

GRACO INC.

1st Quarter 2009
Earnings
Conference
Call



Thursday,
April 23, 2009
10 a.m. CT



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.

Conference Call Logistics

The release, accompanying slides and replay web cast are available online at www.Graco.com (click on “Investors”)

Telephone replay available after 2 p.m. ET, April 23, 2009

- 800-405-2236 – conference ID #11130290
- 303-590-3000 – conference ID #11130290, for International participants

2009 1st Quarter Financial Results

\$ millions except EPS	<u>2009</u>	<u>2008</u>	<u>Change</u>
Sales	\$ 137.9	\$ 204.1	(32)%
Gross Profit	64.3	111.9	(42)%
Rate	46.7 %	54.8 %	
Operating Expenses	58.2	59.5	(2)%
Operating Earnings	6.1	52.4	(88)%
Interest & Other Expenses	2.0	1.5	
Earnings Before Income Taxes	4.2	50.9	(92)%
Income Taxes	1.4	15.3	
Net Earnings	\$ 2.8	\$ 35.6	(92)%
Diluted Earnings Per Share	\$ 0.05	\$ 0.57	(91)%

Industrial Equipment

\$ millions	<u>2009</u>	<u>2008</u>	<u>Change</u>
Sales			
Americas	\$ 35.8	\$ 53.4	(33)%
Europe	23.8	39.7	(40)%
Asia Pacific	<u>15.6</u>	<u>21.2</u>	(26)%
Total	\$ 75.2	\$ 114.3	(34)%
Operating Earnings	\$ 11.5	\$ 37.9	(70)%
% of sales	15%	33%	

2008 Operating Earnings	33 %
Exchange effect	(4)%
Unabsorbed manufacturing costs	(3)%
Workforce reduction	(2)%
Product development investments	(1)%
Volume	<u>(8)%</u>
2009 Operating Earnings	<u>15 %</u>

Contractor Equipment

\$ millions	<u>2009</u>	<u>2008</u>	<u>Change</u>
Sales			
Americas	\$ 31.7	\$ 42.4	(25)%
Europe	10.9	18.0	(40)%
Asia Pacific	<u>4.8</u>	<u>5.8</u>	(17)%
Total	\$ 47.4	\$ 66.2	(28)%
Operating Earnings	1.2	\$ 13.7	(91)%
% of sales	3%	21%	

2008 Operating Earnings	21 %
Exchange effect	(3)%
Unabsorbed manufacturing costs	(3)%
Workforce reduction	(2)%
Product development investments	(1)%
Introduction of entry-level program	(1)%
Channel mix	(1)%
Volume	<u>(7)%</u>
2008 Operating Earnings	<u>3 %</u>

Lubrication Equipment

\$ millions	<u>2009</u>	<u>2008</u>	<u>Change</u>
Sales			
Americas	\$ 12.6	\$ 20.1	(37)%
Europe	1.1	1.9	(43)%
Asia Pacific	<u>1.5</u>	<u>1.7</u>	(16)%
Total	\$ 15.2	\$ 23.7	(36)%
Operating Earnings	\$ (1.4)	\$ 4.3	
% of sales	(9)%	18 %	

2008 Operating Earnings	18 %
Exchange effect	(2)%
Unabsorbed manufacturing costs	(5)%
Workforce reduction	(3)%
Product development investments	(1)%
Discontinued product provision	(2)%
Product mix	(3)%
Volume	<u>(11)%</u>
2009 Operating Earnings	<u><u>(9)%</u></u>

Cash Flow and Liquidity

- Q1 2009 cash flow from operations of \$27.7 million versus \$31.9 million in 2008
 - Cash uses
 - Capital expenditures \$6 M
 - Dividends \$11 M
 - Repayment of long-term debt \$13 M
- Managing working capital
 - Reduction of inventories \$6 M
 - Reduction of accounts receivable \$21 M
- Adequate availability of credit
 - Long-term debt of \$167 M
 - Available unused credit lines of \$98 M

Pat McHale - CEO



Proven Quality. Leading Technology.

