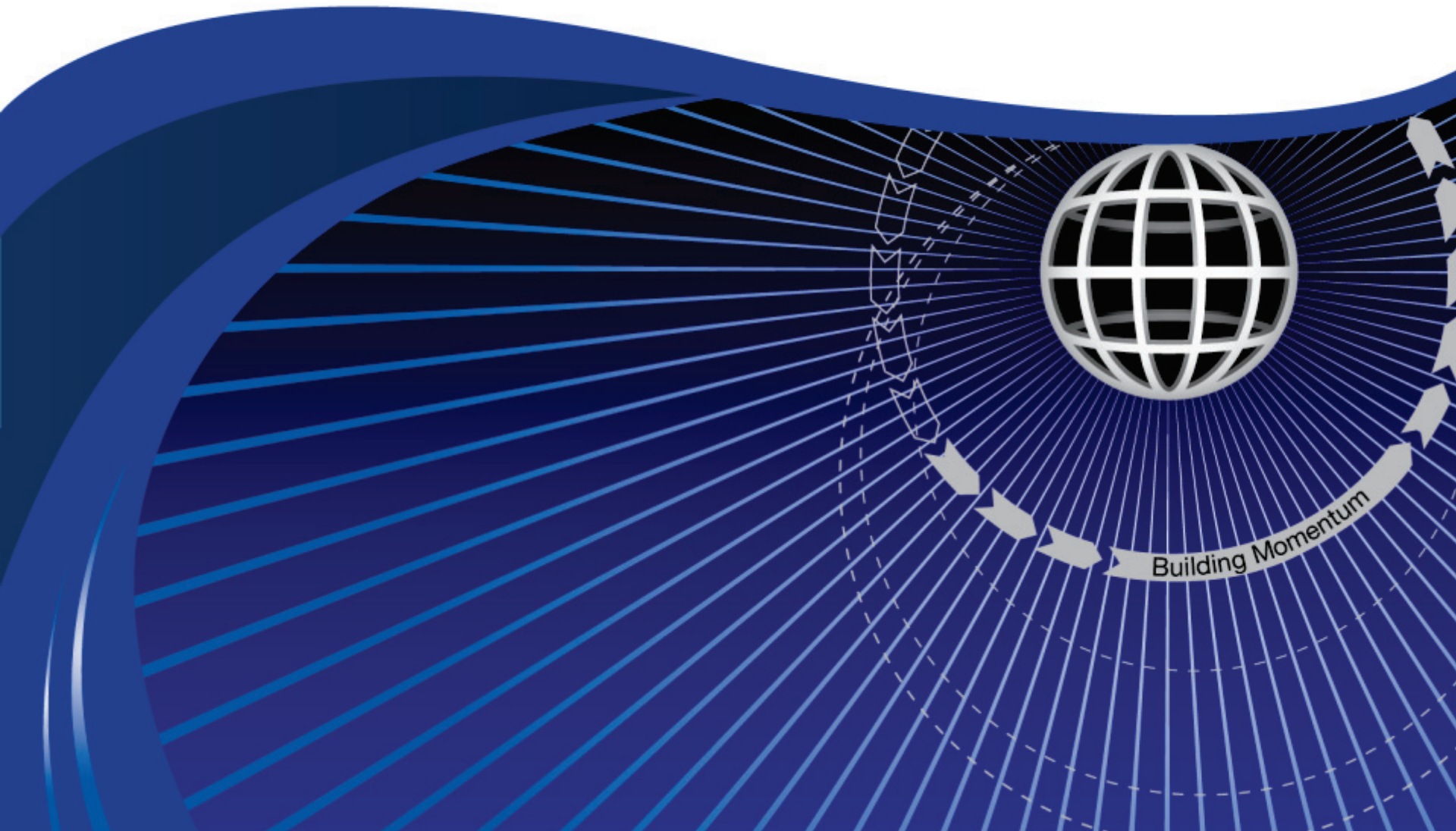




Investor Presentation

2nd Quarter — July 2012














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 Form 10-K, and most recent Form 10-Q.



Planning for Growth in 2012

| | Americas | Europe | Asia Pacific |
|---------------------|--|---|---|
| Industrial Segment |  Favorable: Gen Industrial; Automotive; Ag; Heavy Machinery Stable: Construction |  Favorable: Emerging EMEA Challenging: S Europe |  Favorable: Gen Industrial; Heavy Machinery Challenging: Project Activity |
| Contractor Segment |  Improving: Pro Paint Stable: Gen Construction & DIY |  Challenging: Construction & Southern Europe |  Favorable: Emerging Markets Stable: General Construction |
| Lubrication Segment |  Favorable: Industrial Lubrication; Vehicle Services |  Favorable: Industrial Lubrication Challenging: Southern Europe |  Favorable: Industrial Lubrication; Heavy Equipment |



➤ Business Overview

- ❖ Opportunities and Strategies
- ❖ Building Momentum
 - Invest in New Products
 - Expand Geographically
 - Target New Markets
 - Make Acquisitions
- ❖ Company Performance

Building Momentum



Business Overview

- Graco manufactures equipment to pump, meter, mix and dispense a wide variety of fluids
 - Difficult to handle materials with high viscosities
 - Abrasive and corrosive properties
 - Multiple component materials that require precise ratio control
- Outstanding reputation for premium products
 - Broad range for a variety of end markets
 - New product development investments consistently above peers
 - Manufacturing and engineering drive reliability and quality



High Customer Value, Strong Product Differentiation





Strong Customer Value Means Low-Volume, High-Mix

| Average Number of Units Sold Per Day | # of SKUs | Total Sales \$ (in millions) |
|--------------------------------------|---------------|------------------------------|
| 0 - 1 | 37,307 (90%) | \$435 (49%) |
| 2 - 5 | 2,612 (6%) | \$173 (19%) |
| 6 - 10 | 664 (2%) | \$78 (9%) |
| 11 - 15 | 242 (1%) | \$51 (6%) |
| Greater than 15 | 547 (1%) | \$158 (17%) |
| Totals | 41,372 | \$895 |



Business Overview

Strong financial performance and operating leverage

- 20% revenue growth in 2011; 28% growth in 2010
- Incremental operating earnings leverage on organic revenue growth of 35% to 45%; 2011 was 44%

Well-positioned channel partners

- Sales primarily through independent distributors – approximately 30,000 outlets worldwide
- Selective relationships with big box retailers

Aftermarket provides a recurring revenue stream


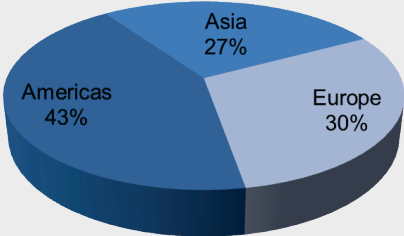

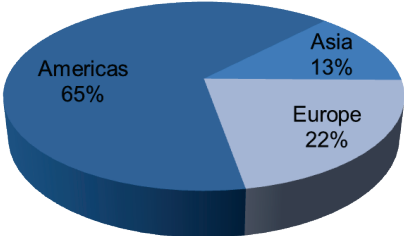

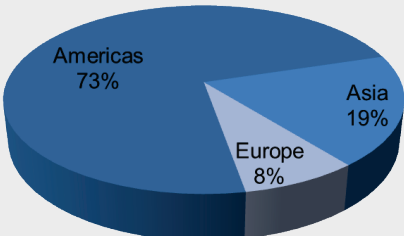
- Parts and accessories account for approximately 40% of annual revenues

A global business

- More than 45% of sales from outside the Americas



An Introduction to our Segments

| Business | Typical Competitors | Global Market Size | 2012 YTD vs. 2011 YTD | Geographic Mix |
|--|---------------------------------------|--------------------|------------------------------------|--|
| Industrial  | ITW, Exel, Idex, IR, Dover and Wagner | \$2.0 billion | 16% (22% 2Q12 including Powder) | 2012 Sales - \$292M  |
| Contractor  | Wagner | \$0.5 billion | 2% (2% 2Q12) | 2012 Sales - \$154M  |
| Lubrication  | Lincoln, Vogel, BEKA, Samoa, & RAASM | \$1.1 billion | 13% (13% 2Q12) | 2012 Sales - \$56M  |

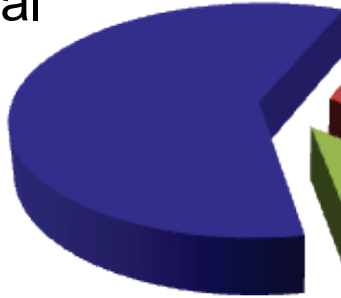


2012 – Second Quarter Sales

\$268 Million

Segment
\$'s millions

Industrial
\$158
59%



Contractor
\$82
31%



Lubrication
\$28
10%



Geography
\$'s millions

Americas
\$141
52%



Asia Pacific
\$58
22%



Europe
\$69
26%





❖ Business Overview

➤ **Opportunities & Strategies**

❖ Building Momentum

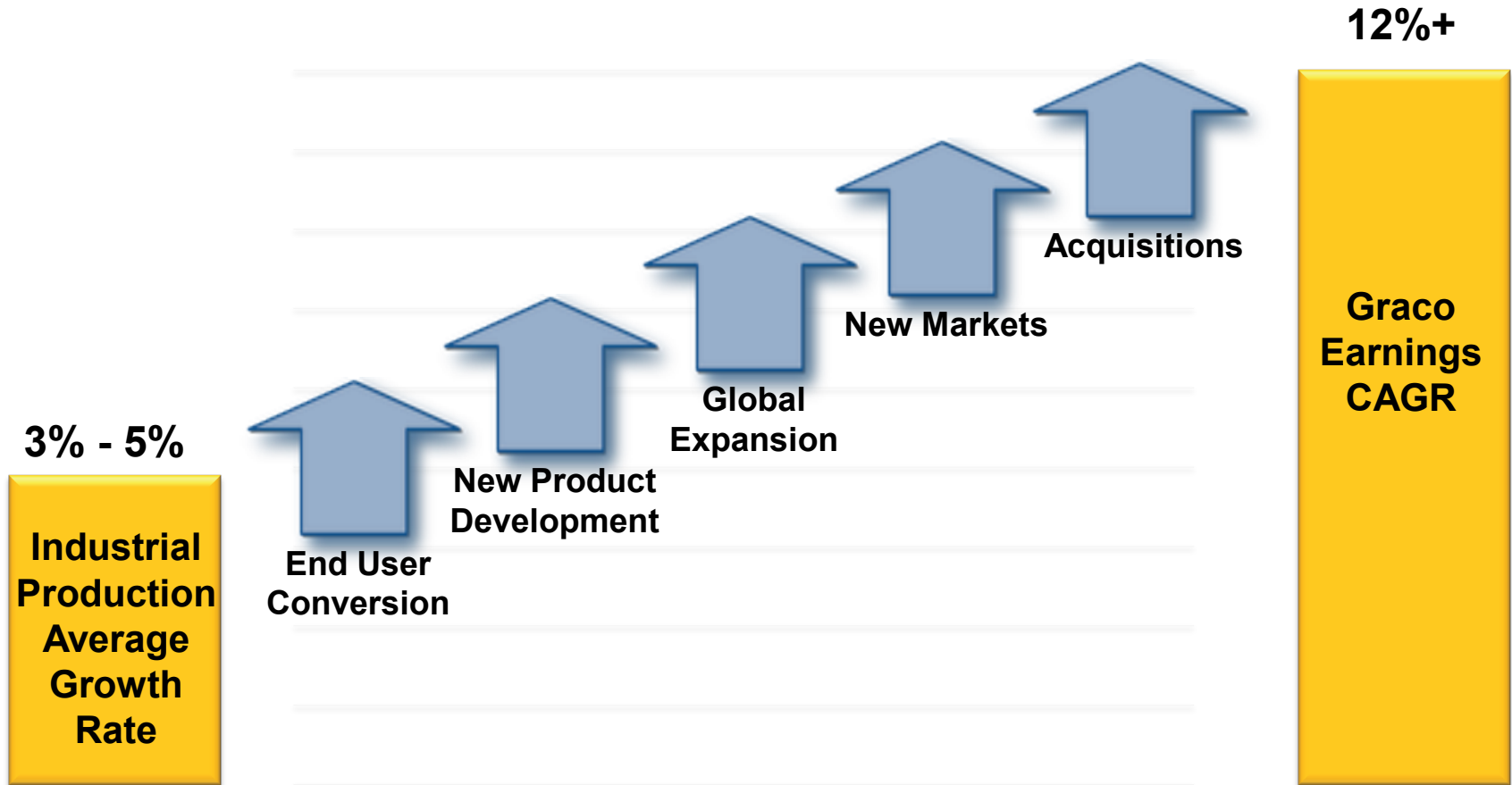
- Invest in New Products
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❖ Company Performance

Building Momentum



Graco's Growth Plans and Earnings Drivers



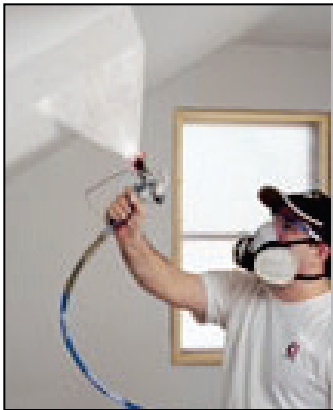
- New applications in adjacent markets
 - Sanitary
 - Composites
 - Alternative energy
- Material changes driving demand
 - High performance multiple component materials
 - Low - or no - VOC coatings
 - Green initiatives
- Customer ROI-based new products
 - Integration of equipment with factory data and control systems
 - Reducing energy consumption
- International market trends resulting in new installations
 - Industrialization and wage inflation in developing markets driving automation
 - Factory relocations to low-cost geographies





Contractor Equipment

- 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





Lubrication Equipment

- Focused on expanding international markets and presence
 - Rapidly adding resources for specialized global marketing and selling
 - Developing products to meet local market needs
 - Building global channel
- Industrial lubrication market targeted opportunities
 - Expanding product offering
 - Improving cost position



- ❖ Business Overview
- ❖ Opportunities and Strategies

➤ **Building Momentum**

- **Invest in New Products**
- Expand Geographically
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Building Momentum



Targeting Growth Through New Products and Markets

New Product Development Expense as a Percentage of Revenues - 2011



Peer group includes:

- Colfax
- Dover
- Dresser Rand
- Flowserve
- IDEX
- Illinois Tool Works
- Ingersoll Rand
- Nordson
- Robbins & Myers
- Watts Water Technologies



Industrial – Integrated Proportioning System

- For foam or polyurea
- Innovative design uses wasted heat from the engine to heat the A & B materials
- System's smaller generator saves the contractor about \$7,000 in diesel fuel costs annually
- Proprietary Graco Control Architecture enables advanced data features:
 - Stores up to 24 chemical recipes
 - Download data onto USB drive



Reactor E-30i Integrated Proportioning System –
combines an electric Reactor and a diesel generator into one package



Industrial – New Product – Peristaltic Hose Pump

Key Product Attributes

- Electric driven
- Metering capability
- Seal less to prevent leaks
- Ability to handle abrasive materials
- Wide chemical compatibility range

New Peristaltic Hose Pump Opens New Opportunities

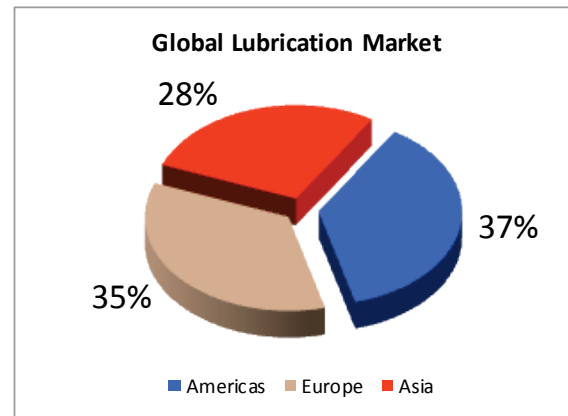
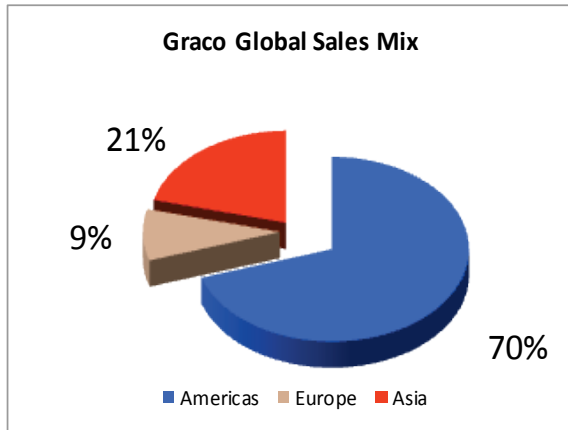
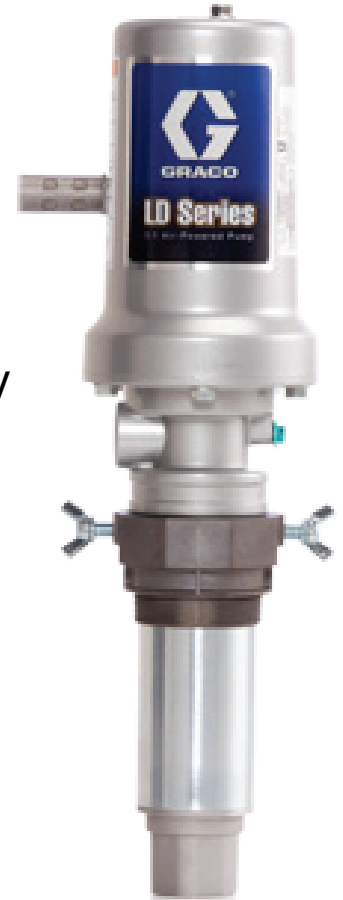
- Ceramics
- Potable and waste water treatment
- Food ingredient metering and transfer
- Chemical dosing
- Energy





Lubrication – New Products

- LD Pump – Specifically designed for emerging markets
 - Eastern Europe, China, SEA, India and Brazil
- Market Requirements
 - Size / Performance – Smaller service shops
 - Lower Duty Cycle – Lower number of oil changes per day
 - Price – Size, duty cycle, and competitive environment dictate reduced price point





Lubrication – New Products

Complete Offering Designed for Emerging Markets



- LineLazer IV 250SPS
Self Propel striping unit that gives the user the choice of a “Stand-On” striping system
 - City Striping Jobs
 - Intersections
 - Airports
 - Large Parking Ramps
 - Bike Paths
 - Large Parking Lots
 - Turf – Sports Fields
 - Stencil Jobs
 - Pavement
 - Turf



- ❖ Business Overview
- ❖ Opportunities and Strategies

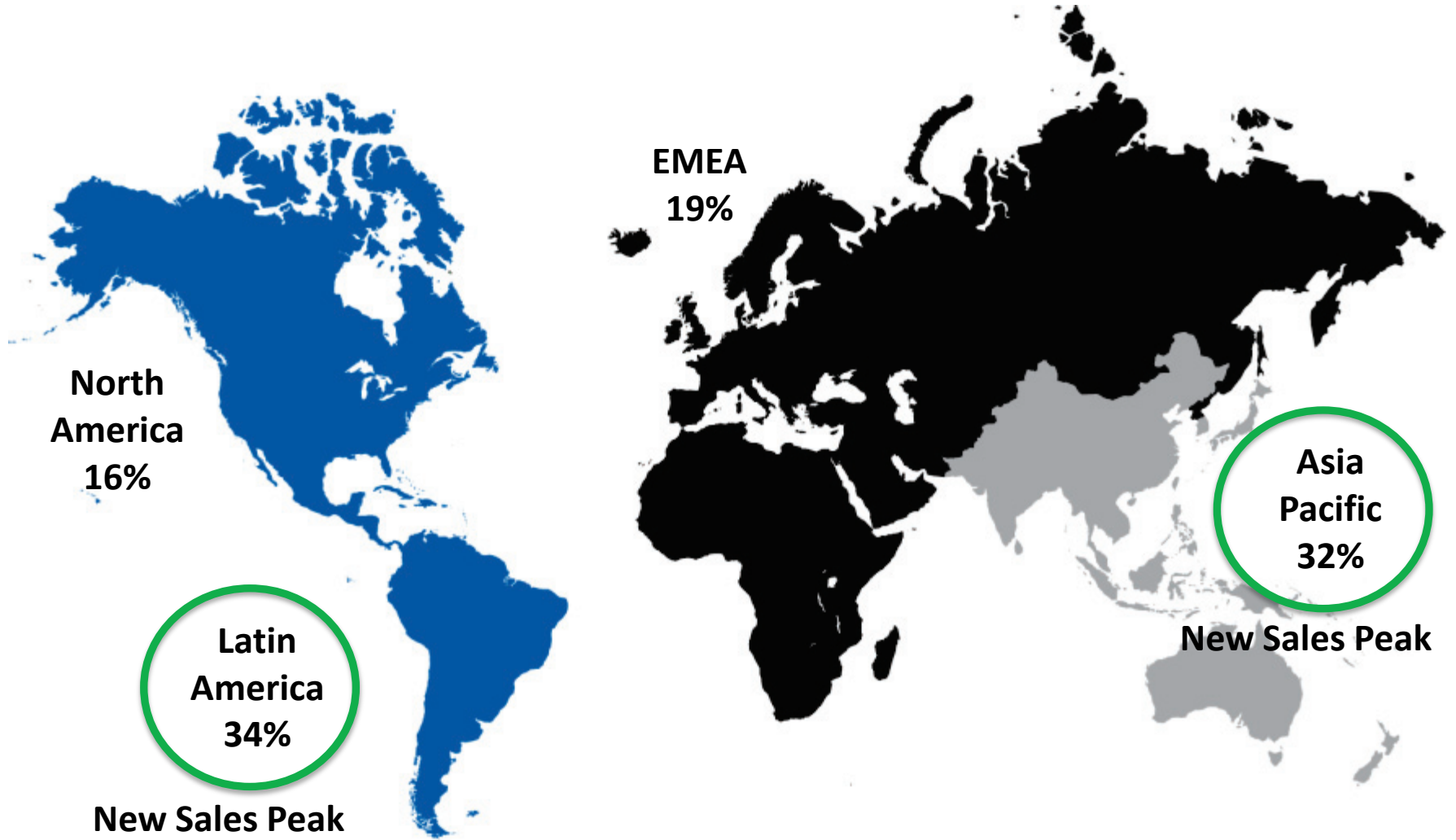
➤ **Building Momentum**

- Invest in New Products
- **Expand Geographically**
- Target New Markets
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- ❖ Company Performance

Building Momentum



Double-Digit Growth Worldwide in 2011



Asia Pacific Training Investment – Shanghai

- Target Audience
 - Graco Employees
 - Distributors
 - Material Suppliers & End Users
- Dedicated AP Training Team
 - Local Language Capability
- First Year Results
 - Opened - April 2011
 - 1080 Trainees
 - 50 Events



- ❖ Business Overview
- ❖ Opportunities and Strategies

➤ **Building Momentum**

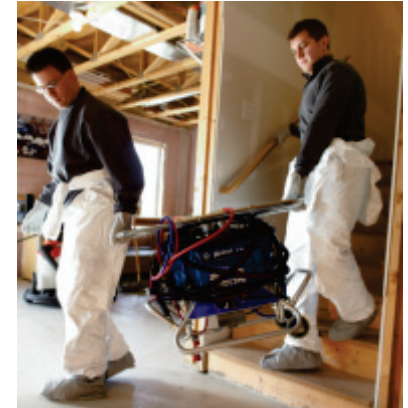
- Invest in New Products
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 - **Target New Markets**
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- ❖ Company Performance

Building Momentum



AFTD – New Markets

- Existing homes — Reactor E-8p
 - For applying no-heat foam insulation in existing homes
 - Seal and insulate rim joists; create air barriers in attics
 - 86 million homes in N. America need better insulation
 - For insulation contractors who want to build their business, also remodeling contractors or new start-ups
- Asia Pacific — Reactor A-25
 - For foam insulation or in-plant foam applications
 - 70% of sales will be in Asia Pacific region
- Composites — Graco RS Resin Spray Gun
 - For gel coat and fiberglass applications in the composites market
 - Change blades in less than 15 seconds



- XForce HD and ProShot HD Handheld Target Markets
 - Protective & Marine Coatings Market - Specializing in protection and preservation of Steel and Concrete
 - Food and Beverage
 - Power Generation
 - Bridge and Highway
 - Rail
 - Healthcare and Steel Fabrication
 - Secondary Markets:
 - Fireproofing
 - Insulation
 - Roofing
 - Waterproofing
 - Pavement Maintenance



- ❖ Business Overview
- ❖ Opportunities and Strategies

➤ **Building Momentum**

- Invest in New Products
- Expand Geographically
- Target New Markets
- **Make Acquisitions**

- ❖ Company Performance

Building Momentum

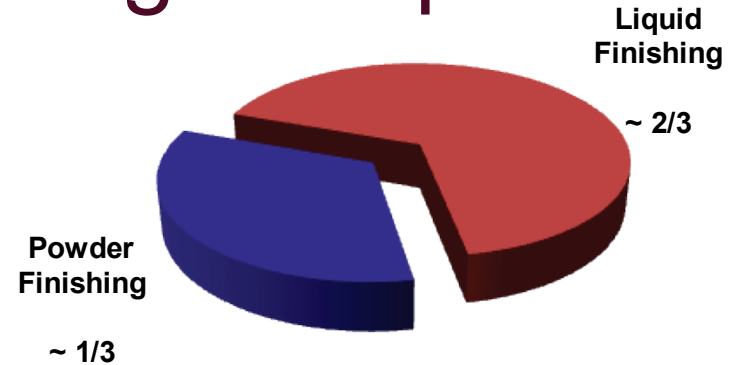


Graco Acquired on April 2, 2012 for \$650 million

ITW Finishing Group

2011 Revenues* \$375 million

2011 EBITDA* \$80 million



Powder Finishing



Liquid Finishing – Held Separate



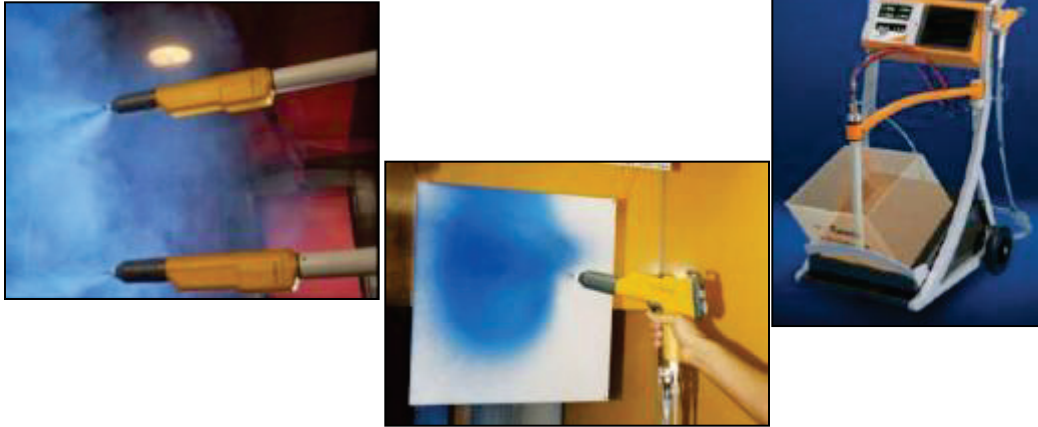
* Unaudited, provided by ITW



FTC Order to Hold Separate and Maintain Assets

- Intent is to maintain business and its momentum while FTC considers a settlement proposal from Graco
- Liquid Finishing businesses to be run completely independent of Graco
 - Wholly-owned, but no Graco involvement or influence
 - Day-to-day operations under existing management
 - Supervision by a trustee that reports to the FTC
- Will be accounted for as a cost investment under GAAP
- FTC will issue a final decision and order that will identify the products, businesses and/or assets that Graco will be required to divest. Divestiture must happen within 180 days following the FTC order

Electrostatic Powder Guns



Reciprocators



Powder Kitchens



Complete Systems



Powder Finishing – Strong Strategic Fit

- Well established brand name
 - High quality
 - A technology leader
- Large installed base
- Access to attractive end markets
- Desirable emerging market exposure
- Strong and growing global distribution base
- Scale to drive long-term growth worldwide



any powder
any part
any place



Gema

OptiFlex®2 B



Job Coaters
3%

Machines Industry
3%

Automotive /
Transportation
5%

Electrical /
Electronics
6%

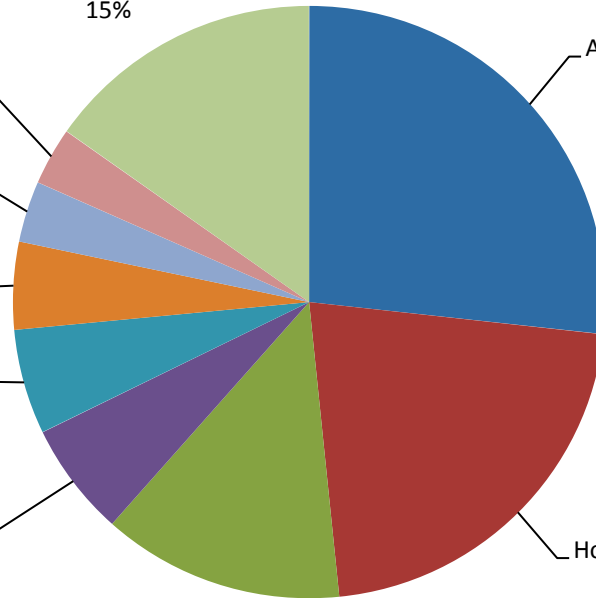
Heating / Cooling /
Sanitary
6%

All Other
15%

Architecture
27%

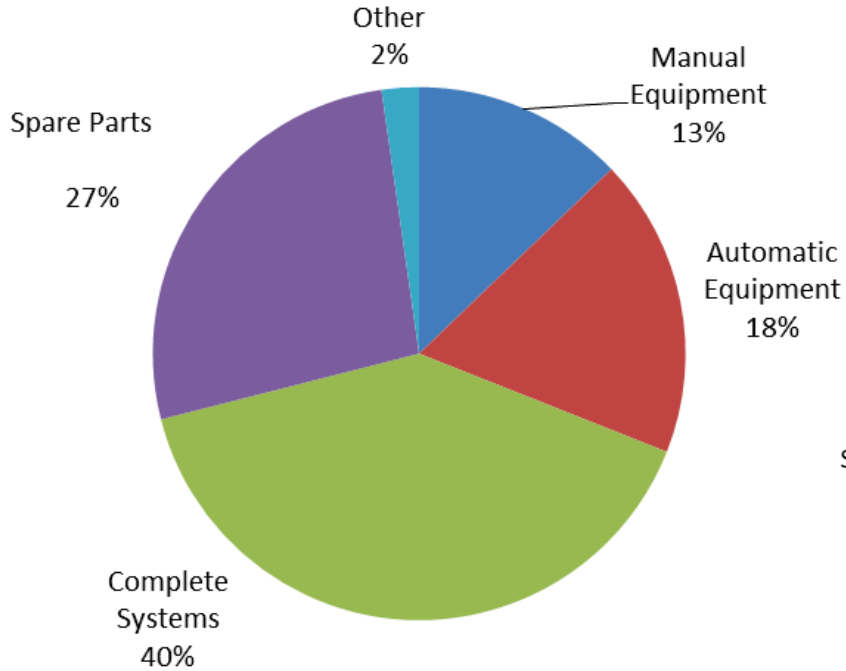
Metallic Furniture
13%

Home Appliances
22%

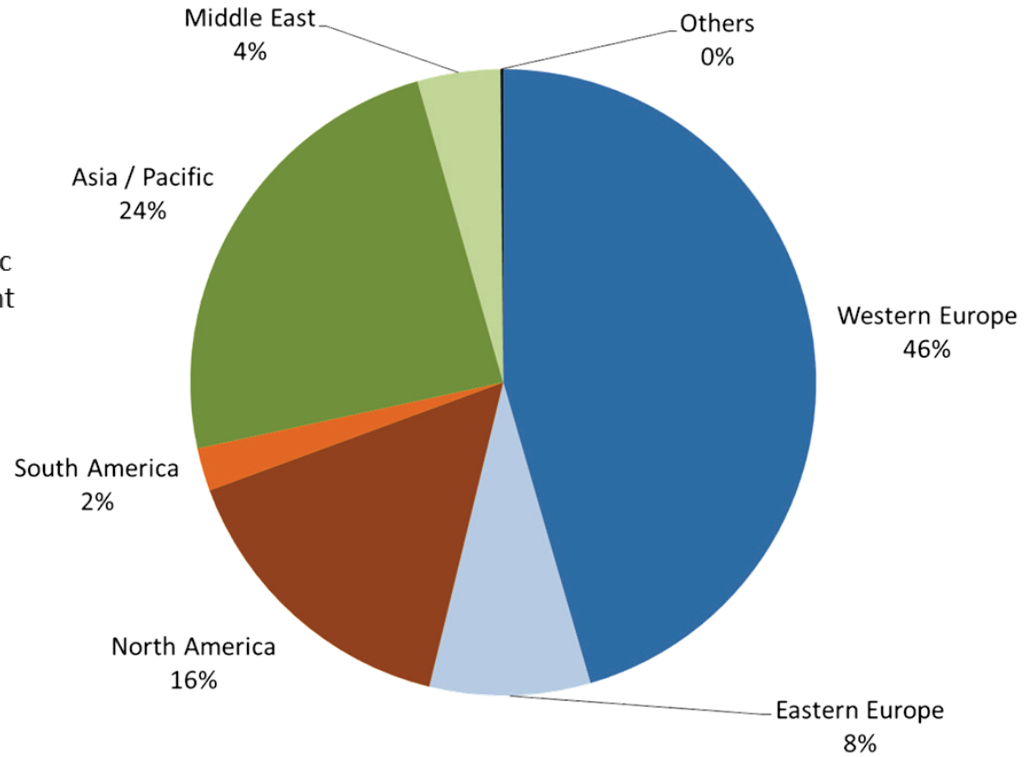




Gema Sales Families (Revenues)



Gema Sales - 2011



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➤ **Company Performance**

Building Momentum



Consolidated Financial Results

\$ millions except EPS

| | Second Quarter | | | Year-to-Date | | |
|-------------------------------|----------------|----------|-----------|--------------|----------|-----------|
| | 2012 | 2011 | Change | 2012 | 2011 | Change |
| Sales | \$ 268.2 | \$ 234.7 | 14 % | \$ 502.3 | \$ 452.3 | 11 % |
| Gross Profit | \$ 139.5 | 132.4 | 5 % | 271.7 | 256.8 | 6 % |
| % of Sales | 52.0 % | 56.4 % | (4.4) pts | 54.1 % | 56.8 % | (2.7) pts |
| Operating Earnings | \$ 52.5 | 58.3 | (10)% | 110.4 | 115.3 | (4)% |
| % of Sales | 19.6 % | 24.8 % | (5.2) pts | 22.0 % | 25.5 % | (3.5) pts |
| Net Earnings | \$ 34.4 | \$ 38.1 | (10)% | \$ 69.7 | \$ 75.4 | (7)% |
| % of Sales | 12.8 % | 16.2 % | (3.4) pts | 13.9 % | 16.7 % | (2.8) pts |
| Diluted Earnings Per Share | \$ 0.56 | \$ 0.61 | (8)% | \$ 1.13 | \$ 1.22 | (7)% |

Acquisition related items:

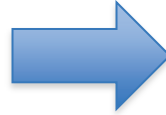
Non-recurring charges related to inventory
 Acquisition transaction costs- increase
 Amortization of intangibles
 Interest expense- increase
 Liquid Finishing dividend (income)

| | Second Quarter | Year-to-Date |
|--|----------------|--------------|
| | \$ 7 | \$ 7 |
| | 5 | 9 |
| | 2 | 2 |
| | 4 | 7 |
| | (4) | (4) |



Cash Deployment Priorities

Organic Growth Investments



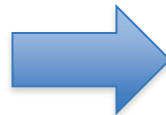
- International footprint
- Product development
- Production capacity and capabilities

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



Key Investment Attributes

- Strategies that will drive long-term above-market growth
- Premium products that provide a strong ROI for end users
- 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



**Financial
Summary
For Q2 2012 -
Appendix**



Financial Results – First Half 2012

| (\$ Millions except EPS) | <u>2012</u> | <u>2011</u> | <u>Change</u> |
|--------------------------|-------------|-------------|---------------|
| Sales | \$ 502.3 | \$ 452.3 | 11% |
| Gross Profit Rate | 54.1% | 56.8% | |
| Operating Expenses | 161.3 | 141.5 | 14% |
| Operating Earnings | 110.4 | 115.3 | (4%) |
| Net Earnings | \$ 69.7 | \$ 75.4 | (8%) |
| Earnings Per Share | \$ 1.13 | \$ 1.22 | (7%) |



Year-to-Date 2012 Results

- Sales year-to-date up 11 percent (13 percent at consistent currency translation rates) compared to prior year
 - Powder Finishing sales of \$31 million accounts for 7 percentage points
 - Currency translation rates decreased sales by approximately \$8 million
- Year-to-date gross profit margin of 54 percent, down 3 percentage points from last year
 - Realized pricing more than offset higher cost
 - Effect of purchase accounting, 1½ percentage points
 - Powder Finishing lower margin impacted consolidated by ½ percentage point
 - Currency translation and product mix lowers margin by 1½ percentage points
- Operating expenses were up \$20 million, including acquisition transaction costs and Powder Finishing operations
- Backlog increased \$32 million as compared to prior year-end, all from Powder Finishing
- Net earnings decreased by 7 percent compared to last year
- Diluted EPS was \$1.13



Financial Results – Second Quarter 2012

| (\$ Millions except EPS) | <u>2012</u> | <u>2011</u> | <u>Change</u> |
|--------------------------|-------------|-------------|---------------|
| Sales | \$ 268.2 | \$ 234.7 | 14% |
| Gross Profit Rate | 52.0% | 56.4% | |
| Operating Expenses | 87.1 | 74.2 | 17% |
| Operating Earnings | 52.5 | 58.3 | (10%) |
| Net Earnings | \$ 34.4 | \$ 38.1 | (10%) |
| Earnings Per Share | \$ 0.56 | \$ 0.61 | (8%) |



Second Quarter 2012 Results

- Sales for the quarter up 14 percent (17 percent at consistent currency translation) compared to prior year
 - Powder Finishing sales of \$31 million accounts for 13 percentage points
 - Currency translation rates decreased sales by approximately \$7 million
- First quarter gross profit margin of 52 percent was down 4 percentage points from last year
 - Realized price increases more than offset higher cost
 - Effect of purchase accounting 3 percentage points
 - Powder Finishing lower margin impacted consolidated margin by 1 percentage point
 - Effect of currency translation decreased margin 1 percentage point
- Operating expenses were up \$13 million, including acquisition transaction costs and Powder Finishing operations
- Net earnings decreased by 10 percent compared to second quarter last year
- Diluted EPS was 56 cents



Building Momentum

Financial Summary For 2011 - Appendix



2011 Sales

\$895 Million

Segment
\$'s millions

Geography
\$'s millions

Industrial
\$502
56%



Contractor
\$291
33%



Lubrication
\$102
11%



Americas
\$476
53%

Asia Pacific
\$208
23%

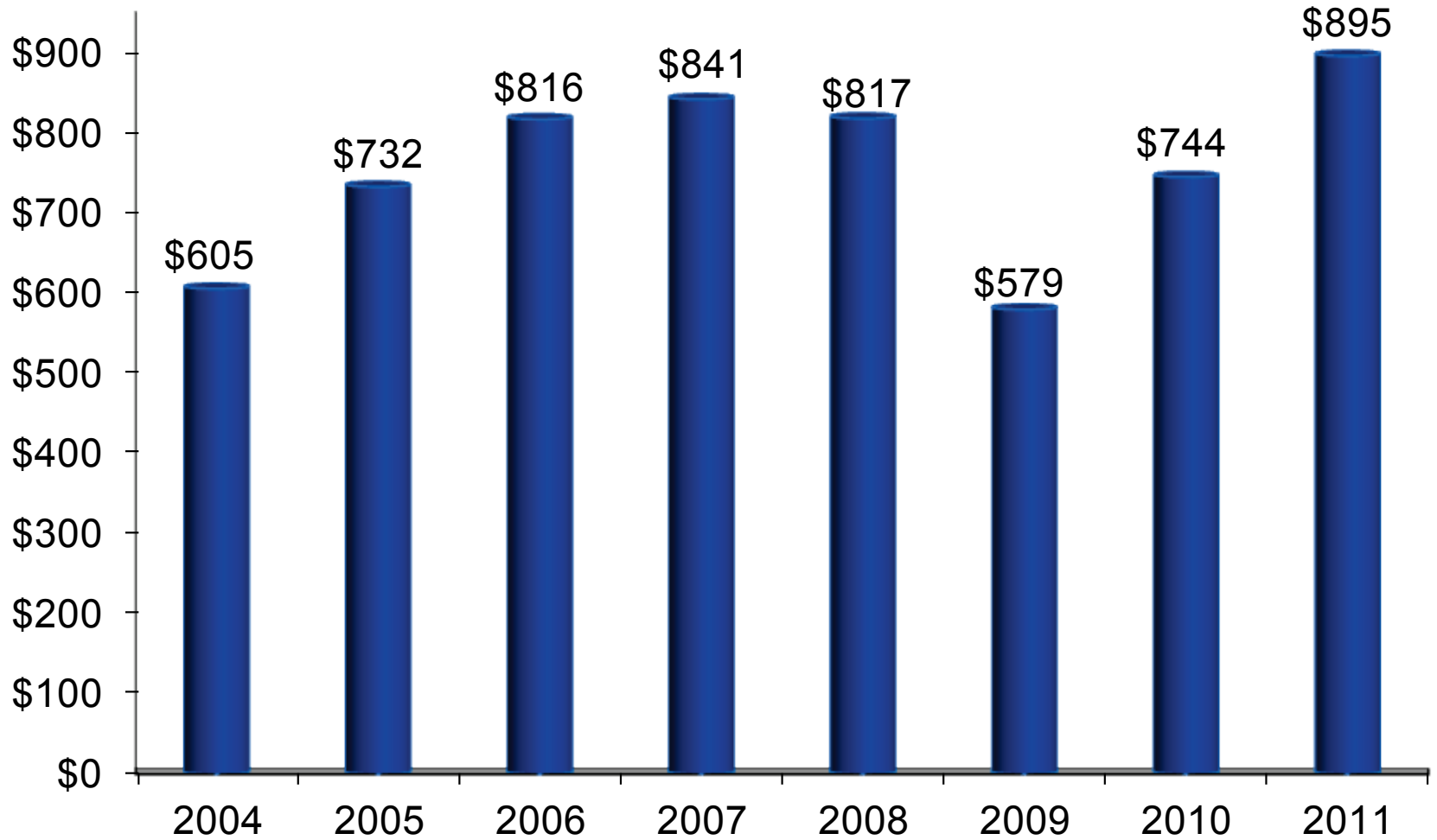


Europe
\$211
24%



Annual Sales (\$ Millions)

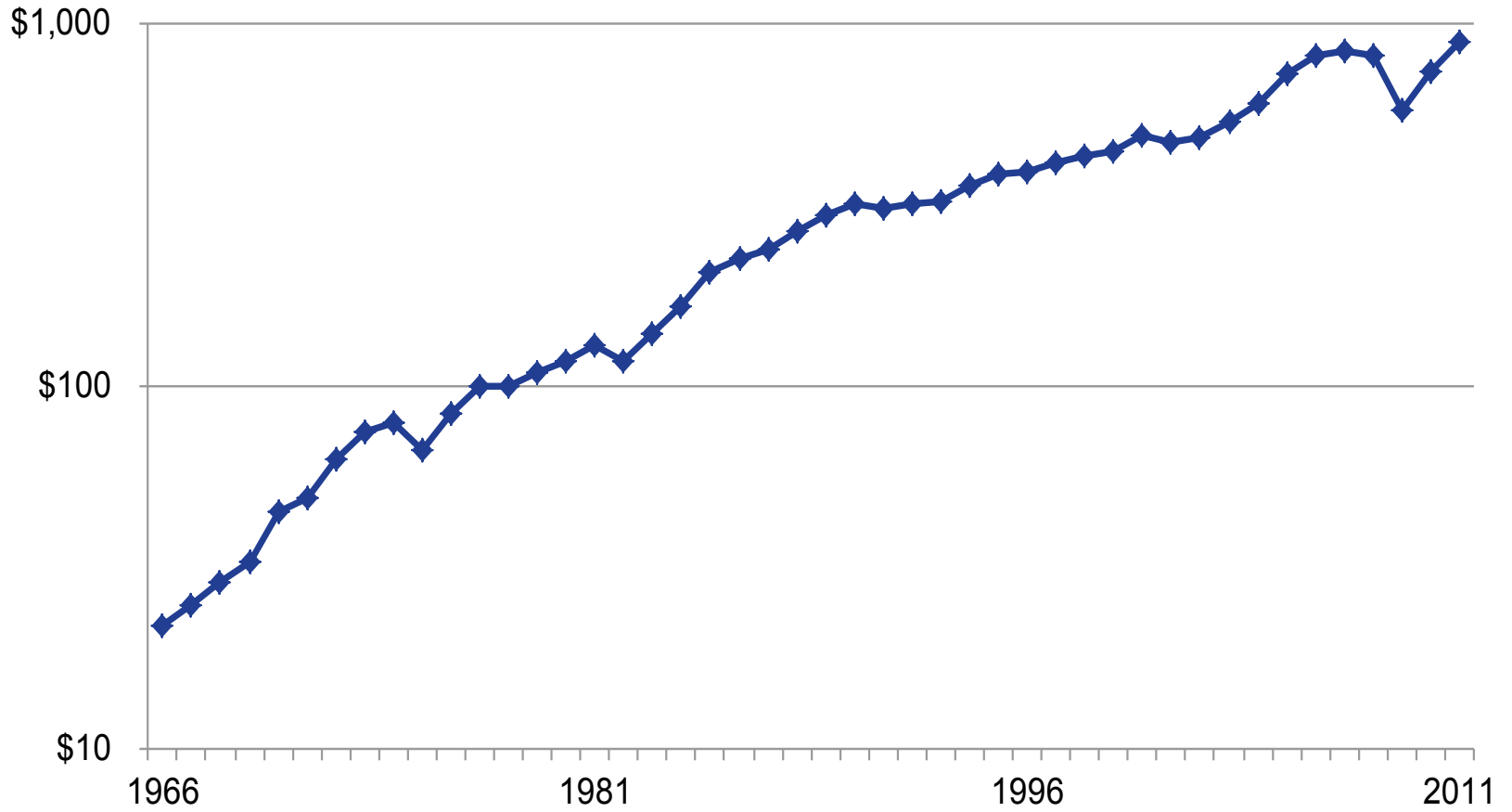
Target: 6-7% Organic
10%+ Overall





Historic Sales (\$ Millions)

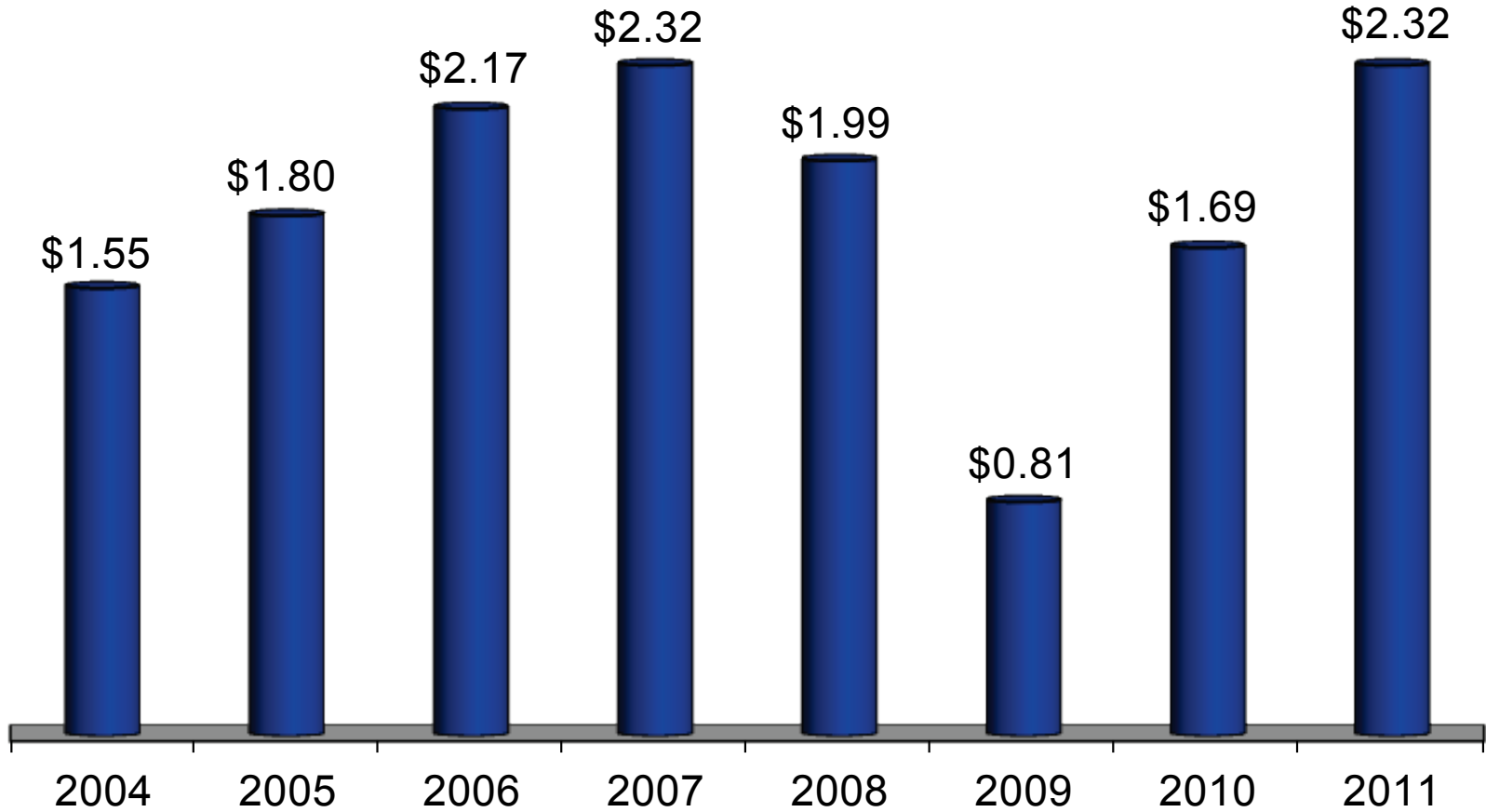
CAGR 9%





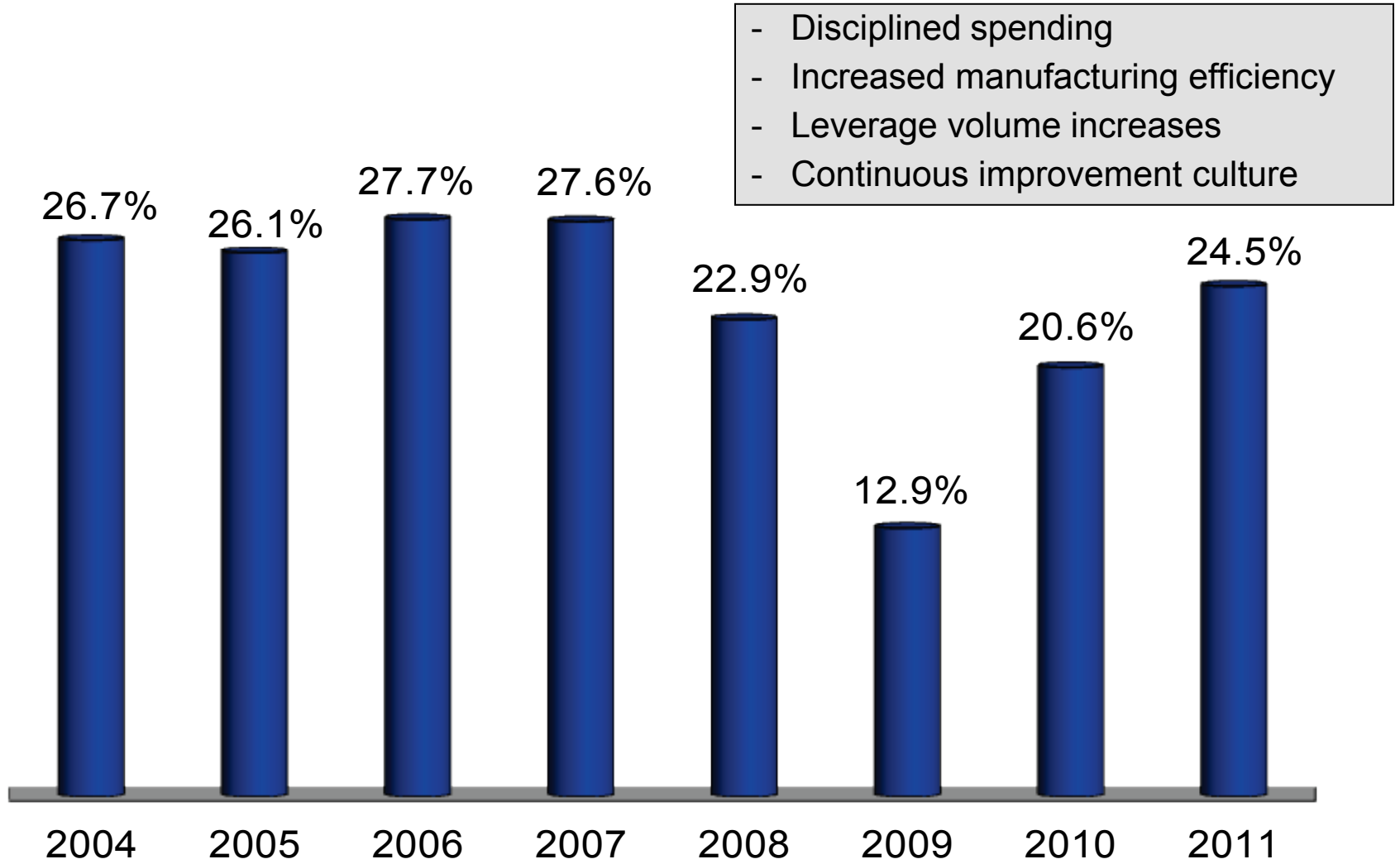
Earnings Per Share

Target: 12%+





Operating Margin





Strong Cash Generation

| (\$ Millions) | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|----------------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Operating Cash Flows | \$ 162 | \$ 101 | \$ 147 | \$ 162 | \$ 177 | \$ 156 | \$ 153 |
| % of Net Income | 114% | 98% | 300% | 134% | 116% | 104% | 121% |
| Capital Expenditures | <u>24</u> | <u>17</u> | <u>11</u> | <u>27</u> | <u>37</u> | <u>34</u> | <u>20</u> |
| Free Cash Flow | <u>\$ 138</u> | <u>\$ 84</u> | <u>\$ 136</u> | <u>\$ 135</u> | <u>\$ 140</u> | <u>\$ 122</u> | <u>\$ 133</u> |
| Dividends | \$ 51 | \$ 48 | \$ 45 | \$ 45 | \$ 43 | \$ 39 | \$ 36 |
| Acquisitions | - | - | - | 55 | - | 31 | 111 |
| Share Repurchases * | <u>21</u> | <u>11</u> | <u>(6)</u> | <u>101</u> | <u>206</u> | <u>76</u> | <u>32</u> |
| | <u>\$ 72</u> | <u>\$ 59</u> | <u>\$ 39</u> | <u>\$ 201</u> | <u>\$ 249</u> | <u>\$ 146</u> | <u>\$ 179</u> |

* Net of shares issued

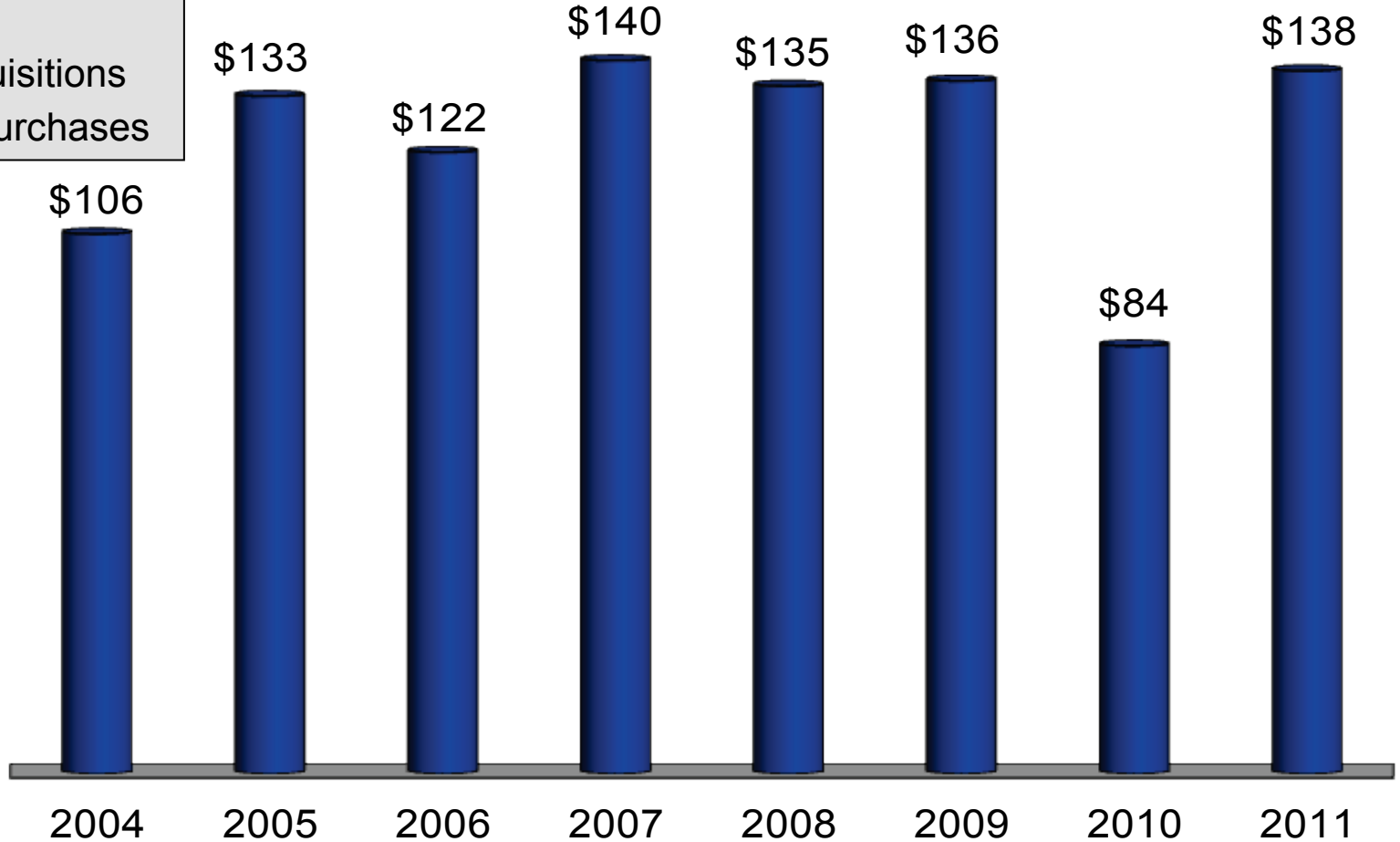
| (\$ Millions) | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EBITDA | \$251 | \$187 | \$109 | \$222 | \$261 | \$252 | \$213 |
| Debt, Net of Cash | \$ 6 | \$ 69 | \$ 93 | \$186 | \$121 | \$ 12 | \$ (10) |
| Debt to EBITDA | 2% | 37% | 85% | 84% | 46% | 5% | |
| Operating Earnings | \$220 | \$153 | \$ 74 | \$187 | \$232 | \$226 | \$191 |
| Interest Expense | \$ 9 | \$ 4 | \$ 5 | \$ 8 | \$ 3 | \$ 1 | \$ 1 |



Free Cash Flow (\$ Millions)

Strong cash flow for:

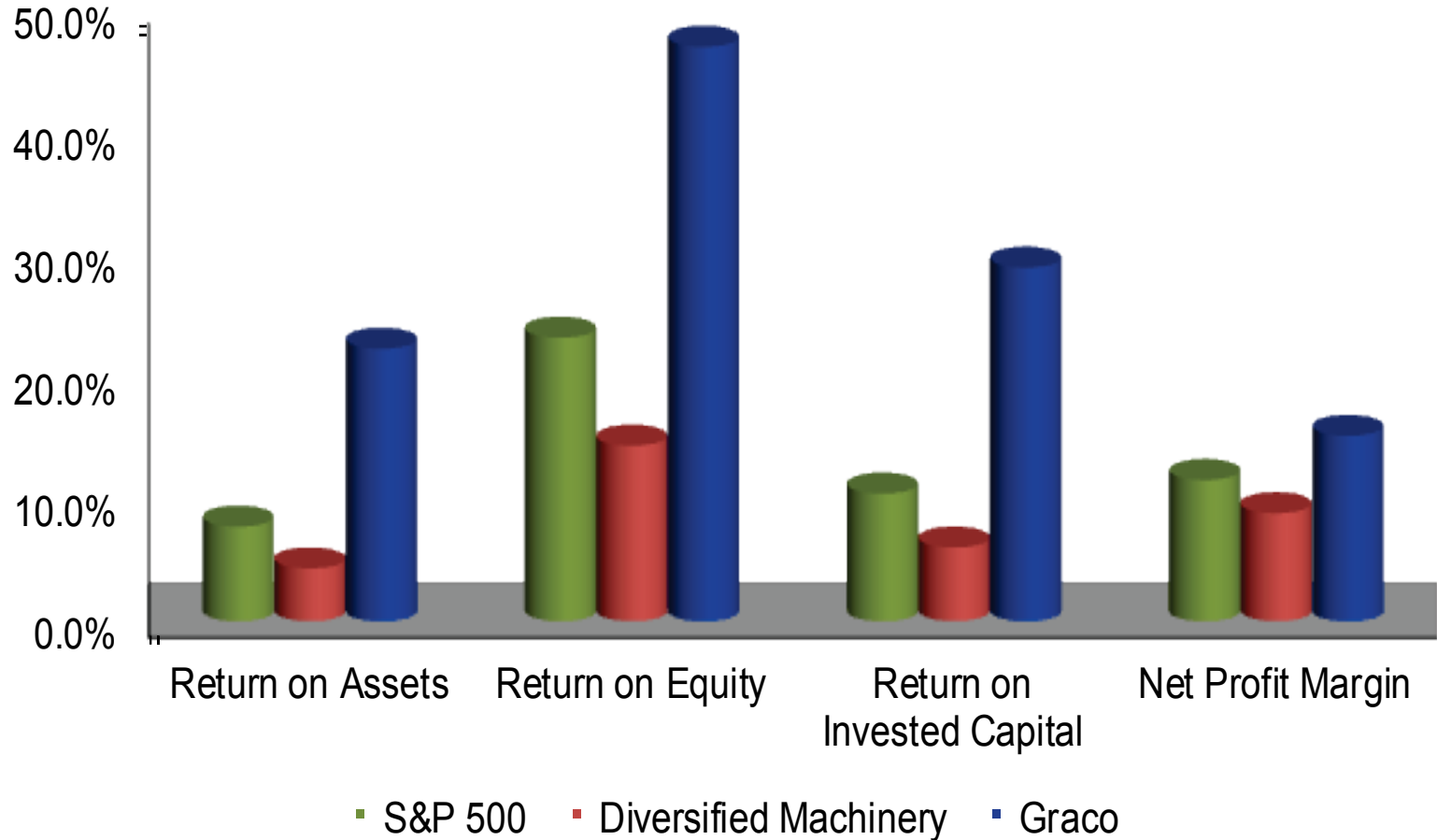
- Dividends
- Cash acquisitions
- Share repurchases



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



Capital Efficiency – 5 Year Average

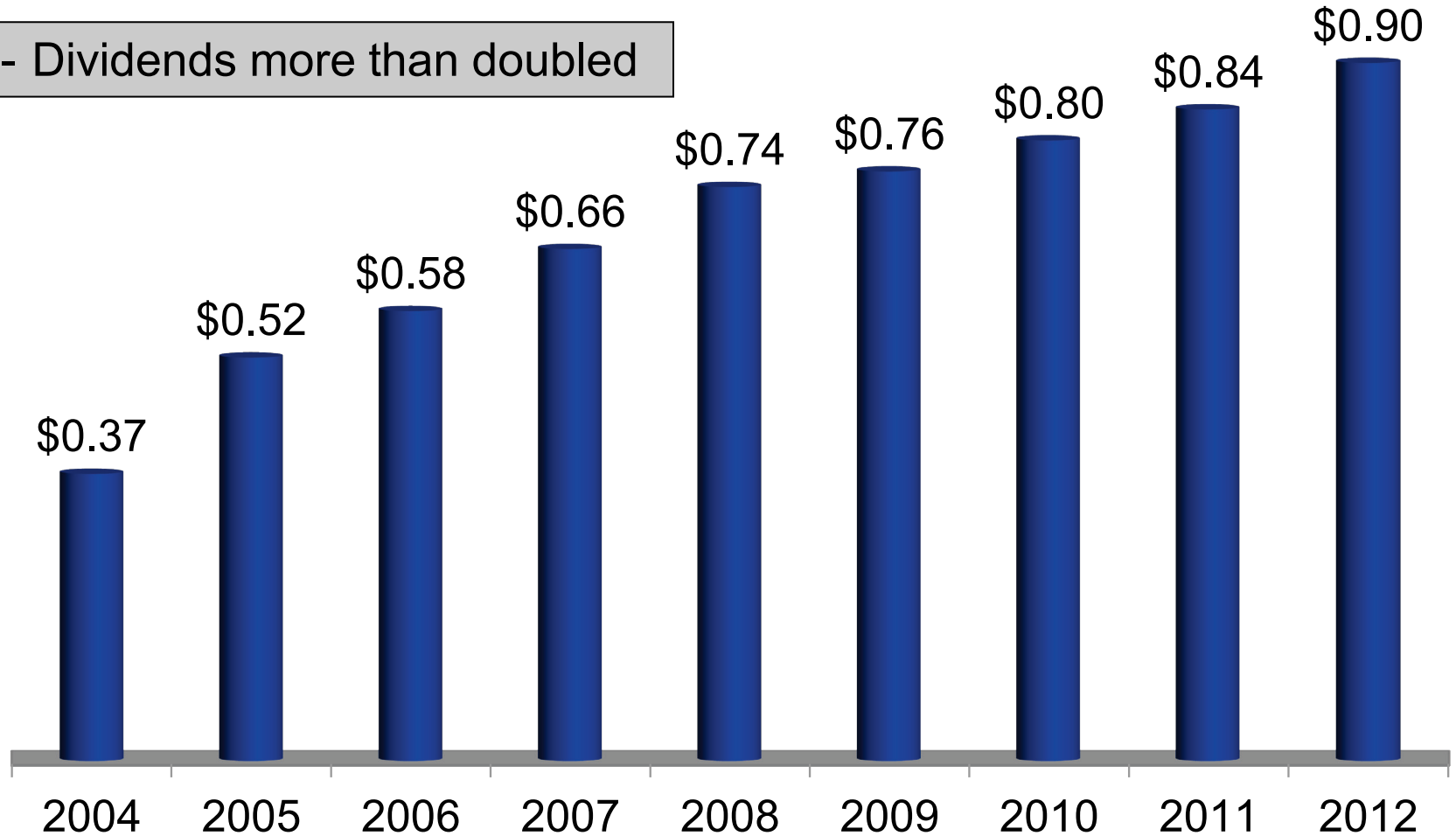


Source: Interactive Data, 2012 Thomson Reuters



Annual Dividend Growth

- Dividends more than doubled



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



Move – Measure – Control – Dispense – Apply

Building Momentum