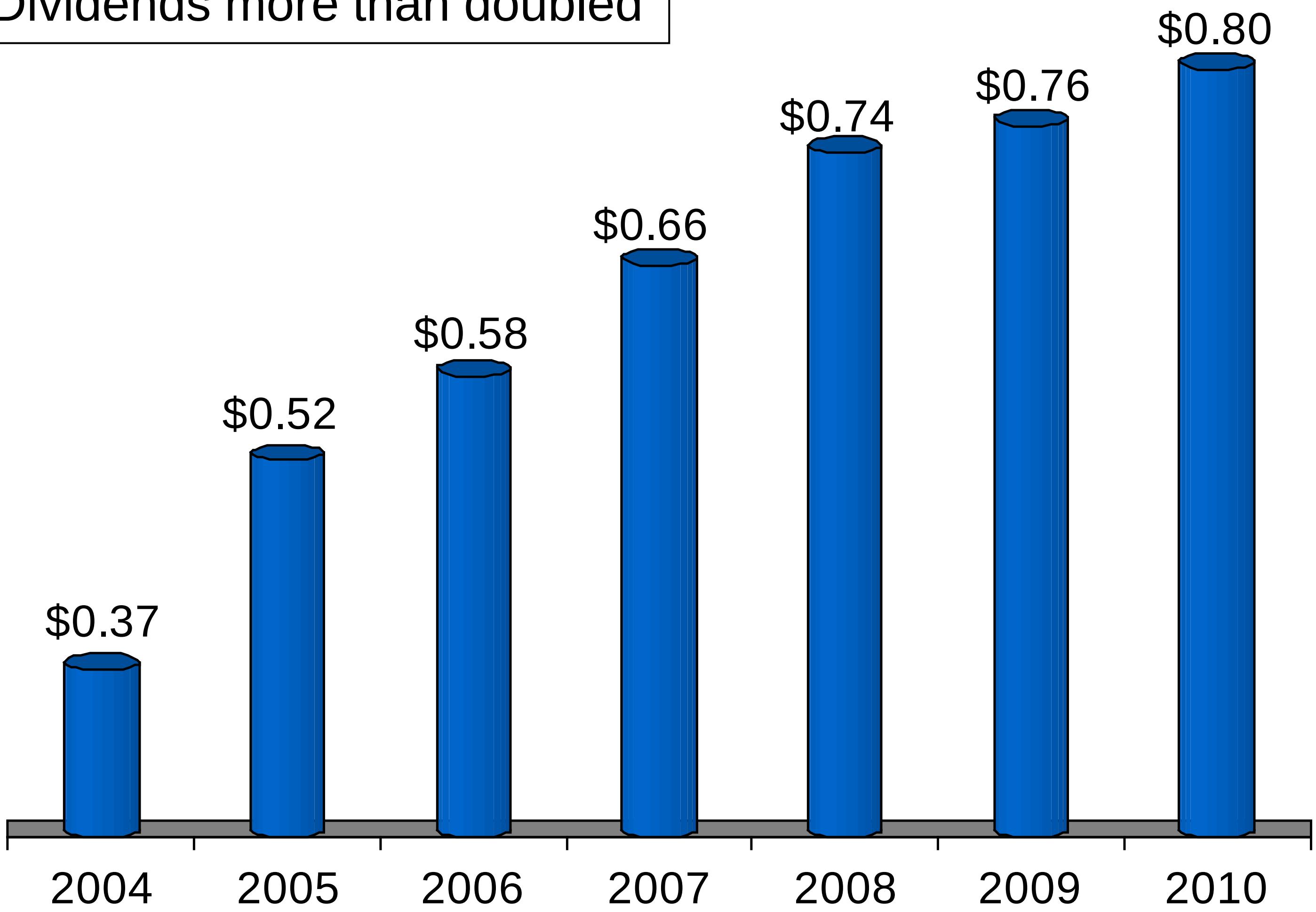
- Supplement to organic growth
- Leverage our strengths

Dividends/Share Repurchase →

- Dividend payout ratio 25-30%
- 6 million authorized share repurchase - 10% of outstanding shares approved September 2009

Annual Dividend Growth

- Dividends more than doubled



Note: Annual dividends rate, excludes special dividend of $1.50 paid in 2004

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

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Move

Measure

Control

Dispense

Spray

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