1st Quarter 2012 Earnings Conference Call

Thursday April 26, 2012 10 am 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 Form 10-K, and Item 1A of the current Quarterly Report on From 10-Q.

Conference Call Logistics

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

Telephone replay available after 2 p.m. ET, April 26, 2012. The replay by telephone will be available through April 30, 2012.

- 800-406-7325 – Conference ID #4530277
- 303-590-3030 – Conference ID #4530277, for International participants

Consolidated Financial Results

$ millions except EPS	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)%

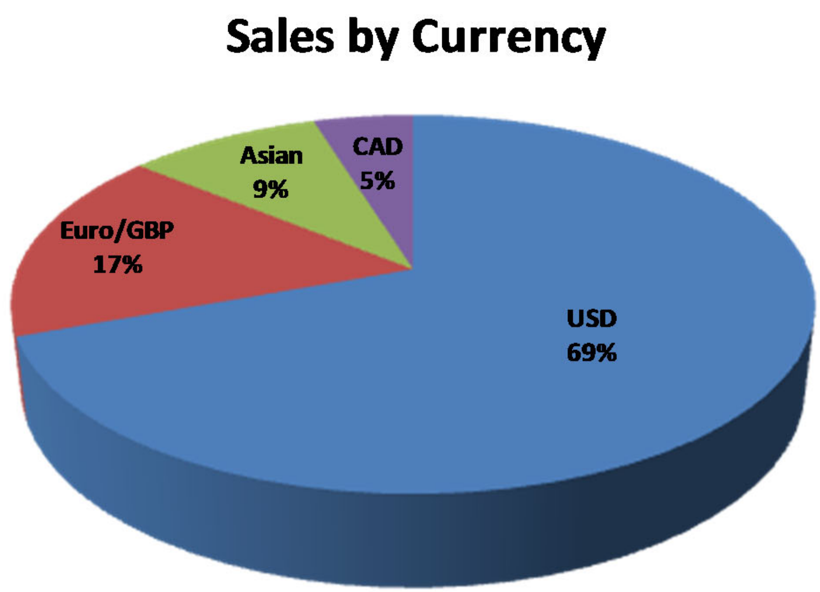
2012 Net Earnings include:	
Acquisitions costs *(pre-tax)*	$ 4
Pension increase *(pre-tax)*	$ 1
Interest expense increase *(pre-tax)*	$ 3
Tax rate increase	0.5%

Consolidated Financial Results - Net Sales

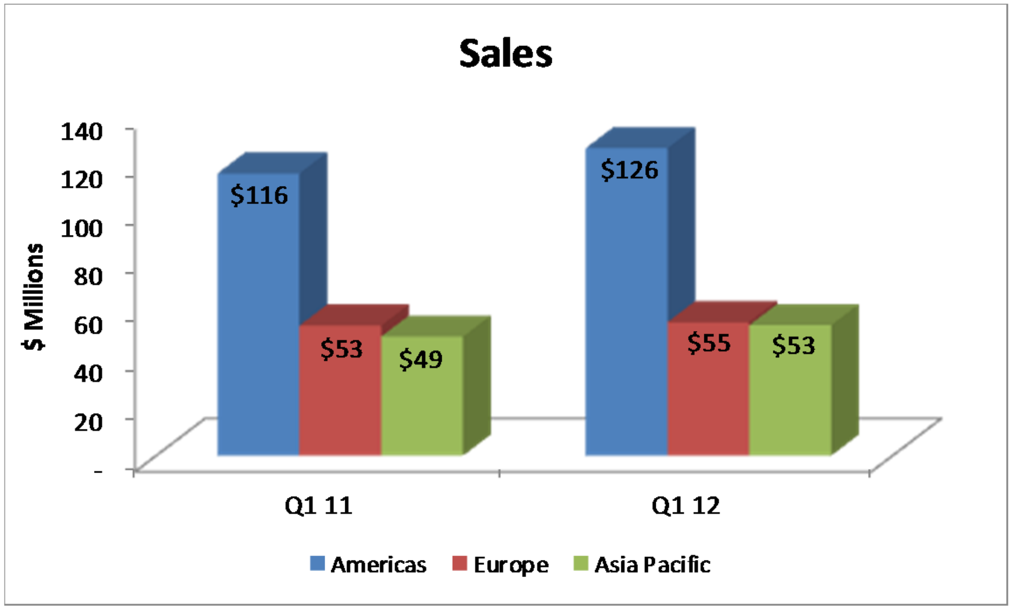
Components of Net Sales Change

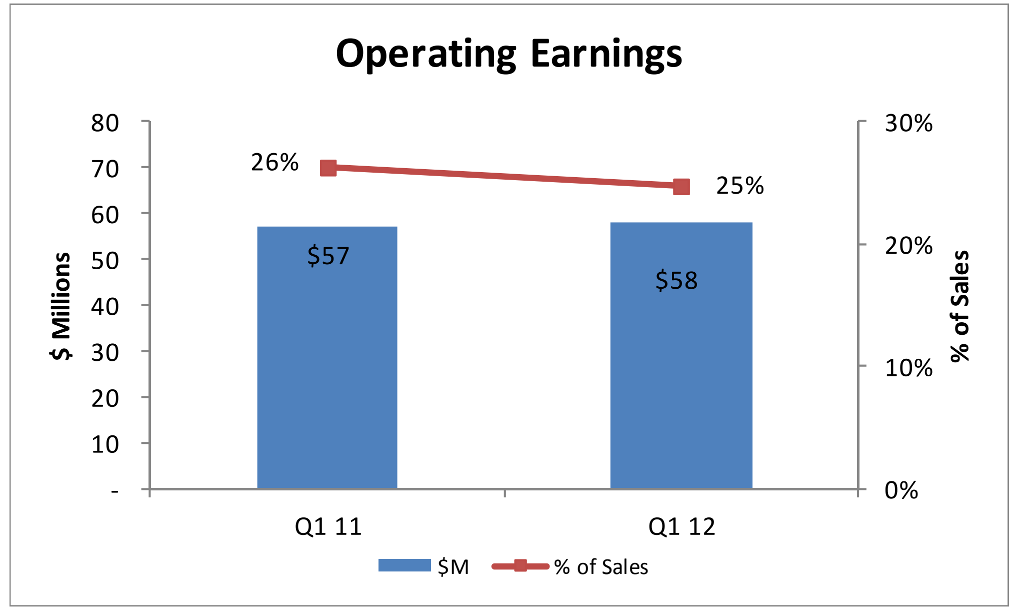
	Segment			Region			
	Industrial	Contractor	Lubrication	Americas	Europe	Asia Pacific	Consolidated
Volume and Price	10%	3%	14%	9%	6%	8%	8%
Currency	-1%	0%	0%	0%	-3%	2%	0%
Total	9%	3%	14%	9%	3%	10%	8%

Asian currencies include:
AUD, CNY/RMB, KRW, JPY



Consolidated First Quarter Results





- Sales increase of 8% (none from currency translation)
  - Sales increased in all divisions and regions, Asia up 10% (8% at consistent translation rates)
  - Favorable translation effects in Asia Pacific offset unfavorable effects in Europe
- Gross margin rate consistent with prior year
  - Higher material costs partially offset by realized price increases and efficiencies

- Operating expenses are up $7 million, increasing 1 percentage point as a percentage of sales
  - $4 million transaction costs relating to the purchase of ITW finishing businesses
  - $2 million increase in product development expenses
- Interest expense $4 million, up $3 million from Q1 2011
- Tax rate 34½% is higher than prior year due to expiration of federal R&D credit

Consolidated Results

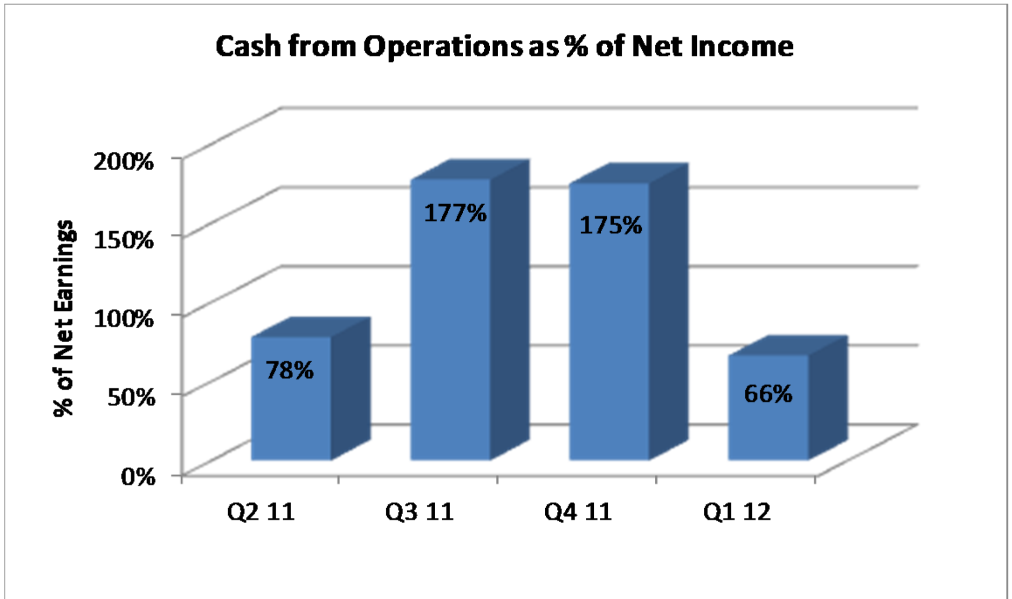
Change in % of sales	Year-to-Date
2011 Operating Earnings (percentage of sales)	26 %
Translation effect	—
Product cost, pricing and mix	—
Acquisition transaction costs*	(2)
Volume effect on expense leverage	1
2012 Operating Earnings (percentage of sales)	25 %

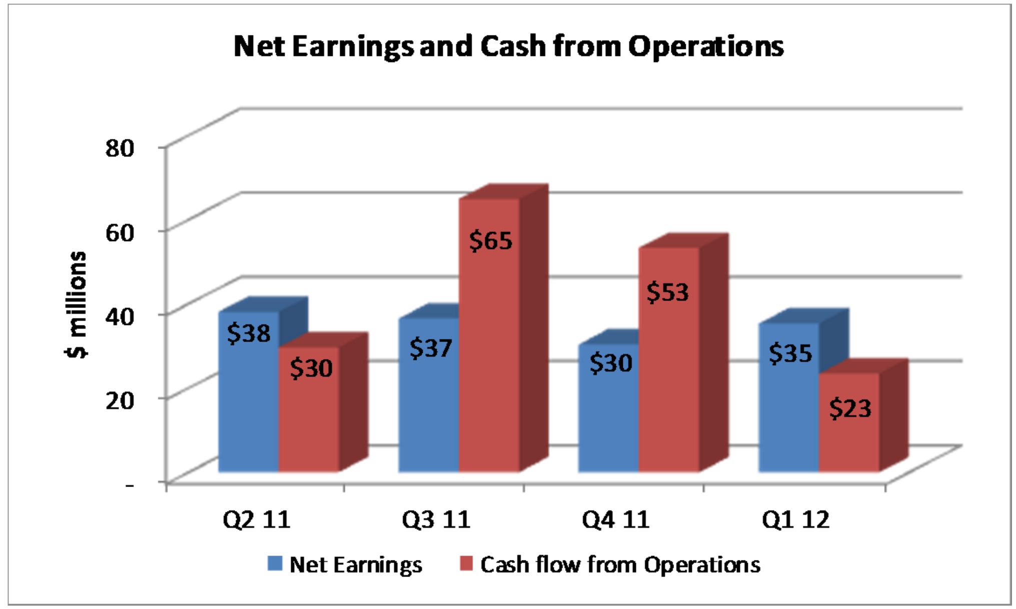
*Acquisition transaction costs $4 million

Revenue Leverage ($M)

	Year-to-Date
Year-Over-Year Revenue Change	$ 16
Year-Over-Year Operating Earnings Change	$ 1
Revenue Leverage	5%

Cash Flow and Liquidity





Long-term debt $300 million

- Interest expense $4 million for the quarter
- Draw of $350 million on April 2, 2012 for close of ITW finishing business acquisition

2012 cash flow from operations $23 million versus $14 million in 2011

- Cash uses
  - Capital expenditures $8 million
  - Dividends paid $13 million

Working capital

- Increase in accounts receivable $21 million
  - Days sales in receivables 62 days down from 65 days at year end
- Increase in inventories $5 million

Acquisition of Finishing Businesses from ITW

- Closed on the $650 million acquisition of the finishing business operations of Illinois Tool Works, Inc. (ITW) April 2, 2012
- The acquisition includes Gema®, a global leader in powder coating technology and a collection of liquid finishing businesses
- The Federal Trade Commission (FTC) has issued an order for Graco to hold the liquid finishing assets separate from Gema® and other Graco businesses while the FTC investigates and considers a settlement proposal from Graco
- In compliance with the FTC order, the liquid finishing businesses will be run independently by existing management under the supervision of a trustee who reports directly to the FTC
- 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 decision

Acquisition

- Executed amended credit agreement which provides $450 million unsecured revolving credit facility
  - Expires March 2017
  - Prior $250 million credit agreement terminated
- Acquisition completed April 2, 2012, with funding provided by available cash and borrowings of $350 million under the new credit agreement
- Liquid finishing businesses held separate from Graco, financial results will not be consolidated
  - Income will be recognized based on dividends from current earnings

Finishing Brands Results

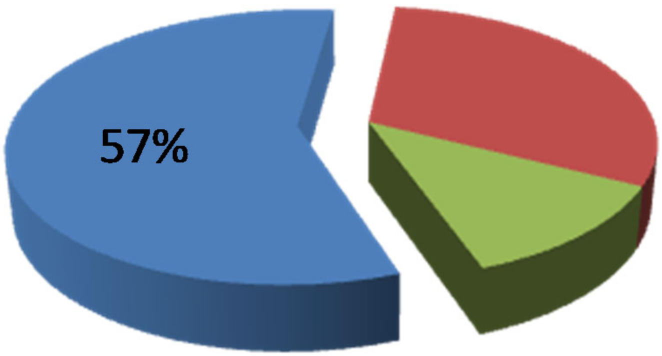
$ Millions	12 Months Ended March-12 *	Year Ended * Dec-11	Year Ended * Dec-10
Powder Finishing			
Sales	$ 125	$ 120	$ 100
Operating Income	25	25	20
EBITDA	25	25	20
Liquid Finishing (Held Separate)			
Sales	$ 260	$ 250	$ 210
Operating Income	50	50	35
EBITDA	55	55	40

*Based on information provided by seller for management analysis purposes

Other Discussion Items

- Q2 will include 3 months powder business operating results
- Expenses related to the acquisition expected to be approximately $8 million in the second quarter 2012
  - $3 million in 2011
- Interest expense is expected to be $6 million in the second quarter
  - $2 million in 2011
- Tax rate for second quarter and the year expected to be approximately 33-34%
- Annual pension expense is expected to be approximately $5 million higher in 2012 (excluding retirement benefit expense associated with the acquired entities)
  - Contributions to U.S. funded pension plan expected to be approximately $5 million in 2012

Industrial Equipment Results



YTD Industrial Segment Sales as % of Consolidated

Sales ($ M)	Year-to-Date 2012	Year-to-Date 2011	Change
Americas	$ 59	$ 53	12 %
Europe	37	34	7
Asia Pacific	38	36	7
Total	$ 134	$ 123	9 %
Operating Earnings	$ 48	$ 45	7 %
% of sales	36 %	37 %	

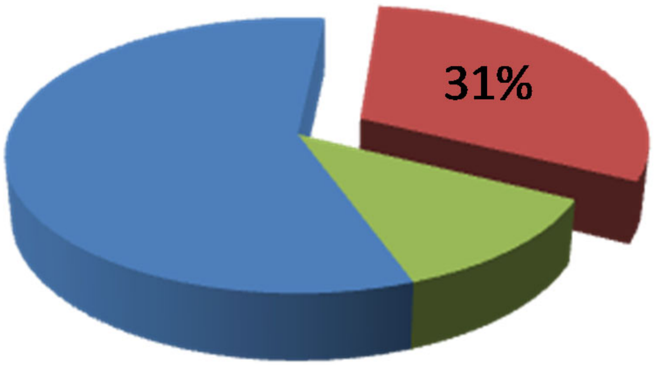
Industrial Equipment Results

Change in % of sales	Year-to-Date
2011 Operating Earnings (percentage of sales)	37 %
Translation effect	—
Product cost / mix / price	—
Volume effect on expense leverage	(1)
2012 Operating Earnings (percentage of sales)	36 %

Revenue Leverage ($M)

	Year-to-Date
Year-Over-Year Revenue Change	$ 11
Year-Over-Year Operating Earnings Change	$ 3
Revenue Leverage	29%

Contractor Equipment Results



YTD Contractor Sales as % of Consolidated

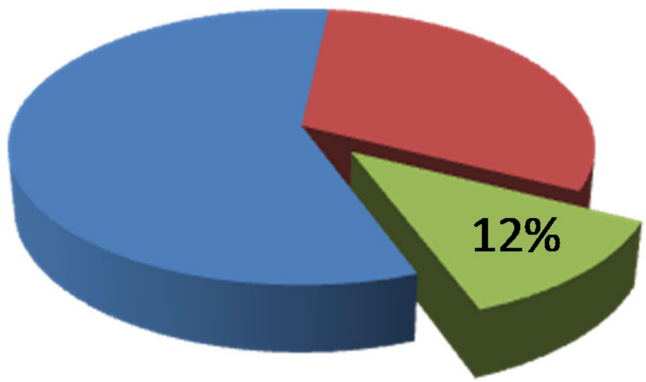
Sales ($ M)	Year-to-Date 2012	2011	Change
Americas	$ 46	$ 45	3 %
Europe	16	17	(4)
Asia Pacific	10	9	13
Total	$ 72	$ 70	3 %
Operating Earnings	$ 13	$ 11	13 %
% of sales	17 %	16 %	

Contractor Equipment Results

Change in % of sales	Year-to-Date
2011 Operating Earnings (percentage of sales)	16 %
Translation effect	—
Product and regional mix	(2)
Volume effect on expense leverage	3
2012 Operating Earnings (percentage of sales)	17 %

Revenue Leverage ($M)	
	Year-to-Date
Year-Over-Year Revenue Change	$ 2
Year-Over-Year Operating Earnings Change	$ 1
Revenue Leverage	80%

Lubrication Equipment Results



YTD Lubrication Sales as % of Consolidated

Sales ($ M)	2012	2011	Change
Americas	$ 20	$ 18	14%
Europe	2	2	(14)
Asia Pacific	6	5	25
Total	$ 28	$ 25	14%
Operating Earnings	$ 6	$ 5	16%
% of sales	22%	21%	

Lubrication Equipment Results

Change in % of sales	Year-to-Date
2011 Operating Earnings (percentage of sales)	21 %
Translation effect	—
Product cost / mix / price	—
Volume effect on expense leverage	1
2012 Operating Earnings (percentage of sales)	22 %

Revenue Leverage ($M)

	Year-to-Date
Year-Over-Year Revenue Change	$ 3
Year-Over-Year Operating Earnings Change	$ 1
Revenue Leverage	25%

Move – Measure – Control – Dispense – Apply

Building Momentum