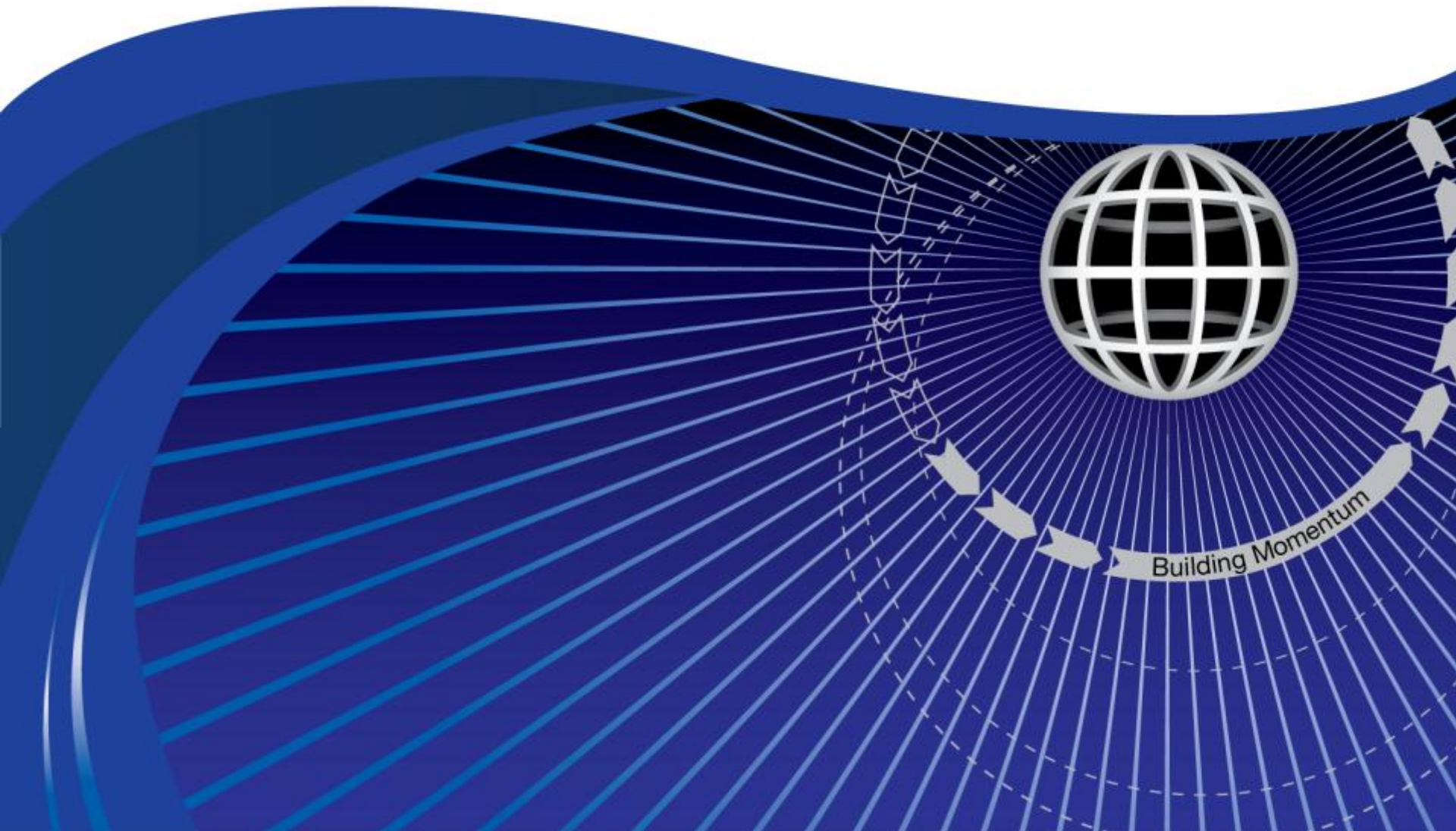




Investor Presentation

1st Quarter — June 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; Automotive; 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: Mining, Industrial Lubrication; Heavy Equipment



➤ Business Overview

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

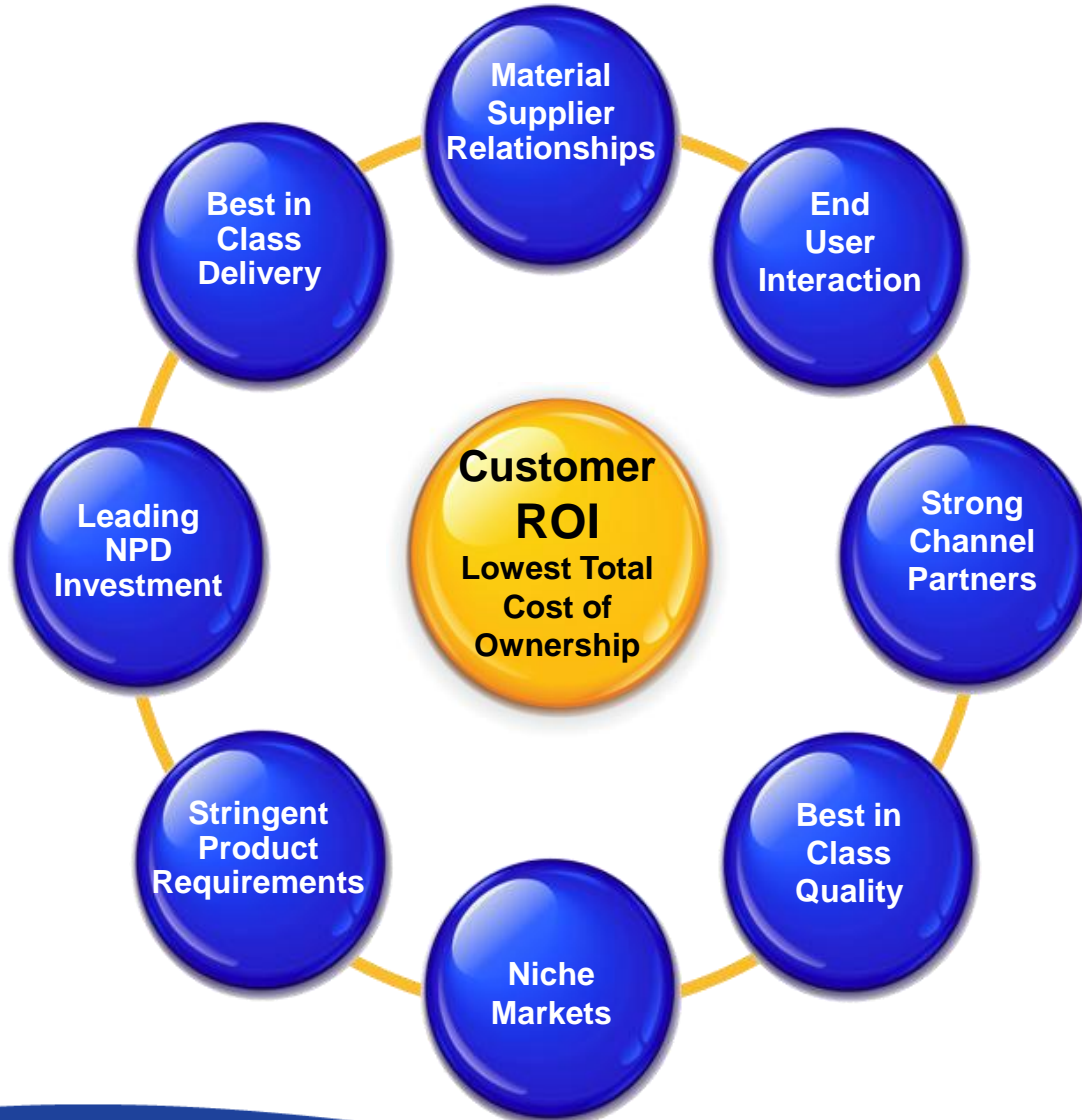


Business Overview

- 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


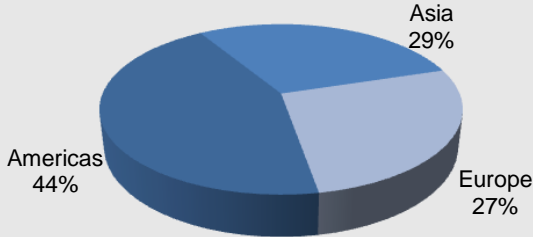



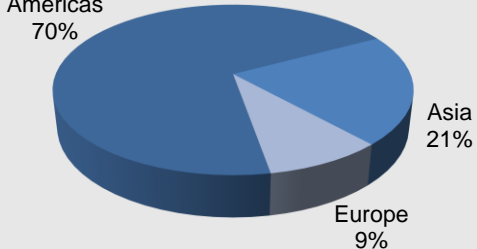
- Parts and accessories account for approximately 40% of annual revenues

A global business

- More than 45% of sales from outside the Americas
-



An Introduction to our Segments

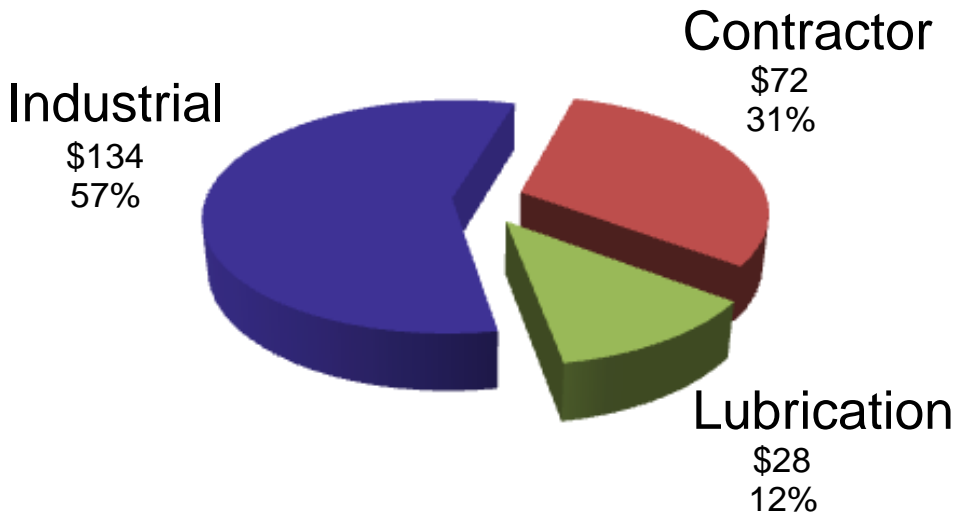
Business	Rational Competitors	Global Market Size	2011 YOY Revenue Growth	Geographic Mix
Industrial 	ITW, Exel, Idex, IR, Dover and Wagner	\$2.0 billion	23% (9% 1Q12)	2011 Sales - \$502M 
Contractor 	Wagner	\$0.5 billion	13% (3% 1Q12)	2011 Sales - \$291M 
Lubrication 	Lincoln, Vogel, BEKA, Samoa, & RAASM	\$1.1 billion	32% (14% 1Q12)	2011 Sales - \$103M 



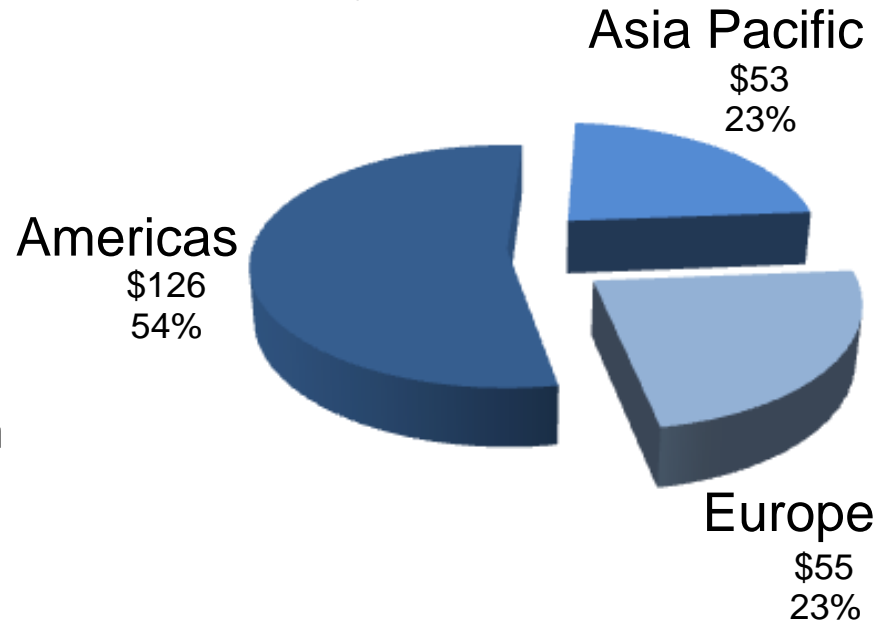
2012 – First Quarter Sales

\$234 Million

Segment
\$'s millions



Geography
\$'s millions





❖ Business Overview

➤ **Opportunities & Strategies**

❖ Building Momentum

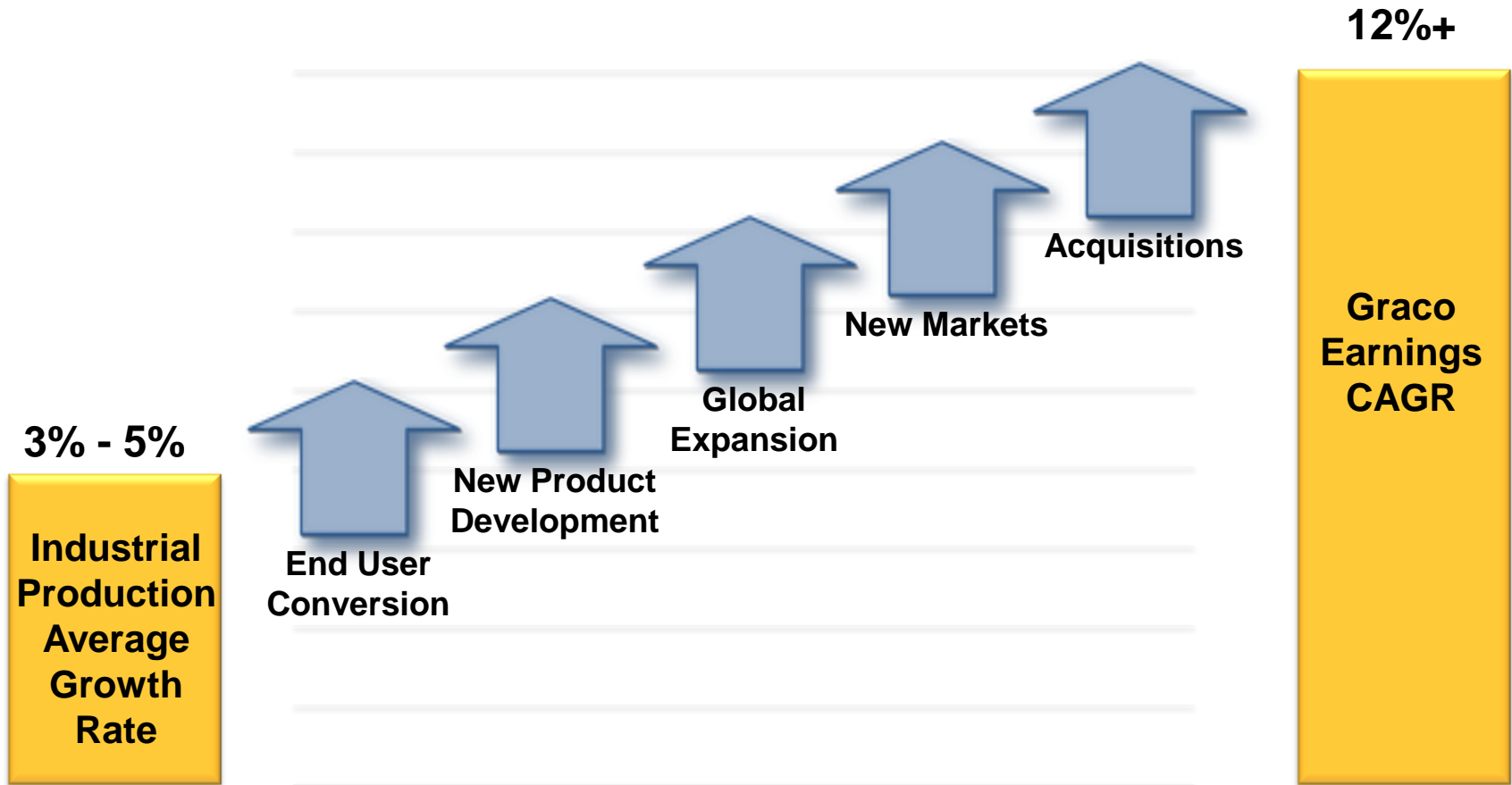
- Invest in New Products
- Expand Geographically
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- Make Acquisitions

❖ Company Performance

Building Momentum



Graco's Growth Plans and Earnings Drivers





Industrial Equipment

- 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
- Target New Markets
- Make Acquisitions

- ❖ Company Performance

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

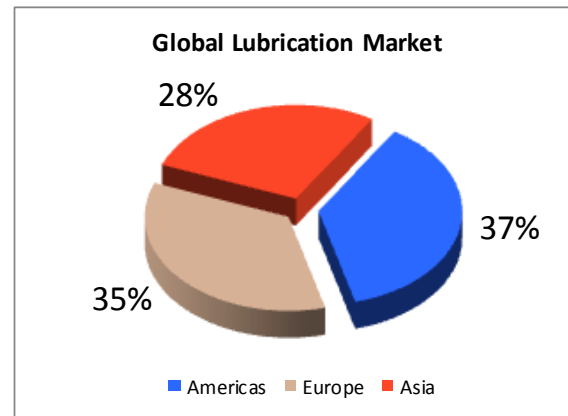
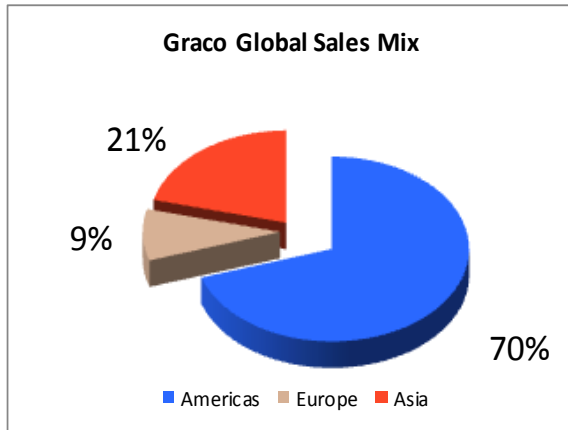
- Ceramics
- Potable and waste water treatment
- Food ingredient metering and transfer
- Chemical dosing
- Energy





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





CED – New Product

- 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

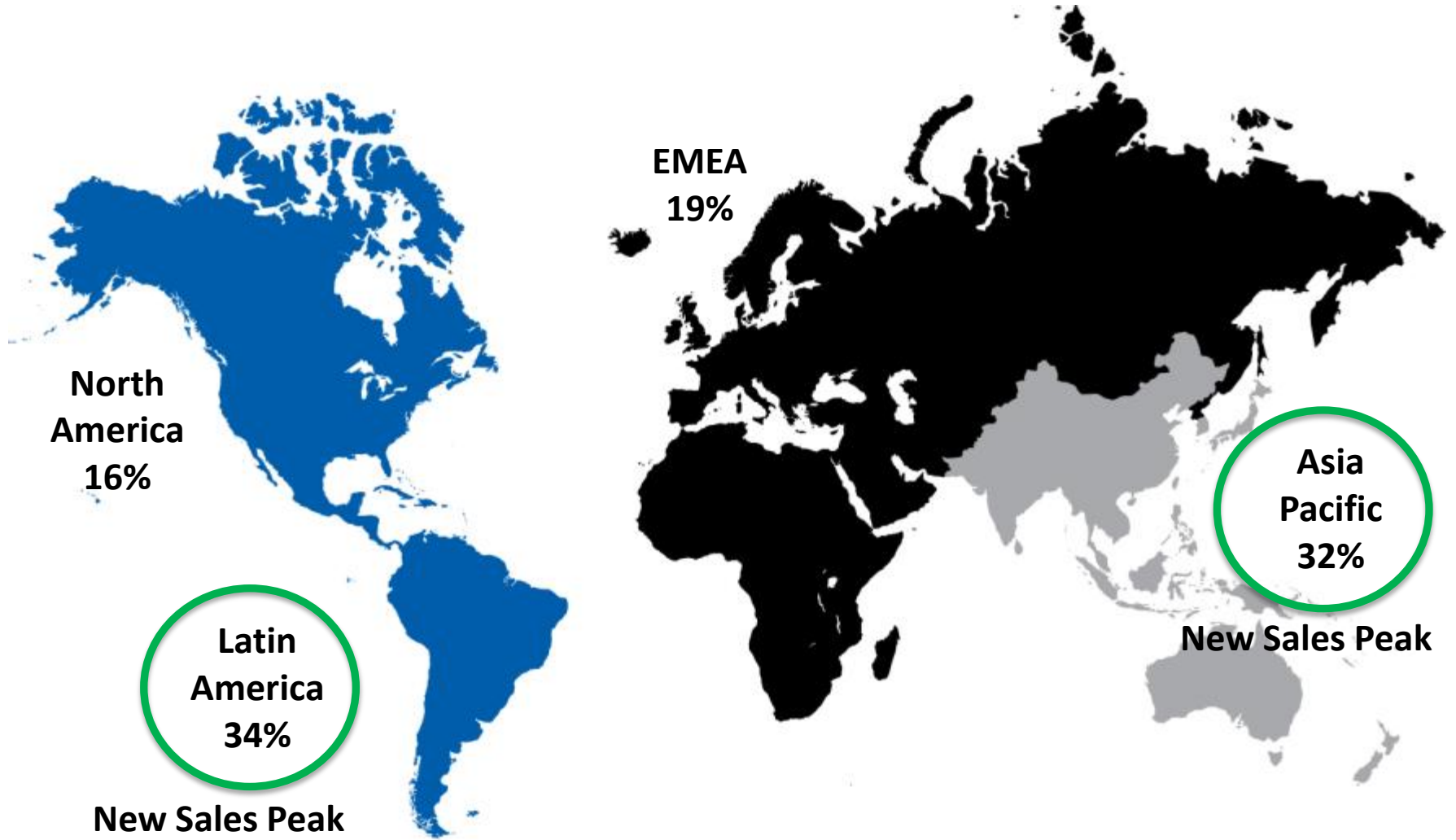
➤ **Building Momentum**

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





CED – New Markets

- 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

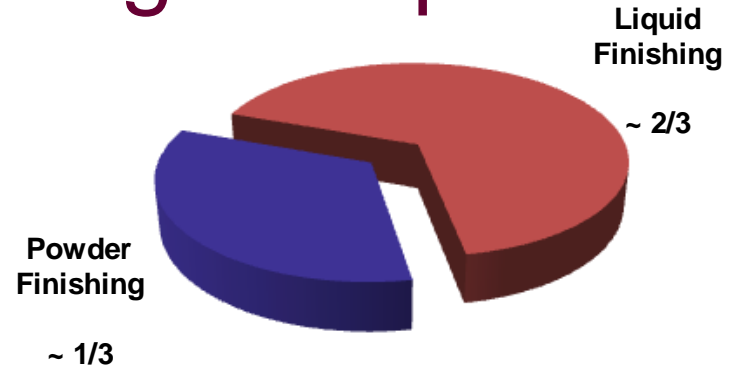


Graco Acquired on April 2, 2012 for \$650 million

ITW Finishing Group

2011 Revenues* \$375 million

2011 EBITDA* \$80 million



Powder Finishing



Liquid Finishing – Held Separate



* Unaudited, provided by ITW



Finishing Brands Results

\$ Millions	12 Months	Year Ended *	
	Ended March-12 *	Dec-11	Dec-10
Powder Finishing			
Sales	\$ 125	\$ 120	\$ 100
Operating Income	25	25	20
EBITDA	25	25	20
Liquid Finishing (Held Separate)			
Sales	\$ 260	\$ 250	\$ 210
Operating Income	50	50	35
EBITDA	55	55	40

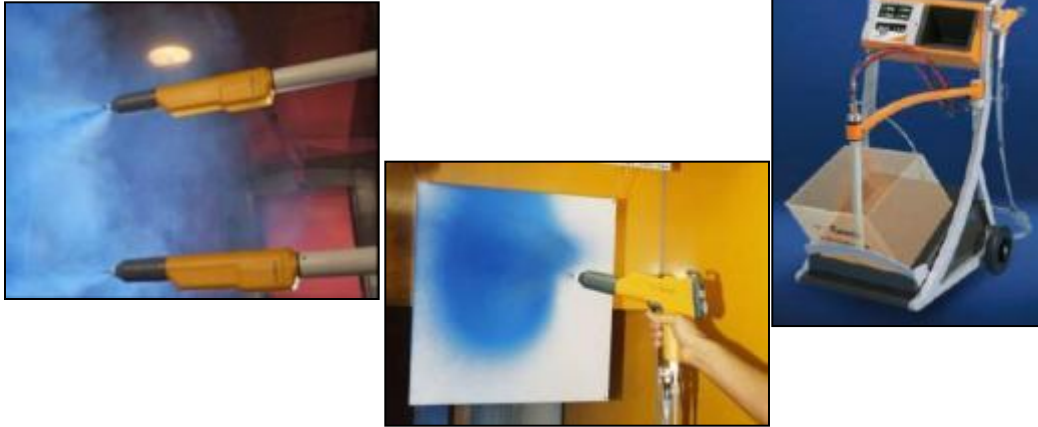
*Based on information provided by seller for management analysis purposes



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 complete its consideration of the settlement proposal and determine what portion, if any, Graco can keep and what it must divest

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%

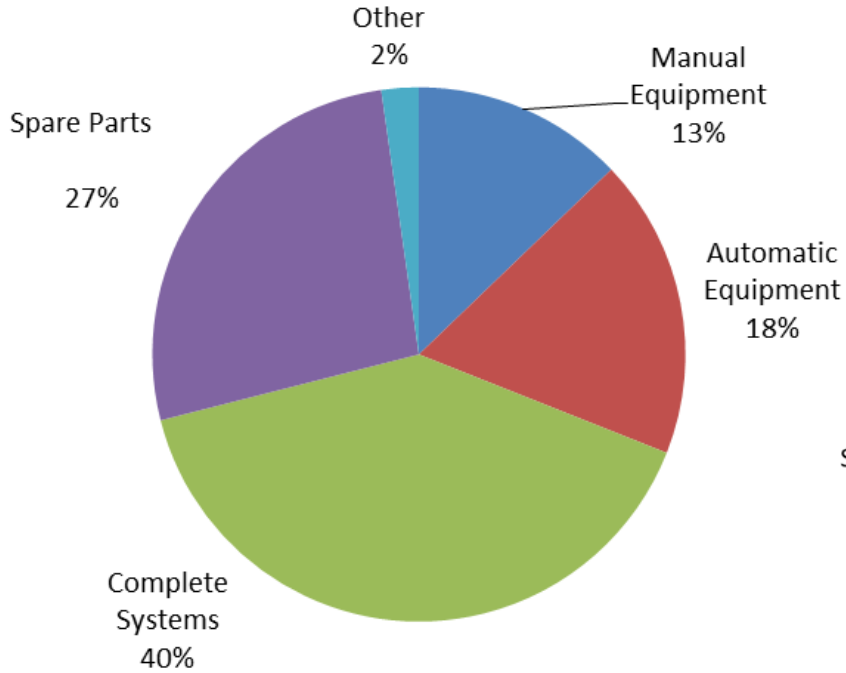
Architecture
27%

Home Appliances
22%

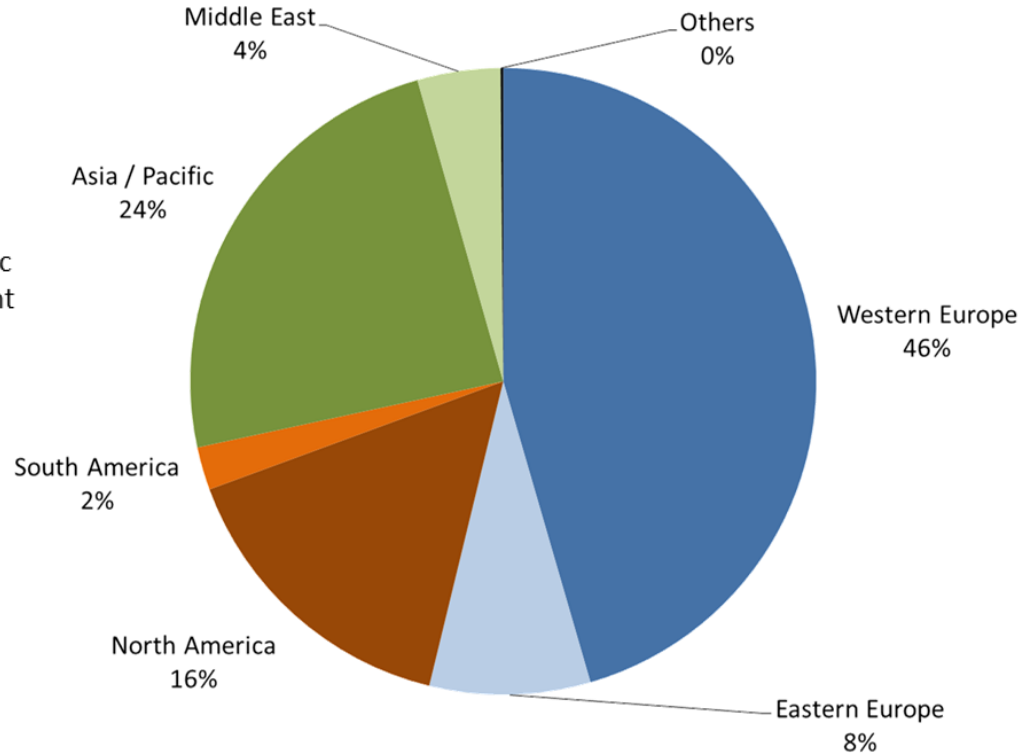
Metallic Furniture
13%



Gema Sales Families
(Revenues)



Gema Sales - 2011



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➤ **Company Performance**

Building Momentum



Consolidated Financial Results

\$ millions except EPS

	1st Quarter Year-to-Date		
	2012	2011	Change
Sales	\$ 234.1	\$ 217.7	8 %
Gross Profit	132.2	124.4	6 %
% of Sales	56.5 %	57.1 %	(0.6) pts
Operating Earnings	58.0	57.1	2 %
% of Sales	24.8 %	26.2 %	(1.4) pts
Net Earnings	\$ 35.4	\$ 37.3	(5)%
% of Sales	15.1 %	17.1 %	(2.0) pts
Diluted Earnings Per Share	\$ 0.58	\$ 0.61	(5)%

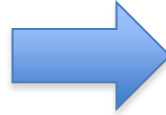
2012 Net Earnings include:

Acquisitions costs (<i>pre-tax</i>)	\$ 4
Pension increase (<i>pre-tax</i>)	\$ 1
Interest expense increase (<i>pre-tax</i>)	\$ 3
Tax rate increase	0.5%



Cash Deployment Priorities

Organic Growth Investments



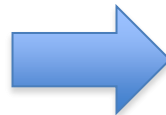
- International footprint
- Product development
- Production capacity and capabilities

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



Move – Measure – Control – Dispense – Apply

Building Momentum



**Financial
Summary
For Q1 2012 -
Appendix**



Financial Results – First Quarter 2012

(\$ Millions except EPS)	<u>2012</u>	<u>2011</u>	<u>Change</u>
Sales	\$234.1	\$217.7	8%
Gross Profit Rate	56.5%	57.1%	
Operating Expenses	74.2	67.3	10%
Operating Earnings	58.0	57.1	2%
Net Earnings	\$ 35.4	\$ 37.3	(5%)
Earnings Per Share	\$ 0.58	\$ 0.61	(5%)



First Quarter 2012 Results

- Sales for the quarter up 8 percent compared to first quarter last year
- Sales were up in all segments; regionally, sales were up 9 percent in the Americas 10 percent in Asia Pacific, and 3 percent in Europe
 - Currency translation did not have a material effect on total sales
- First quarter gross profit margin of 56 percent was consistent with last year as favorable effects of realized price increases and efficiencies were offset by higher material costs
- Operating expenses were up 10 percent, including transaction costs relating to the purchase of ITW finishing businesses, and increases in product development
- Backlog decreased \$1M from the end of 2011
- Net earnings decreased by 5 percent compared to first quarter last year, but increased 16 percent compared to fourth quarter
- Diluted EPS was 58 cents



Building Momentum

Financial Summary For 2011 - Appendix



2011 Results

- Sales year-to-date up 20 percent compared to prior year
- Sales were up in all segments and geographies, including 17 percent in the Americas, 19 percent in Europe, and 32 percent in Asia Pacific
 - The overall year-to-date growth rate of 20% includes 2 percentage points from currency translation
- Year-to-date gross profit margin of 56 percent, up from 54 percent last year, reflecting favorable effects of higher production volume, currency translation and pricing, partially offset by higher material costs
- Operating expenses were up 12 percent, including currency translation and volume related marketing and selling, headcount adds, and transaction costs for pending acquisition
- Backlog decreased \$7M as compared to prior year-end
- Net earnings increased by 38 percent compared to last year and diluted EPS was \$2.32



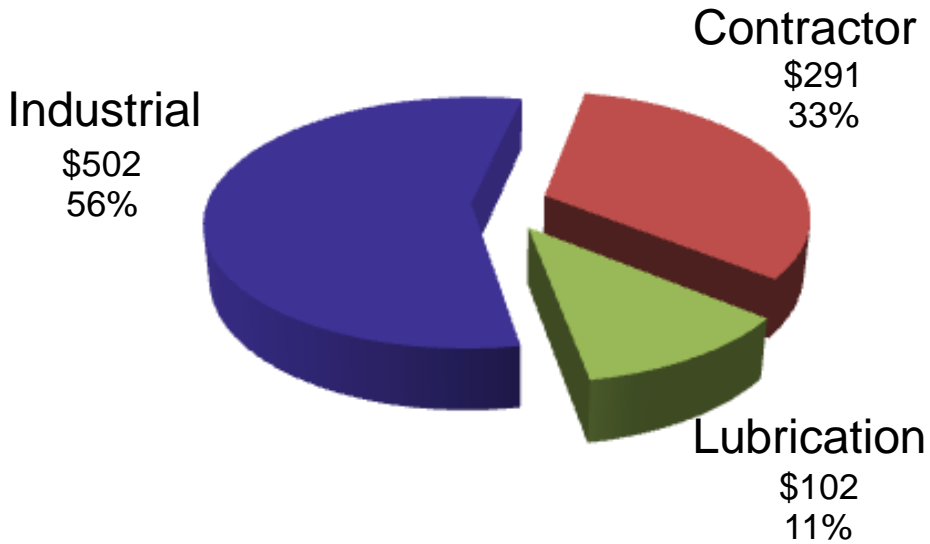
Financial Results – Full Year

(\$ Millions except EPS)	<u>2011</u>	<u>2010</u>	<u>Change</u>
Sales	\$ 895.3	\$ 744.1	20%
Gross Profit Rate	55.9%	54.2%	
Operating Expenses	280.7	250.3	12%
Operating Earnings	219.5	153.1	43%
Net Earnings	\$ 142.3	\$ 102.8	38%
Earnings Per Share	\$ 2.32	\$ 1.69	37%

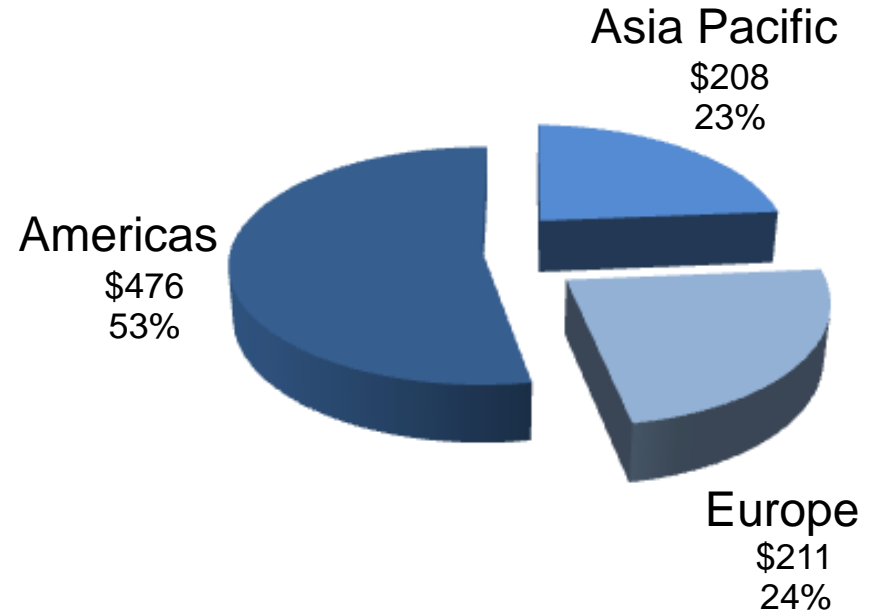


2011 Sales \$895 Million

Segment
\$'s millions



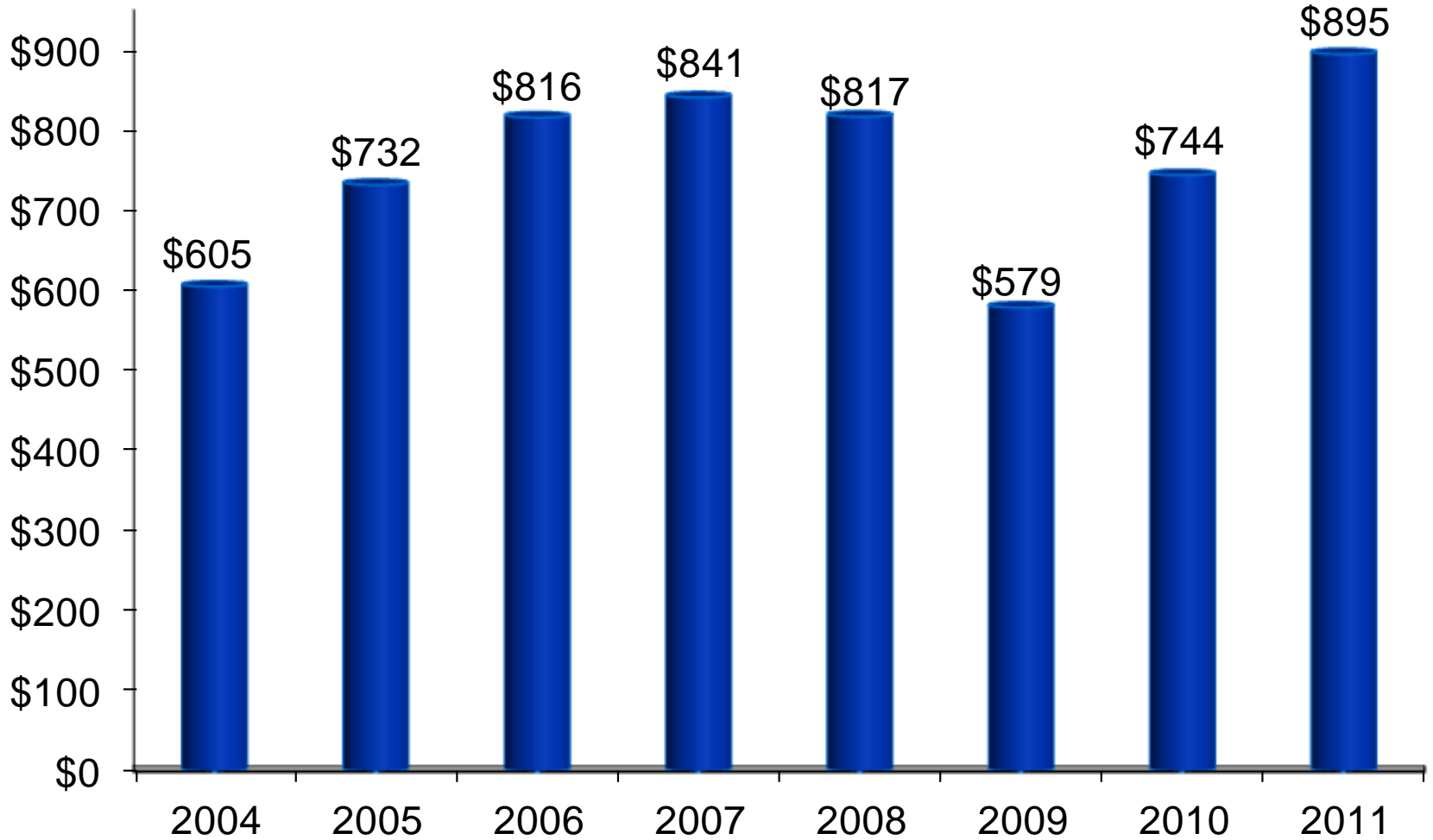
Geography
\$'s millions





Annual Sales (\$ Millions)

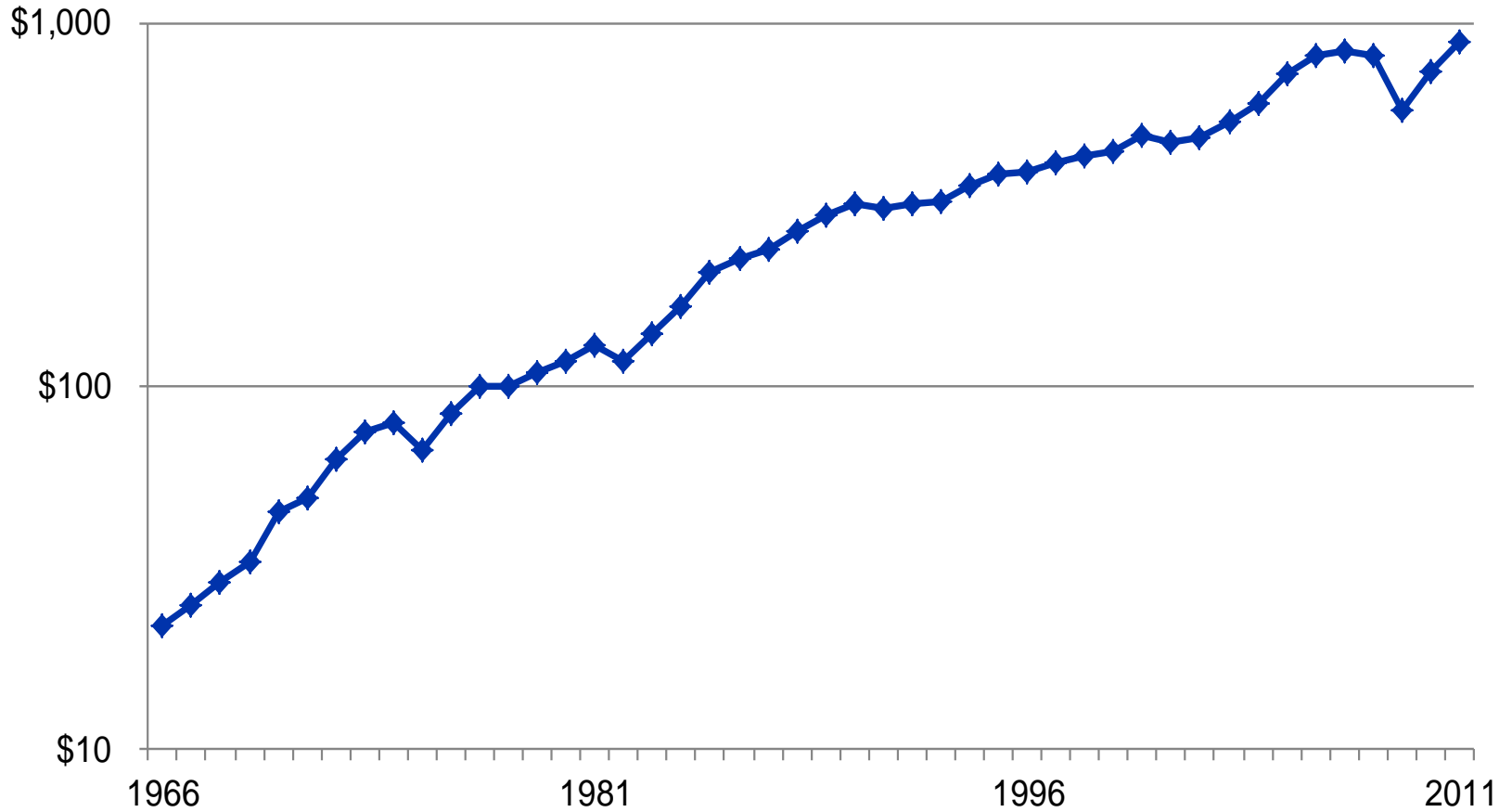
Target: 6-7% Organic
10%+ Overall





Historic Sales (\$ Millions)

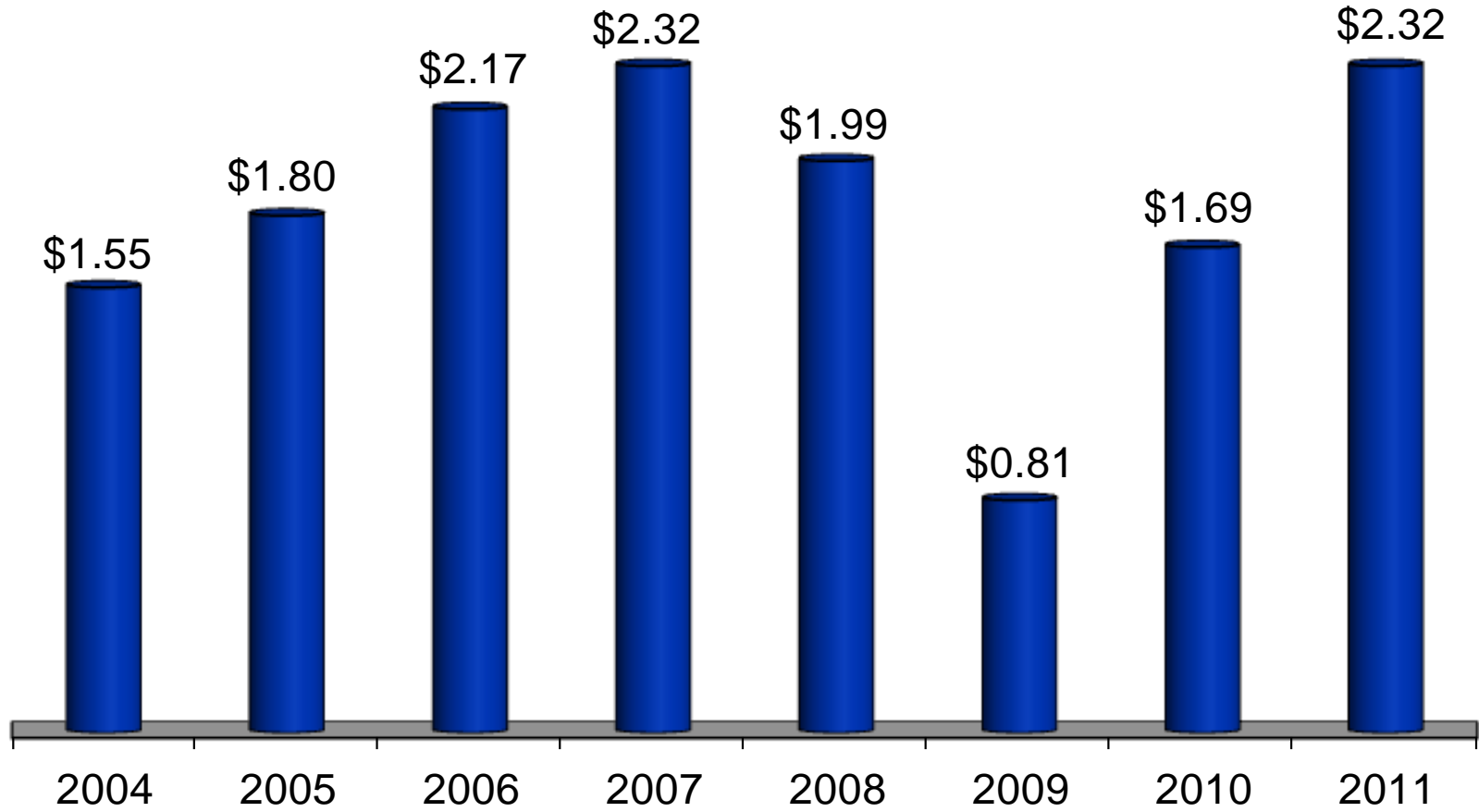
CAGR 9%





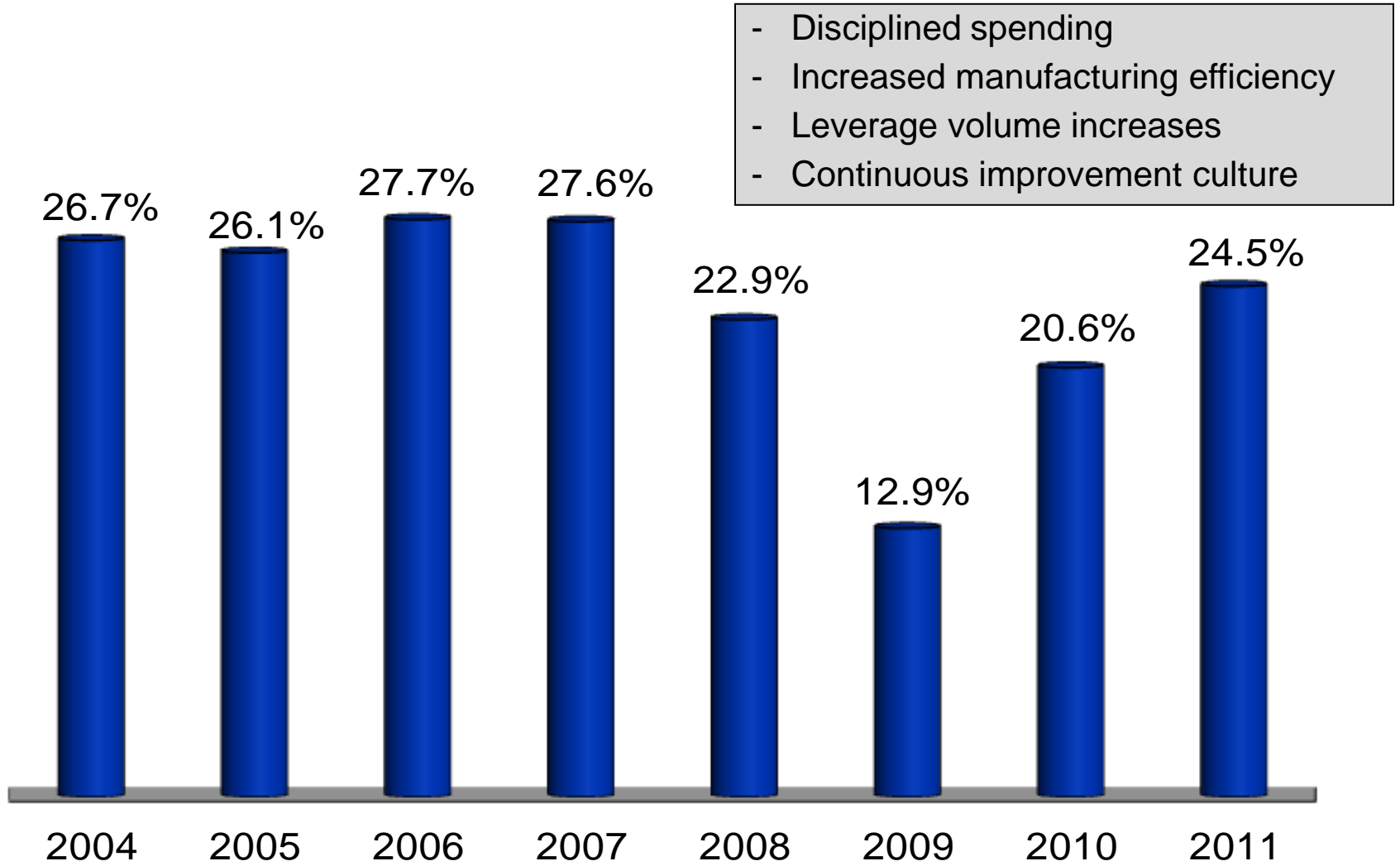
Earnings Per Share

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

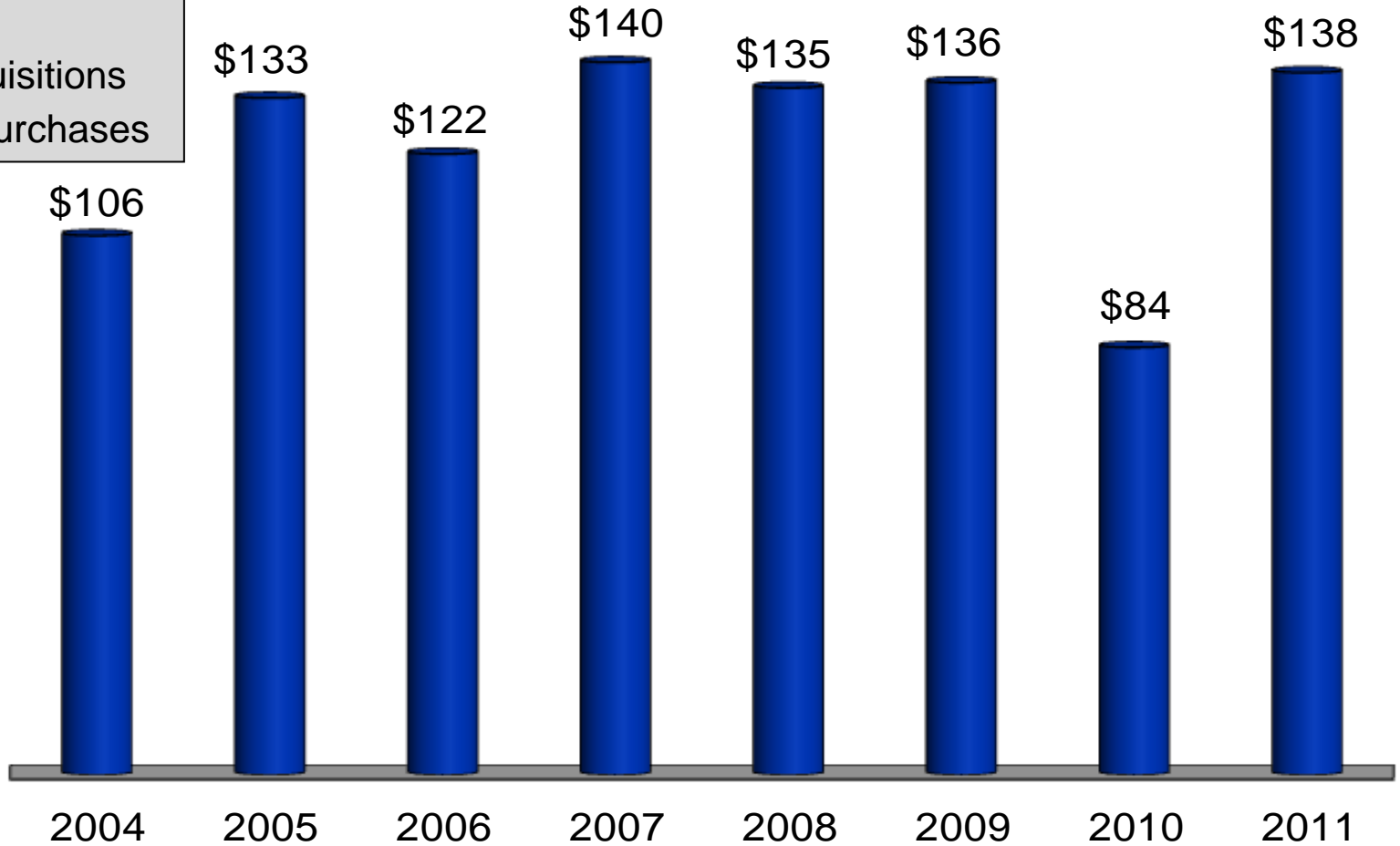
(\$ Millions)	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
EBITDA	\$251	\$187	\$109	\$222	\$261	\$252	\$213
Debt, Net of Cash	\$ 6	\$ 69	\$ 93	\$186	\$121	\$ 12	\$ (10)
Debt to EBITDA	2%	37%	85%	84%	46%	5%	
Operating Earnings	\$220	\$153	\$ 74	\$187	\$232	\$226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



Free Cash Flow (\$ Millions)

Strong cash flow for:

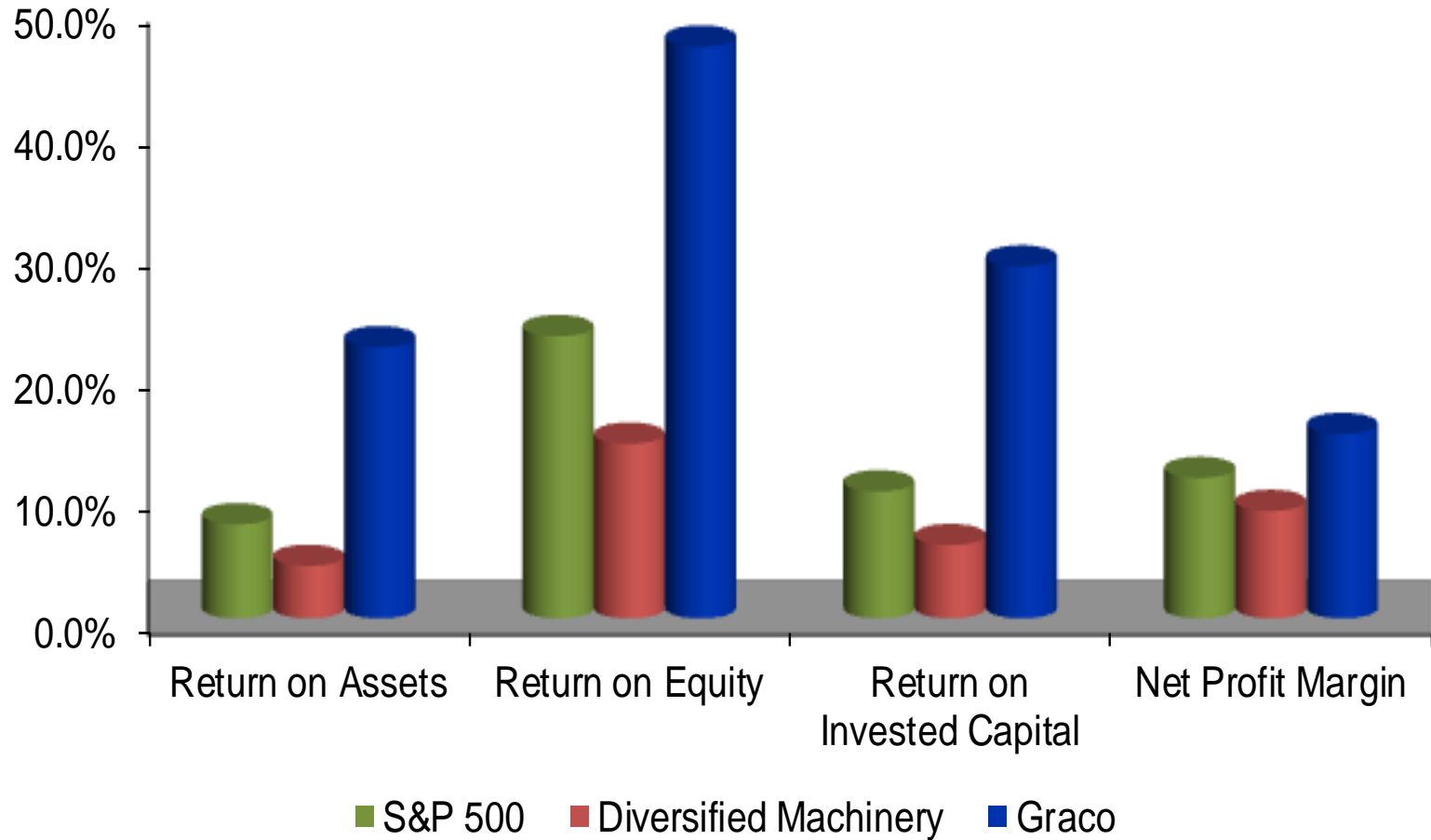
- Dividends
- Cash acquisitions
- Share repurchases



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



Capital Efficiency – 5 Year Average

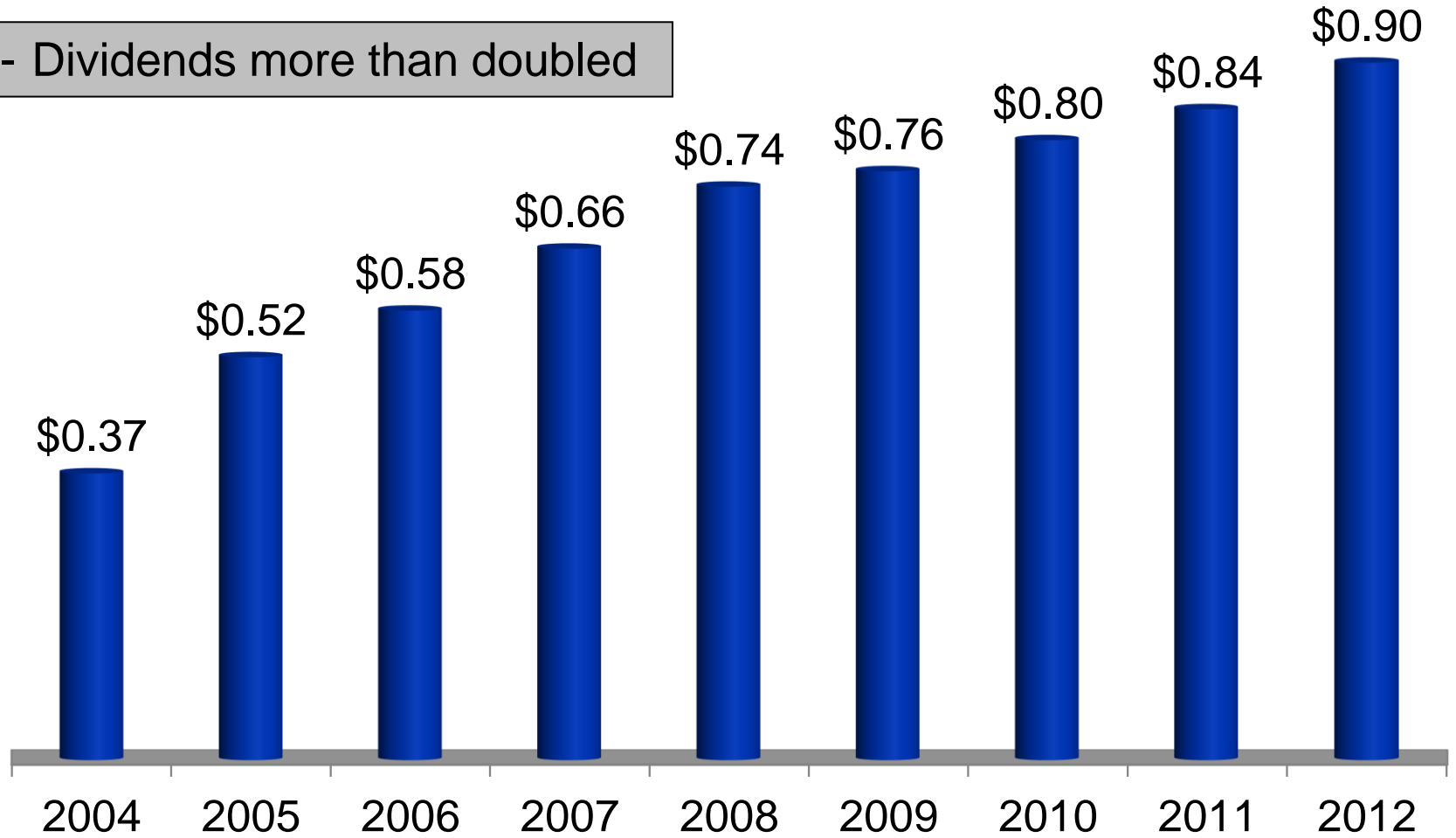


Source: Interactive Data, 2012 Thomson Reuters



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