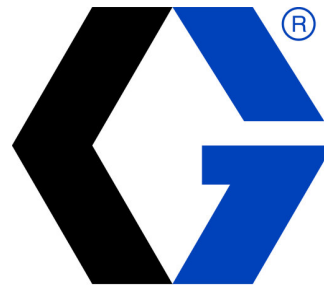


Fourth Quarter / Year-End 2008 Earnings Conference Call

Tuesday, January 27, 2009

10:00 a.m. CST



GRACO

Proven Quality. Leading Technology.





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 2007 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, January 27, 2009

- 800-405-2236 – conference ID #11124982
- 303-590-3000 – conference ID #11124982, for International participants





2008 Financial Results

\$ millions except EPS	Fourth Quarter			Year		
	2008	2007	Change	2008	2007	Change
Sales	\$ 166.7	\$ 205.2	(19)%	\$ 817.3	\$ 841.3	(3)%
Gross Profit	81.4	109.7	(26)%	432.2	447.4	(3)%
Rate	48.8 %	53.5 %		52.9 %	53.2 %	
Operating Expenses	66.0	55.6	19 %	244.8	214.9	14 %
Operating Earnings	15.4	54.1	(71)%	187.4	232.5	(19)%
Interest & Other Expenses	2.7	1.6		8.8	3.7	
Earnings Before Income Taxes	12.7	52.5	(76)%	178.6	228.8	(22)%
Income Taxes	2.6	16.8		57.7	76.0	
Net Earnings	\$ 10.1	\$ 35.7	(72)%	\$ 120.9	\$ 152.8	(21)%
Diluted Earnings Per Share	\$ 0.17	\$ 0.56	(70)%	\$ 1.99	\$ 2.32	(14)%





Cash Flows and Liquidity

- 2008 cash flow from operations \$162 million versus \$177 million in 2007
 - Cash uses:
 - Capital Expenditures \$30 M
 - Acquisitions \$55 M
 - Dividends \$45 M
 - Share repurchases of \$115 M
- Adequate availability of credit
 - Long-term debt of \$180 M
 - Available unused credit lines of \$87 M
- No requirement for pension plan contribution in 2009, though may choose to make a contribution.





Industrial Equipment

\$ millions	Fourth Quarter			Year		
	2008	2007	Change	2008	2007	Change
Sales						
Americas	\$ 50.6	\$ 56.3	(10)%	\$ 219.6	\$ 213.1	3 %
Europe	25.9	34.1	(24)%	148.1	138.0	7 %
Asia Pacific	21.4	27.2	(21)%	95.2	93.6	2 %
Total	\$ 97.9	\$ 117.6	(17)%	\$ 462.9	\$ 444.7	4 %
Operating Earnings	\$ 20.4	\$ 40.7	(50)%	138.2	\$ 152.3	(9)%
% of sales	20.8 %	34.6 %		29.9 %	34.2 %	

	Fourth Quarter 2008	Year 2008
% of 2007 Sales		
2007 Operating Earnings	34.6 %	34.2 %
Exchange effect	(3.3) %	1.1 %
Acquisition	(1.2) %	(0.6) %
Intangible asset impairment charge	(3.0) %	(0.8) %
Workforce reduction	(2.2) %	(0.6) %
Unabsorbed manufacturing costs	(1.7) %	(0.6) %
Product development investments	0.0 %	(0.7) %
Volume and other	(2.4) %	(2.1) %
2008 Operating Earnings	<u>20.8 %</u>	<u>29.9 %</u>





Contractor Equipment

\$ millions	Fourth Quarter			Year		
	2008	2007	Change	2008	2007	Change
Sales						
Americas	\$ 29.6	\$ 39.7	(25)%	\$ 165.0	\$ 210.9	(22)%
Europe	15.4	18.9	(18)%	76.8	71.0	8 %
Asia Pacific	5.8	7.5	(23)%	25.0	24.8	1 %
Total	\$ 50.8	\$ 66.1	(23)%	\$ 266.8	\$ 306.7	(13)%
Operating Earnings	\$ (2.5)	\$ 14.9	(117)%	47.2	\$ 81.5	(42)%
% of sales	(4.9)%	22.6 %		17.7 %	26.6 %	

% of 2007 Sales	Fourth Quarter 2008	Year 2008
2007 Operating Earnings	22.6 %	26.6 %
Exchange effect	(2.7) %	0.7 %
Acquisition	(1.8) %	(0.4) %
Workforce reduction	(1.8) %	(0.4) %
Introduction of entry-level program	(8.5) %	(2.8) %
Unabsorbed manufacturing costs	(2.1) %	(0.5) %
Product development investments	(2.0) %	(0.4) %
Volume and other	(8.6) %	(5.1) %
2008 Operating Earnings	(4.9) %	17.7 %





Lubrication Equipment

\$ millions	Fourth Quarter			Year		
	2008	2007	Change	2008	2007	Change
Sales						
Americas	\$ 14.7	\$ 18.0	(18)%	\$ 70.8	\$ 76.4	(7)%
Europe	1.6	1.5	6 %	7.4	6.6	13 %
Asia Pacific	1.7	2.0	(18)%	9.4	6.9	35 %
Total	\$ 18.0	\$ 21.5	(16)%	\$ 87.6	\$ 89.9	(3)%
Operating Earnings	\$ 0.1	\$ 1.4	(90)%	12.5	\$ 9.3	35 %
% of sales	0.8 %	6.5 %		14.2 %	10.3 %	

% of 2007 Sales	Fourth Quarter 2008	Year 2008
2007 Operating Earnings	6.5 %	10.3 %
Workforce reduction	(2.3) %	(0.6) %
Unabsorbed manufacturing costs	(2.3) %	(0.6) %
Product development investments	(0.9) %	(0.2) %
Volume and other	(0.2) %	5.3 %
2008 Operating Earnings	0.8 %	14.2 %



Pat McHale - CEO



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Move

Measure

Control

Dispense

Spray

