Investor Presentation

4th Quarter and Year-End 2016

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.

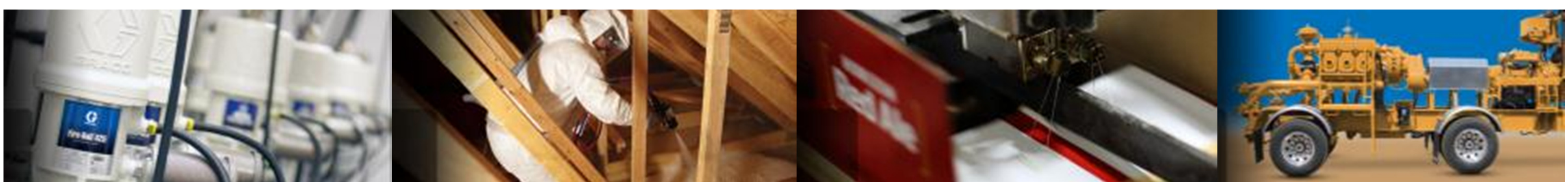
Factors that could cause actual results to differ from anticipated results are identified in Part 1, Item 1A of the Company's Form 10-K, and the current Quarterly Report on Form 10-Q.

✓ Overview

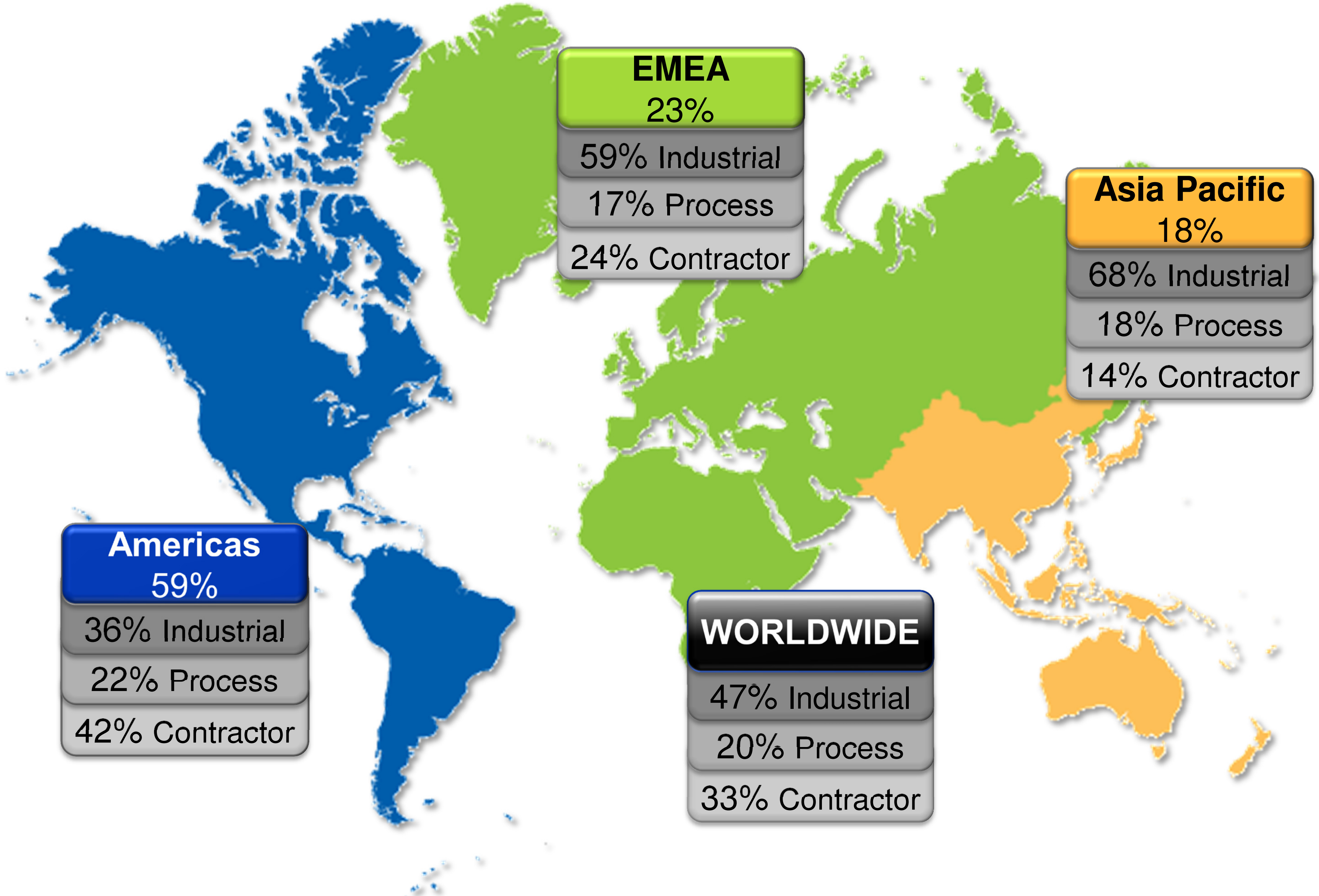
- Enduring Business Model
- Strategies for Long-Term Growth
  - Invest in New Products
  - Expand Geographically
  - Target New Markets
  - Make Acquisitions
- Company Performance

Business Overview

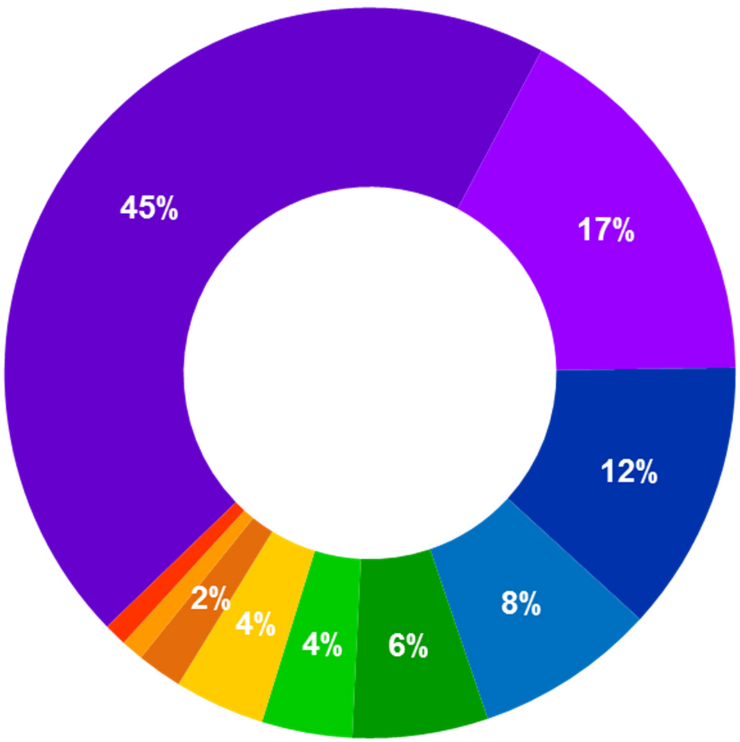
- Graco manufactures premium equipment to pump, move, meter, mix and dispense a wide variety of fluids and coatings
  - Difficult to handle materials with high viscosities
  - Abrasive and corrosive properties
  - Multiple component materials that require precise ratio control
  - Serving a broad number of end markets
- A strong business formula for sustained margin generation
  - High customer value through product differentiation
  - Manufacturing and engineering drive cost savings, reliability and quality



2016 Sales – $1.3 Billion



2015 Sales by End Market

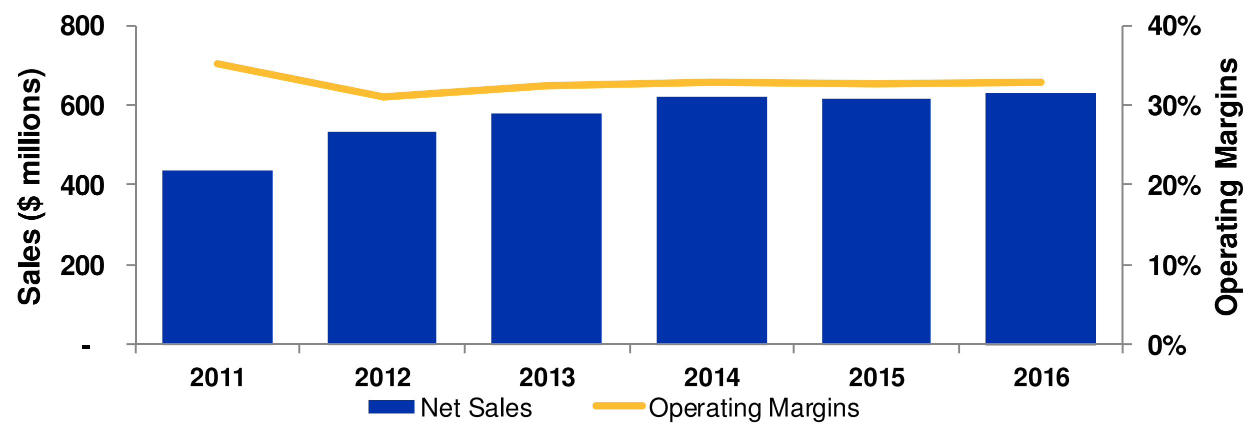


- Residential & Non-Residential Construction – 45%
- Industrial & Machinery – 17%
- Automotive – 12%
- Other – 8%
- Oil and Natural Gas – 6%
- Public Works – 4%
- Vehicle Services – 4%
- Mining – 2%
- Wood – 1%
- White Goods – 1%

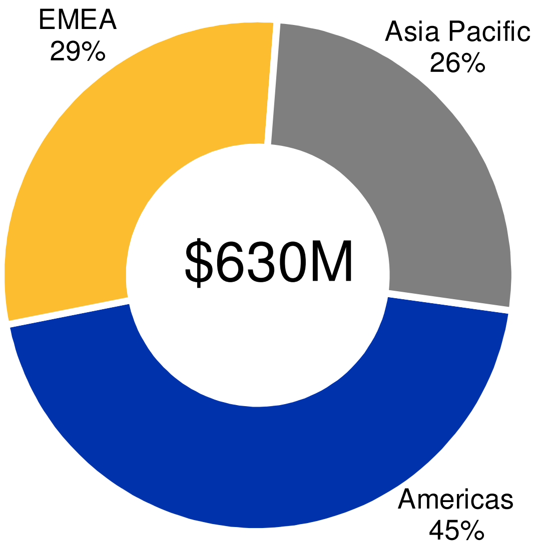
Industrial Equipment Segment

- Growth Drivers and Trends
  - Factory movements and upgrades
  - Integration of equipment with factory data and control systems
  - Reducing energy consumption
  - Material changes driving demand
- Other Representative Industry Participants
  - Exel, Wagner, Carlisle Companies, Nordson and regional players

Industrial Segment Sales and Operating Margins



2016 Sales

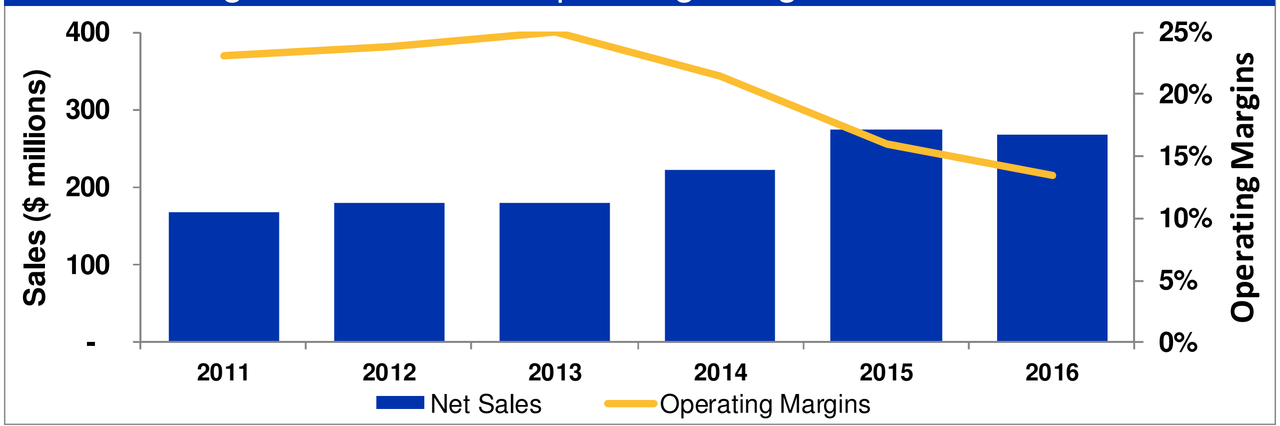


Process Equipment Segment

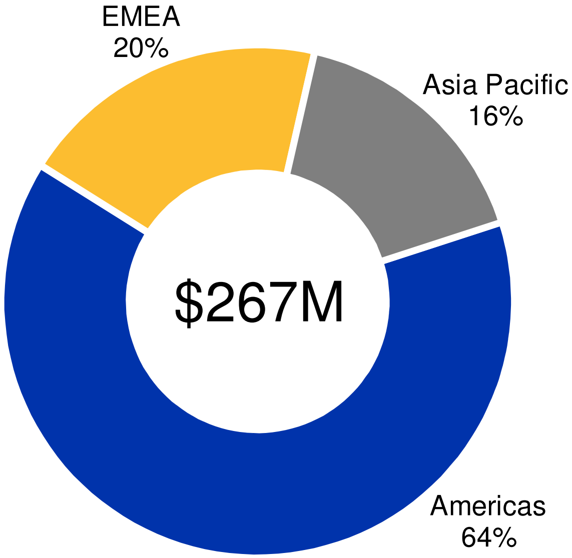
- Growth Drivers and Trends
  - Targeting new products and new markets
  - Fill product lines for a single source solution
  - Focus on spec'ing in product at large OEM's

- Other Representative Industry Participants
  - Idex, Dover, IR, Lincoln, Vogel, Bijur, Hannay, Coxreels, and regional players

Process Segment Sales and Operating Margins



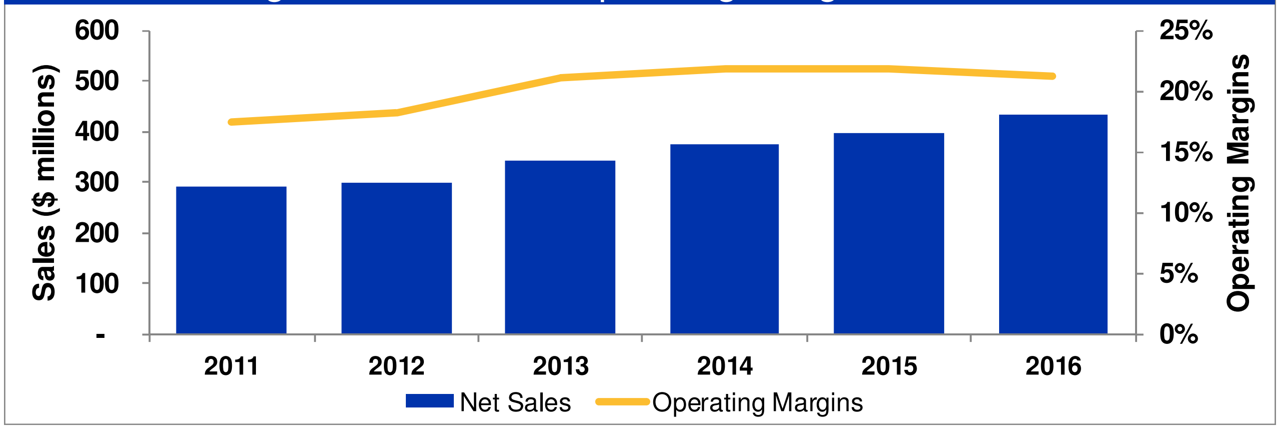
2016 Sales



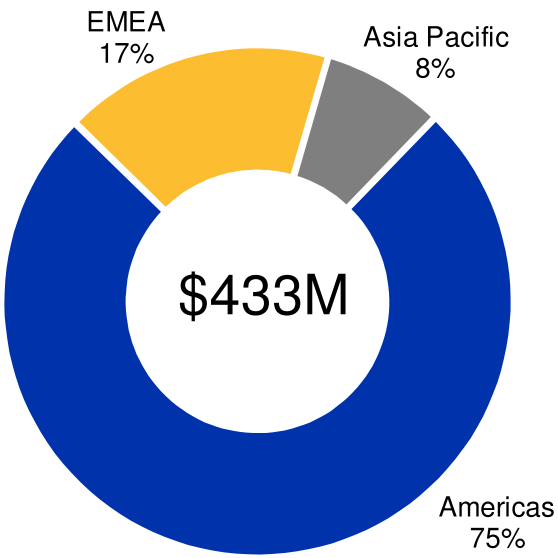
Contractor Equipment Segment

- Growth Drivers and Trends
  - Entry level product and channel expansion
  - Conversion of end users from manual application methods to equipment is a major focus outside North America
  - Application of texture and cementitious materials
  - Expanding pavement maintenance product line and channel
- Other Representative Industry Participants
  - Wagner, TTI, Campbell Hausfeld, Larius, Bedford, QTech, and regional players

Contractor Segment Sales and Operating Margins



2016 Sales



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- ✓ **Enduring Business Model**
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High Customer Value, Strong Product Differentiation

Manufacturing & Engineering Excellence

GRACO

- 80%+ of production is based in the United States
  - High-quality, efficient, engaged labor force
  - Centralization allows for leverage of overheads
  - A currency mismatch of sales to COGS exists, however
- Continuous improvement culture
  - Unique Graco cost-to-produce measurement tool
- Ongoing capital investment
  - Plant efficiency
  - Cost reductions
  - Capacity
- New product development initiatives include value engineering focus
- Low overall warranty costs

Low Volume, High Mix Delivers Customer ROI

GRACO

Average Number of Units Sold Per Day	# of SKUs		2015 Sales ($ in millions)	
0 - 1	43,006	92%	$531	48%
2 - 5	2,578	5%	$212	19%
6 - 10	625	1%	$91	8%
11 - 15	215	1%	$41	4%
Greater than 15	567	1%	$234	21%
Legacy Graco Total Sales			**$1,109**	
Plus: Acquisition and Non-branded			$177	
Graco 2015 Sales			**$1,286**	

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Growth Plans and Earnings Drivers

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12%+

- Acquisitions
- New Product Development
- New Markets
- End User Conversion

3% - 5%

Industrial Production Average Growth Rate

Graco Targeted Earnings CAGR

- Overview
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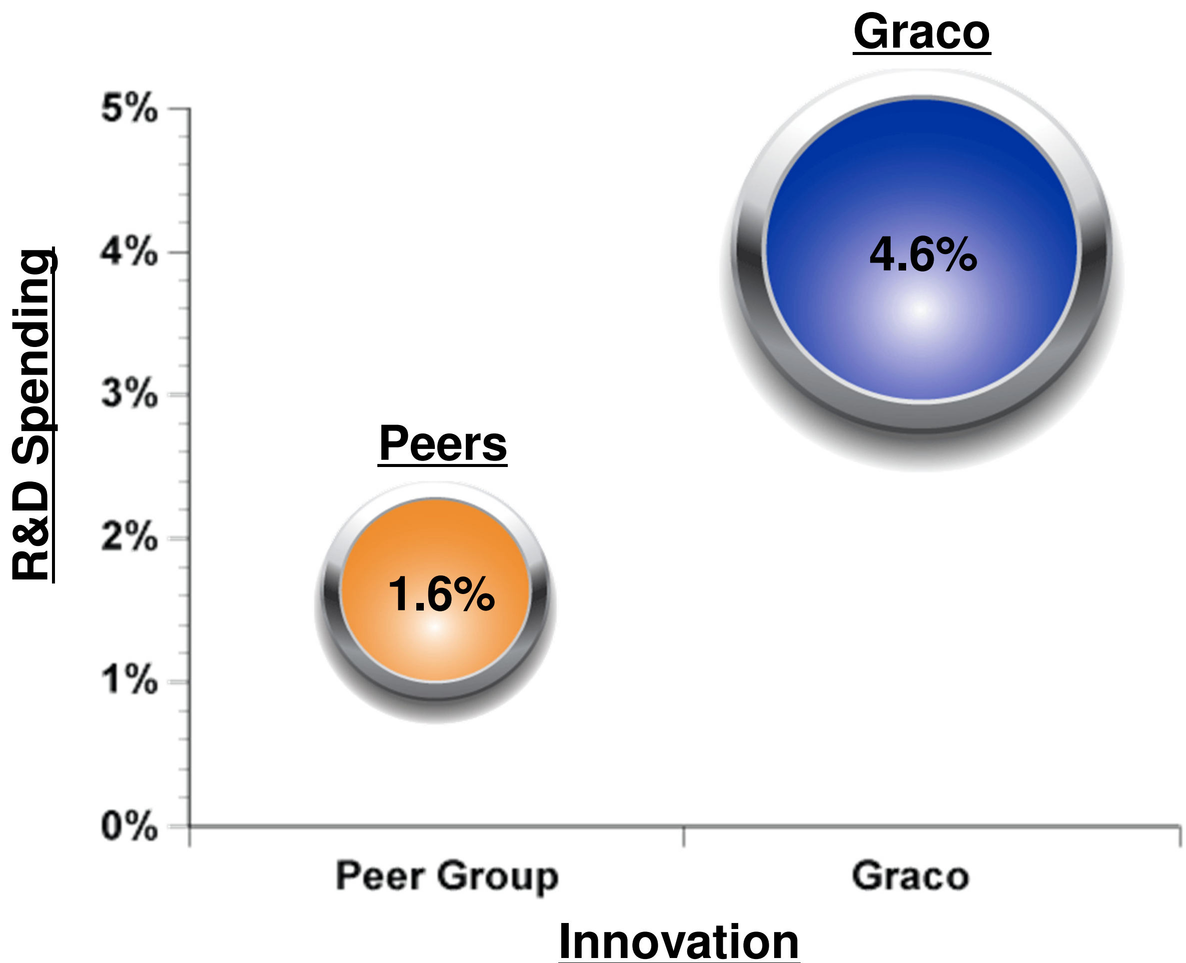
Targeting Growth Through New Products & Markets

New Product Development Expense as a Percentage of Revenues – 2016*



* Peer average R&D spending as a percentage of revenues based on 2015 data

Industrial – Airless Sprayers

e-Xtreme™ Electric Airless Sprayer

- World's first electric sprayer for protective coatings approved for hazardous locations
- Electric power is safe, reliable, and convenient
  - Sprayers will be sold/used in emerging countries where compressed air is not readily available
- Significantly more quiet
- Saves up to 80% of energy costs
  - No compressor is needed

Contractor – Paint Sprayers

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Home Center Products

- New “Pro” performance features
  - ProXChange™ “No Tools” pump repair cartridge
  - Longer life / higher output
  - Heavy-duty drive
- Patents pending

Pro Products

- Common platform delivers economies of scale for entry-level markets
- ProXChange “No Tools” pump repair cartridge
- Special models for fine finish applications
- Patents pending

Magnum® ProX

Common Platform:
- Motor
- Drive
- Pump

FinishPro™ GX™ 19 AIRLESS

Contractor – Pro Markets

Texture Applications

- 3 new interior / exterior options
- Graco exclusive "Pro" features
  - 50% more air and fluid output
  - "SmartStart" system extends pump and compressor life
  - "Wide Tex" spray tips for higher production spraying
- Patents issued and pending

Pavement Striping Applications

- New LineLazer V – 5th generation
- #1 selling airless line striping system worldwide
- 3 new model options
- Graco exclusive "Pro" features
  - "Automatic" striping guns
  - "SmartControl" digital tracking
  - "Auto Layout" parking lot system
- Patents issued and pending

TexSpray RTX™

LineLazer® V

Everyday Striping

High Production

High Production Reflective

Process – Saniforce® 1040-e

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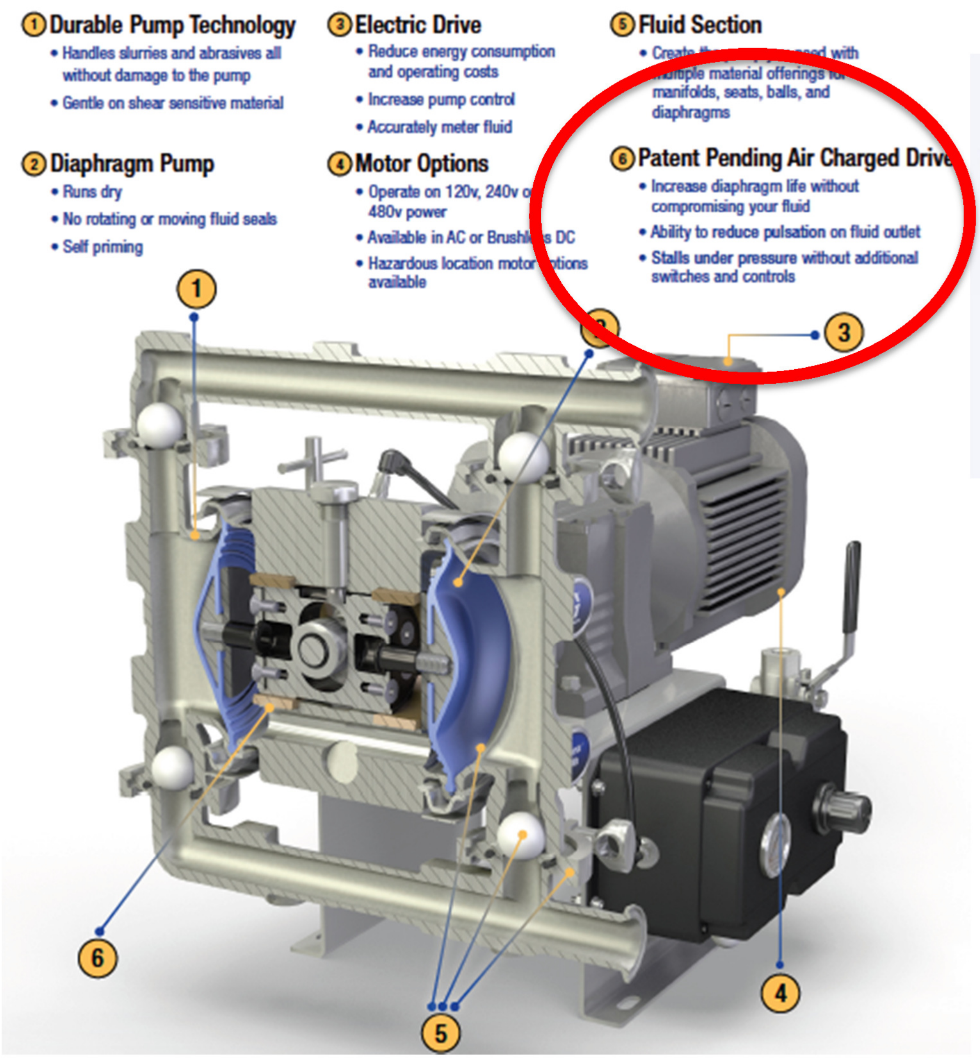
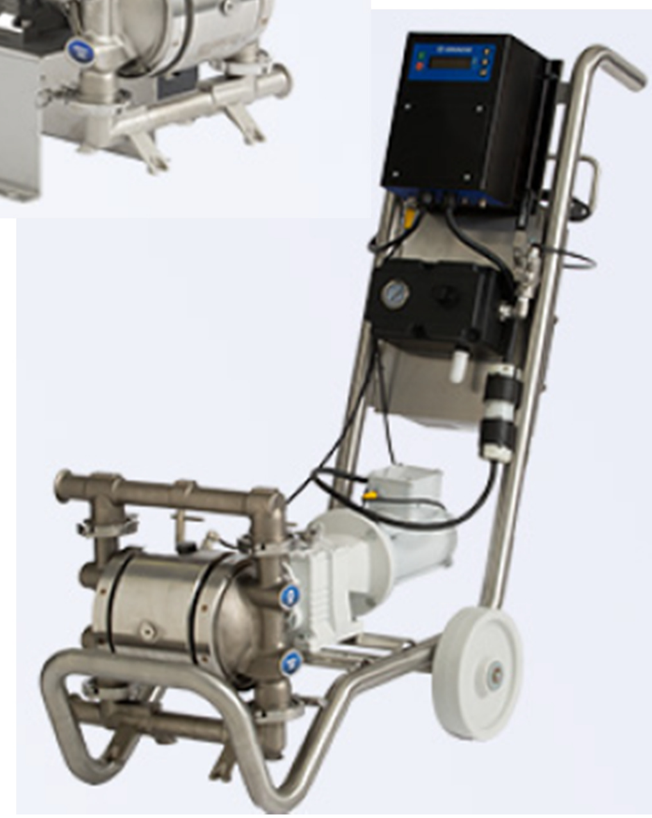
Electric driven diaphragm pump for food and beverage applications





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Industrial – ToughTek®

GRACO

- Expands our presence in the construction industry
- Handles cementitious materials
  - Stuccos, self-leveling flooring, fireproofing, repair mortars, grouts
- Piston pump technology
  - Fireproofing sprayers
  - Stucco / EIFS sprayers
- Rotor/stator pumps
  - Continuous mixers
  - Mortar pumps
  - Mixing pumps

ToughTek F680e Fireproofing Pump

ToughTek S340e Stucco Pump

P25 Mortar Pump

MP25 Mixing Pump

D35 Continuous Mixer

Industrial – EcoQuip® 2

- EcoQuip 2 sets new standards for Vapor Abrasive® Blasting
  - Faster, easier, and more reliable than existing systems
  - Up to 92% less dust than traditional dry blasting
  - Much less water than traditional water-based methods (around 1 qt./min)

- Expand into new markets
  - Coating removal
  - Concrete repair and restoration
  - Surface cleaning
  - Steel surface preparation

Coating Removal

Concrete Repair & Restoration

Concrete Cleaning

Concrete Surface Prep

Steel Surface Prep

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Recent Acquisitions

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- QED™ Environmental Systems
- EQ EcoQuip VAPOR ABRASIVE™ BLAST EQUIPMENT
- Alco Valves Group™
- GEO-BLASTER® WET-ABRASIVE BLASTING EQUIPMENT
- MULTIMAQ™ sprayway
- WHITE KNIGHT™ ……simply driven
- HiP™ High Pressure Equipment Company
- machine TECHNOLOGIES
- EPS Environmental Pump Solutions
- hildebrand TECHNOLOGY
- Geotech & LANDTEC®

Geotech & Landtec — Acquired January 2016

Geotechnical Instruments – UK manufacturer of portable and fixed landfill gas analyzers and biogas analyzers used for monitoring, compliance, and control of landfill and biogas processes

Landtec – Manufactures landfill gas wellheads and accessories

Landfill

Biogas

Wastewater Anaerobic Digestion

Medical Gas

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✓ **Company Performance**

Financial Results

GRACO

Statement of Earnings	Fourth Quarter			Year-to-Date		
$ in millions except per share amounts	2016 14 Weeks	2015 13 Weeks	Change	2016 53 Weeks	2015 52 Weeks	Change
Sales	$ 349.1	$ 325.6	7 %	$ 1,329.3	$ 1,286.5	3 %
Gross Profit	184.7	171.8	8 %	708.2	684.7	3 %
% of Sales	52.9 %	52.8 %	0.1 pts	53.3 %	53.2 %	0.1 pts
Operating Earnings (Loss)	(106.9)	76.1	(240)%	113.9	302.1	(62)%
% of Sales	(30.6)%	23.4 %	(54.0) pts	8.6 %	23.5 %	(14.9) pts
Net Earnings (Loss)	$ (104.2)	$ 53.5	(295)%	$ 40.7	$ 345.7	(88)%
% of Sales	(29.9)%	16.4 %	(46.3) pts	3.1 %	26.9 %	(23.8) pts
Diluted Earnings (Loss) Per Share	$ (1.83)	$ 0.94	(295)%	$ 0.71	$ 5.86	(88)%
Diluted Shares in Millions	*57.1*	*57.3*		*57.0*	*59.0*	

Net Earnings for the year 2015 included non-recurring income tax benefits totaling $9 million or $0.15 per diluted share

Results excluding the 2016 non-cash impairment and the 2015 Liquid Finishing investment income and expense provide a more consistent basis for on-going results. See non-GAAP reconciliation below and discussion on following page

Non-GAAP Reconciliation	Fourth Quarter			Year-to-Date		
$ in millions except per share amounts	2016	2015	Change	2016	2015	Change
Operating Earnings (Loss), as reported	$ (106.9)	$ 76.1	(240)%	$ 113.9	$ 302.1	(62)%
Impairment	192.0	-		192.0	-	
Operating Earnings, adjusted	$ 85.1	$ 76.1	12 %	$ 305.9	$ 302.1	1 %
Net Earnings (Loss), as reported	$ (104.2)	$ 53.5	(295)%	$ 40.7	$ 345.7	(88)%
Impairment	192.0	-		192.0	-	
Held Separate investment (income), Net	-	(0.9)		-	(191.6)	
Income tax effect	(30.6)	0.3		(30.6)	50.2	
Net Earnings, adjusted	$ 57.2	$ 52.9	8 %	$ 202.1	$ 204.3	(1)%
Diluted Earnings (Loss) per Share						
As reported	$ (1.83)	$ 0.94	(295)%	$ 0.71	$ 5.86	(88)%
Adjusted	$ 1.00	$ 0.93	8 %	$ 3.55	$ 3.46	3 %

Non-GAAP Disclosure Reconciliation

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Results excluding the 2016 non-cash impairment and 2015 Liquid Finishing investment income and expense provide a more consistent base of comparison of on-going results.

2016 – Goodwill and Intangible Asset Impairment

- 2016 operating results of our Oil and Natural Gas reporting unit ("ONG") within the Process segment fell short of expectations due to weakness in oil and natural gas markets. At the end of the third quarter, we concluded the depth and length of industry weakness, and its continuing impact on ONG results, were greater than previously expected, so we initiated an impairment analysis.
- We completed the impairment analysis in the fourth quarter and recorded adjustments to reduce goodwill by $147 million and other intangibles by $45 million. The non-cash impairment charges reduced operating earnings by $192 million, created a $31 million deferred tax benefit, and decreased net earnings by $161 million.

2015 – Investment Income and Sale of Held Separate Liquid Finishing Business Assets

- 2015 net earnings included after-tax investment income of the Held Separate Liquid Finishing business assets sold in the second quarter of 2015. Fourth quarter 2015 included post-closing purchase price adjustments of $0.6 million and year-to-date included after-tax investment income of $141 million.

Financial Results

Components of Net Sales Change

Fourth Quarter December 2016

	Segment			Region			
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	Consolidated
Volume and Price	6 %	(1)%	17 %	6 %	12 %	4 %	7 %
Acquisitions	0 %	5 %	0 %	1 %	2 %	1 %	1 %
Currency	(2)%	(2)%	(0)%	(0)%	(5)%	(1)%	(1)%
Total	4 %	2 %	17 %	7 %	9 %	4 %	7 %

Year-to-Date December 2016

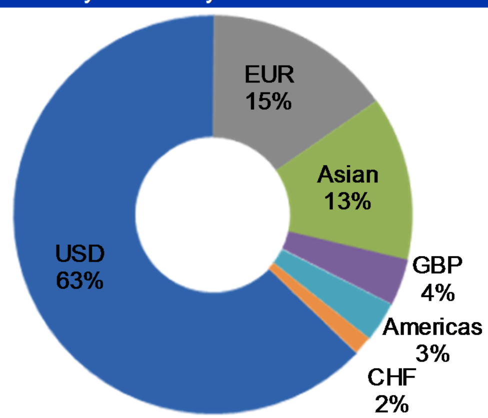
	Segment			Region			
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	Consolidated
Volume and Price	3 %	(7)%	10 %	1 %	6 %	3 %	3 %
Acquisitions	0 %	6 %	0 %	1 %	3 %	1 %	1 %
Currency	(1)%	(2)%	(1)%	(0)%	(2)%	(1)%	(1)%
Total	2 %	(3)%	9 %	2 %	7 %	3 %	3 %

Fourth quarter 2016 included 14 weeks compared to 13 weeks in 2015.

Asian currencies include:
AUD, CNY, KRW, JPY

Americas currencies include:
CAD, BRL, MXN

2016 YTD Sales by Currency



Tax Items

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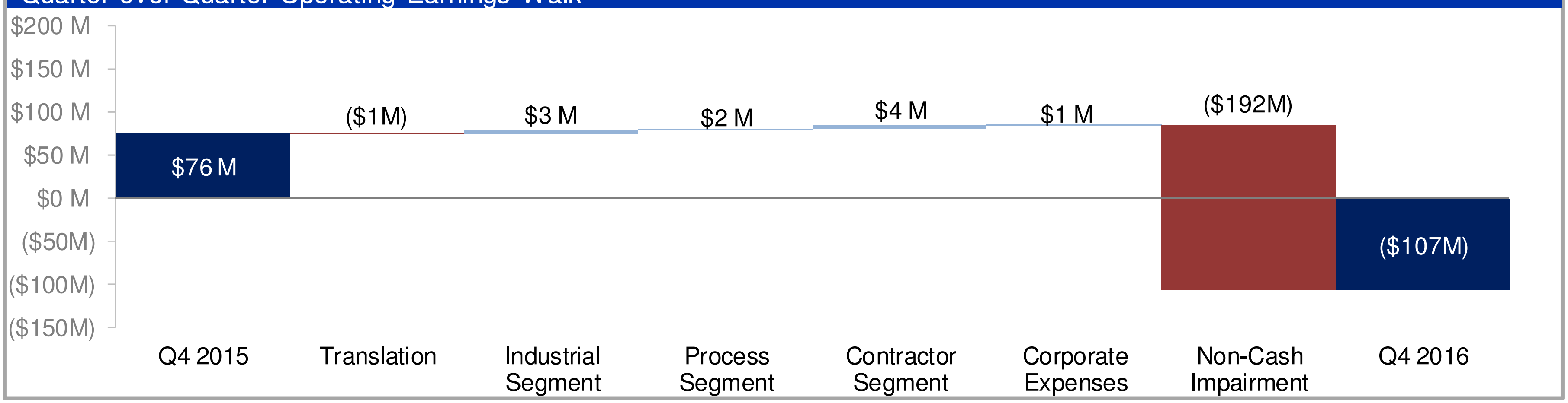
- The deferred tax benefit of $31 million related to non-cash impairment charges recorded in the fourth quarter had a significant impact on the effective tax rate for both the quarter and the year
- The effective tax rate for the quarter was 6% compared to 27% for the fourth quarter last year. The impact of the impairment on the effective tax rate was a decrease of approximately 23 percentage points
  - The 2015 rate included the full year benefit of the federal R&D tax credit not available until fourth quarter 2015
- The effective tax rate for the year was 58%, including approximately 28 percentage points related to the impairment charge, compared to 27% in 2015
  - The 2015 rate included favorable impact of non-recurring tax benefits and post-tax dividend income, partially offset by the tax rate effects of the gain on the sale of the Held Separate Liquid Finishing business assets
    - 2015 non-recurring tax benefits totaled $9 million, or $0.15 per diluted share
  - The net increase in the effective rate from the 2015 favorable items was partially offset by additional 2016 benefit from foreign earnings taxed at lower rates than the U.S.
- Tax rate for 2017 is expected to be approximately 30%

Operating Earnings

Change in Operating Earnings	Fourth Quarter		Year-to-Date	
2015 Operating Earnings ($M and % of sales)	$ 76	23 %	$ 302	23 %
Translation effect	(1)	—	(4)	—
Mix, volume and pricing	15	1	22	—
Effect of acquired businesses operations, inventory set-up and acquisition costs, net	—	—	4	—
Incremental investment in growth initiatives and corporate items	(1)	—	(4)	—
Unallocated corporate expenses *	1	—	1	—
Facility relocation and integration costs for acquired businesses	—	—	(2)	—
Decrease in intangible amortization related to non-cash impairment	1	—	1	—
Volume effect on expense leverage	(6)	—	(14)	—
2016 Operating Earnings - Excluding Non-Cash Impairment ($M and % of sales)	$ 85	24 %	$ 306	23 %
Non-cash impairment of intangible assets	(192)	(55)	(192)	(14)
2016 Operating Earnings ($M and % of sales)	($107)	(31)%	$ 114	9 %

*Unallocated corporate expenses (primarily stock compensation and pension) include $2 million in employee share based compensation that was more than offset by a favorable legal settlement

Quarter over Quarter Operating Earnings Walk



Fourth Quarter 2016 Results

- Sales increased 7% (8% at consistent currency translation rates)
  - Acquired businesses account for 1 percentage point of growth
  - Fourth quarter 2016 included 14 weeks compared to 13 weeks in 2015
- Gross profit rate consistent with fourth quarter 2015
  - Realized pricing and favorable impact of product and channel mix more than offset the unfavorable impact of higher production costs
- Operating loss, as reported, down $183 million from fourth quarter 2015 due to $192 million non-cash impairment charge
- Operating earnings, excluding the non-cash impairment, up $9 million or 12% from fourth quarter 2015
  - Higher sales volume more than offset unfavorable impact of translation and higher expenses
- Tax rate for the quarter was 6% compared to 27% for fourth quarter last year. The impact of the impairment was a decrease of approximately 23 percentage points
  - 2015 rate included favorable impact from the full year federal R&D tax credit not available until fourth quarter 2015

Full Year 2016 Results

- Sales increased 3% (4% at consistent currency translation rates)
  - Acquired businesses account for 1 percentage points of growth
  - 2016 was a 53 week year compared to 52 weeks in 2015
- Gross margin rate consistent with 2015
  - Favorable impact of reduced acquisition related purchase accounting, product and channel mix and realized pricing offset the impact of lower factory volume
- Operating earnings, as reported, down $188 million from 2015 due to $192 million non-cash impairment charge
- Operating earnings, excluding non-cash impairment, up $4 million or 1% from 2015
  - Higher sales volume and the favorable effect of reduced acquisition related purchase accounting more than offset the unfavorable impact of translation and higher expenses
- Effective tax rate for the year was 58%, including approximately 28 percentage points related to the impairment charge, compared to 27% in 2015
  - 2015 rate included the favorable impact of non-recurring tax benefits and the impact of post-tax dividend income, partially offset by the tax rate effect of the gain on the sale of the Liquid Finishing assets
  - The net increase in the effective rate from those 2015 favorable items was partially offset by additional benefit from foreign earnings taxed at lower rates than the U.S.

Notable Info from Q4 2016 Earnings Release & Call

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- Capital expenditure expectations of approximately $40 million in 2017
- Unallocated corporate expenses in 2017 are expected to be approximately $31 million or $2 million higher compared to 2016
- Non-cash impairment of intangible assets in fourth quarter 2016 is expected to reduce amortization expense by approximately $1 million in each of the first three quarters of 2017 compared to 2016
- In 2017 we intend to make share repurchases to maintain our current outstanding share count. Further share repurchases will be on an opportunistic basis
- At current exchange rates, assuming the same volumes, mix of products and mix of business by currency as in 2016, the unfavorable movement in foreign currencies would be a headwind of approximately 1% on sales and 3% on earnings, with the greatest headwind in the first three quarters

2016 U.S and Non-U.S. Business Data Points*

Sales	2016 sales $1,329 million- Sales from U.S production to U.S. customers ~ 45-47% Sales from U.S. production to foreign customers ~ 30% Sales from foreign production to foreign customers ~ 20% Sales from foreign production to U.S. customers ~ 3-5%
Cost of Good Sold	2016 cost of goods sold $621 million- U.S.-based cost of goods sold is ~ 70-75% Foreign-based cost of goods sold is ~ 25-30%
Operating Expenses	Operating expenses are 30% of sales (excluding 2016 impairment) U.S-based expenses are ~ 65-70% of operating expenses
Capital Expenditures	Capital expenditures $42 million U.S.-based capital expenditures ~ 75%
Interest Expense	$18 million – predominately U.S.-based

* Graco management estimates. May vary year to year.

Current Environment and Outlook

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Constant currency basis and excluding acquisitions completed in the prior 12 months

	Americas	EMEA	Asia Pacific	Worldwide
Current Environment	Sales Growth Q4 2016 6% FY 2016 1%	Sales Growth Q4 2016 11% FY 2016 6%	Sales Growth Q4 2016 4% FY 2016 3%	Sales Growth Q4 2016 7% FY 2016 3%
Industrial Segment	Sales Growth Q4 2016 0% FY 2016 (2%)	Sales Growth Q4 2016 14% FY 2016 8%	Sales Growth Q4 2016 6% FY 2016 7%	Sales Growth Q4 2016 5% FY 2016 3%
Contractor Segment	Sales Growth Q4 2016 17% FY 2016 9%	Sales Growth Q4 2016 22% FY 2016 19%	Sales Growth Q4 2016 8% FY 2016 (1%)	Sales Growth Q4 2016 17% FY 2016 10%
Process Segment	Sales Growth Q4 2016 2% FY 2016 (5%)	Sales Growth Q4 2016 (11%) FY 2016 (12%)	Sales Growth Q4 2016 (4%) FY 2016 (8%)	Sales Growth Q4 2016 (1%) FY 2016 (7%)
Full Year 2017 Outlook	**Low Single-Digit**	**Low Single-Digit**	**Low Single-Digit**	**Low Single-Digit**

Graco is focused on achieving full-year sales growth in all geographic regions and reportable segments in 2017

- Our Process segment experienced headwinds throughout 2016 and remains a source of caution as we enter 2017, despite easier comparables
- Outlook for Contractor segment is mid single-digit sales growth

Long-Term Cash Deployment Priorities

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Organic Growth

- International Footprint
- Product Development
- Production Capacity and Capabilities

Acquisitions

- Supplement to Organic Growth
- Leverage Our Strengths

Shareholder Return

- Dividend Payout Ratio ~30%
- Approximately 4 Million Shares Remaining on Authorization

Key Investment Attributes

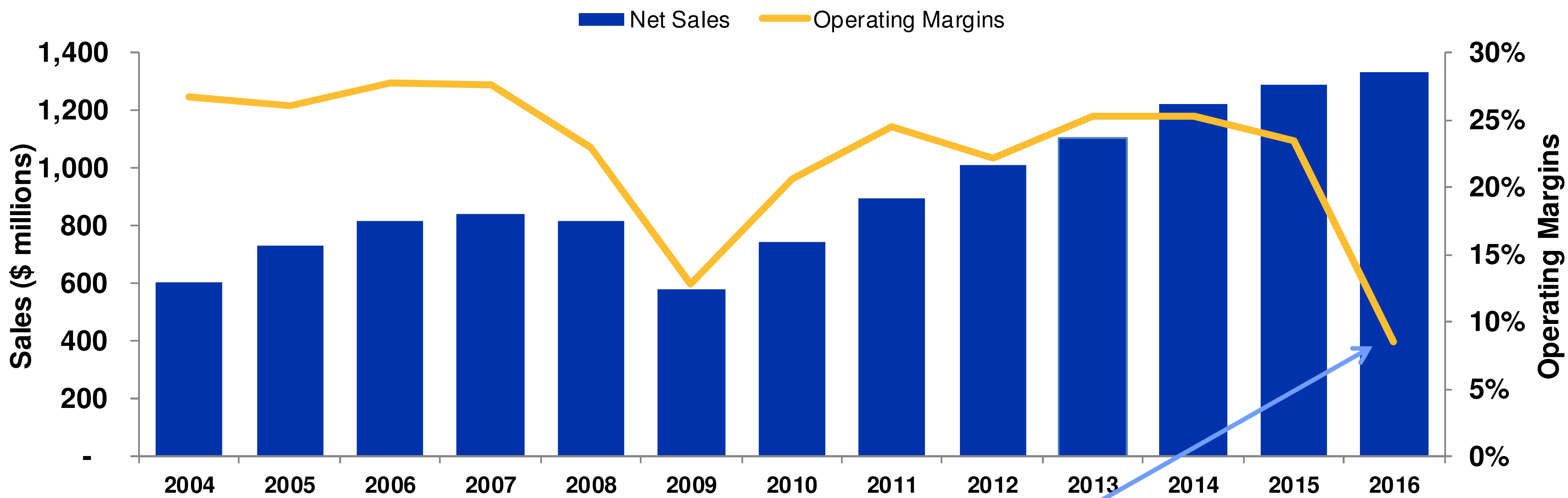
- Strategies that will drive long-term, above-market growth
- Premium products that provide a strong ROI for end users
- Leading industry positions
- Serves niche markets where customers are willing to purchase quality, technology-based products
- Products perform critical functions
- Consistent investments in capital and growth initiatives
- Shareholder-minded management
- Financial strength

Financial Summary 2016

Appendix

Financial Performance

Sales and Operating Margin

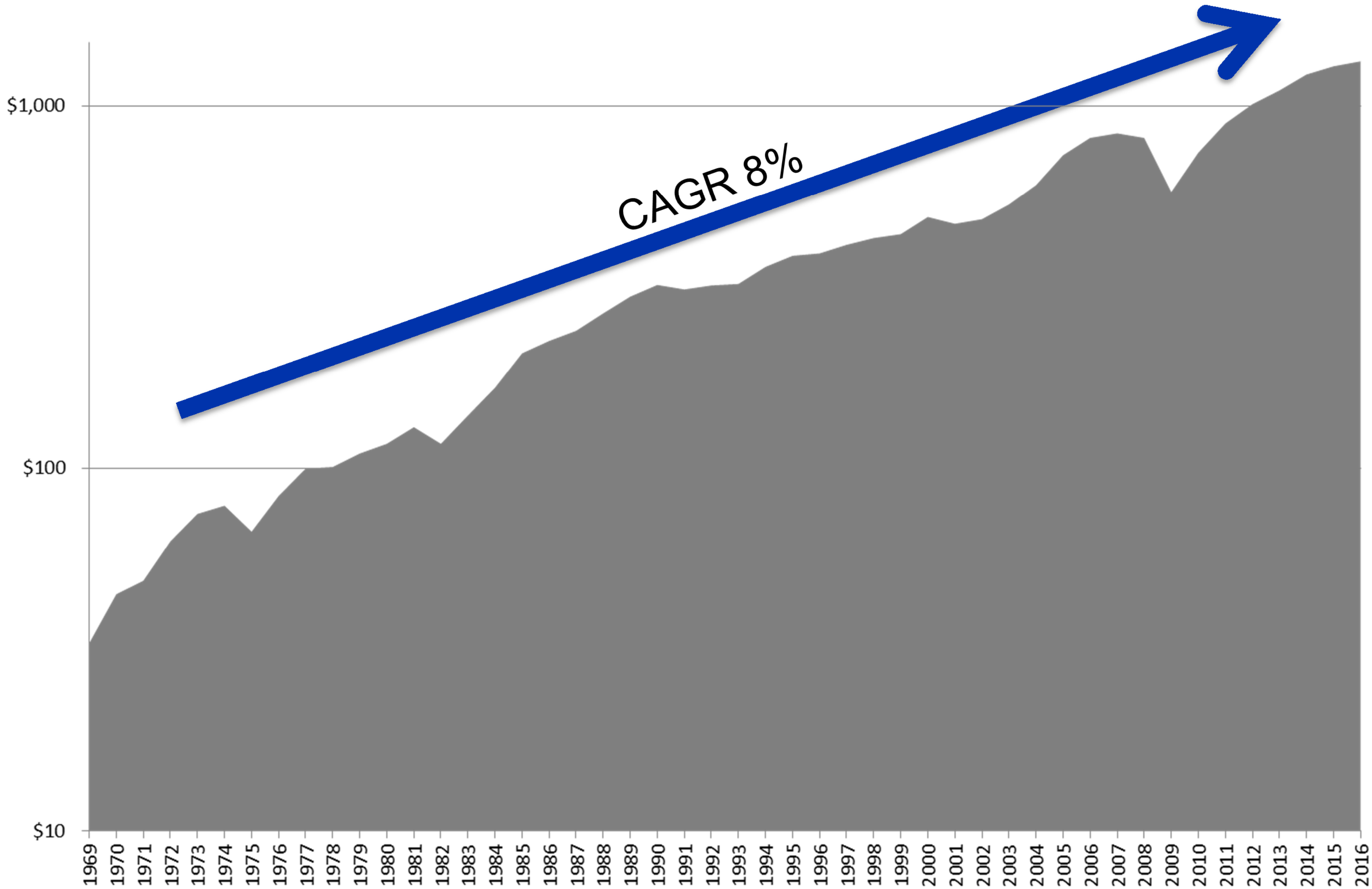


Diluted EPS	$1.55	$1.80	$2.17	$2.32	$1.99	$0.81	$1.69	$2.32	$2.42	$3.36	$3.65	$5.86	$0.71

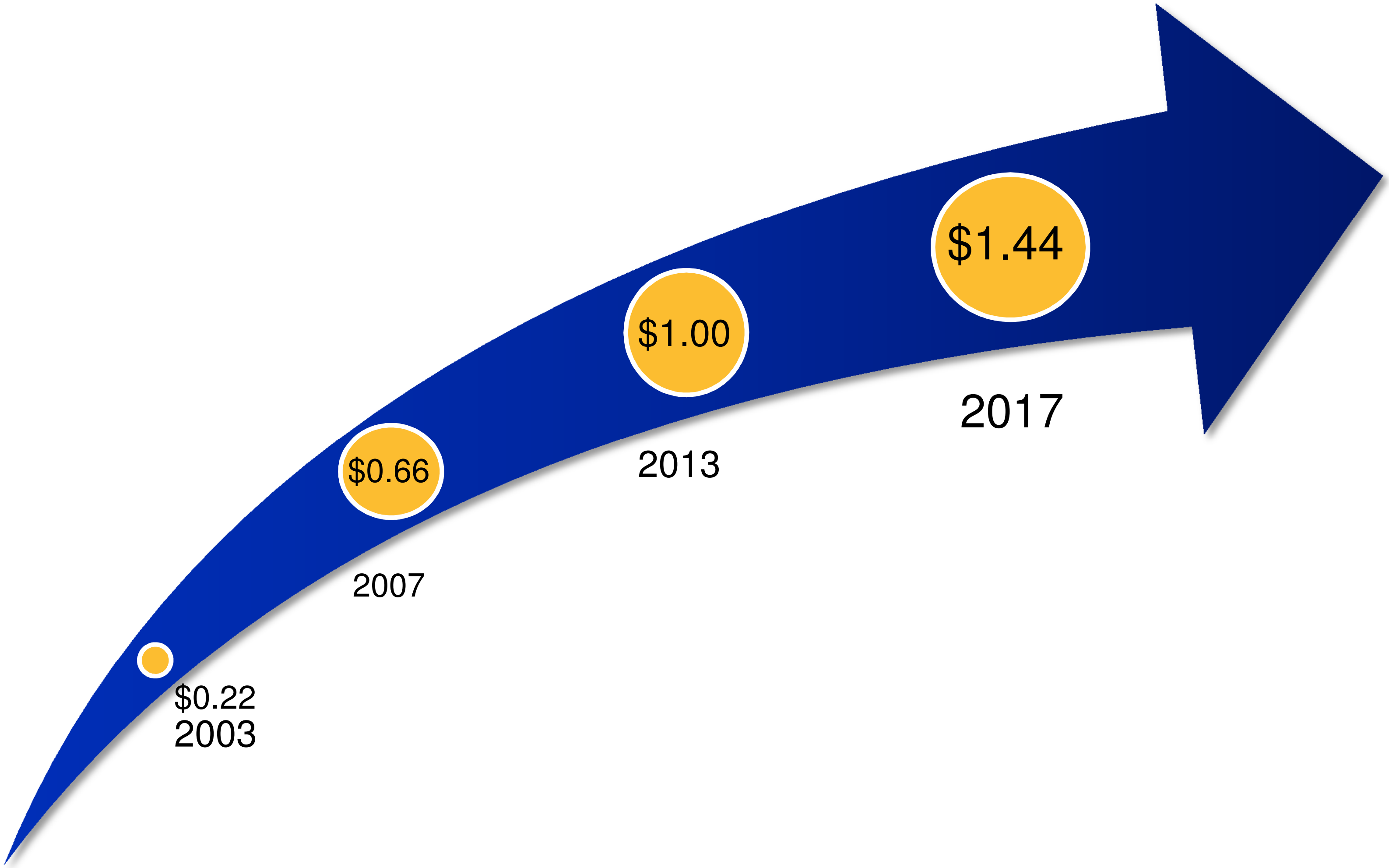
Non-cash impairment of intangible assets recorded in Q4 2016

- Decreased operating earnings $192 million, or 14 percentage points as a percentage of sales
- Decreased net earnings by $161 million, or $2.84 per diluted share

Historic Sales *($ Millions)*



Stock Dividend Growth



Strong Cash Generation

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($ Millions)	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating Cash Flows	$ 269	$ 190	$ 241	$ 243	$ 190	$ 162	$ 101	$ 147	$ 162
% of Net Income	661%	55%	107%	115%	127%	114%	98%	300%	134%
Capital Expenditures	42	42	31	23	18	24	17	11	29
Free Cash Flow	$ 227	$ 148	$ 210	$ 220	$ 172	$ 138	$ 84	$ 136	$ 133

2016 – Non-cash Impairment of Intangibles – Q4 2016

- Non-cash, net of tax charge of $161 million was reflected in net income
- Non-cash impairment charge, $191 million, and related change in deferred taxes, ($31) million, are included in adjustments to reconcile net earnings

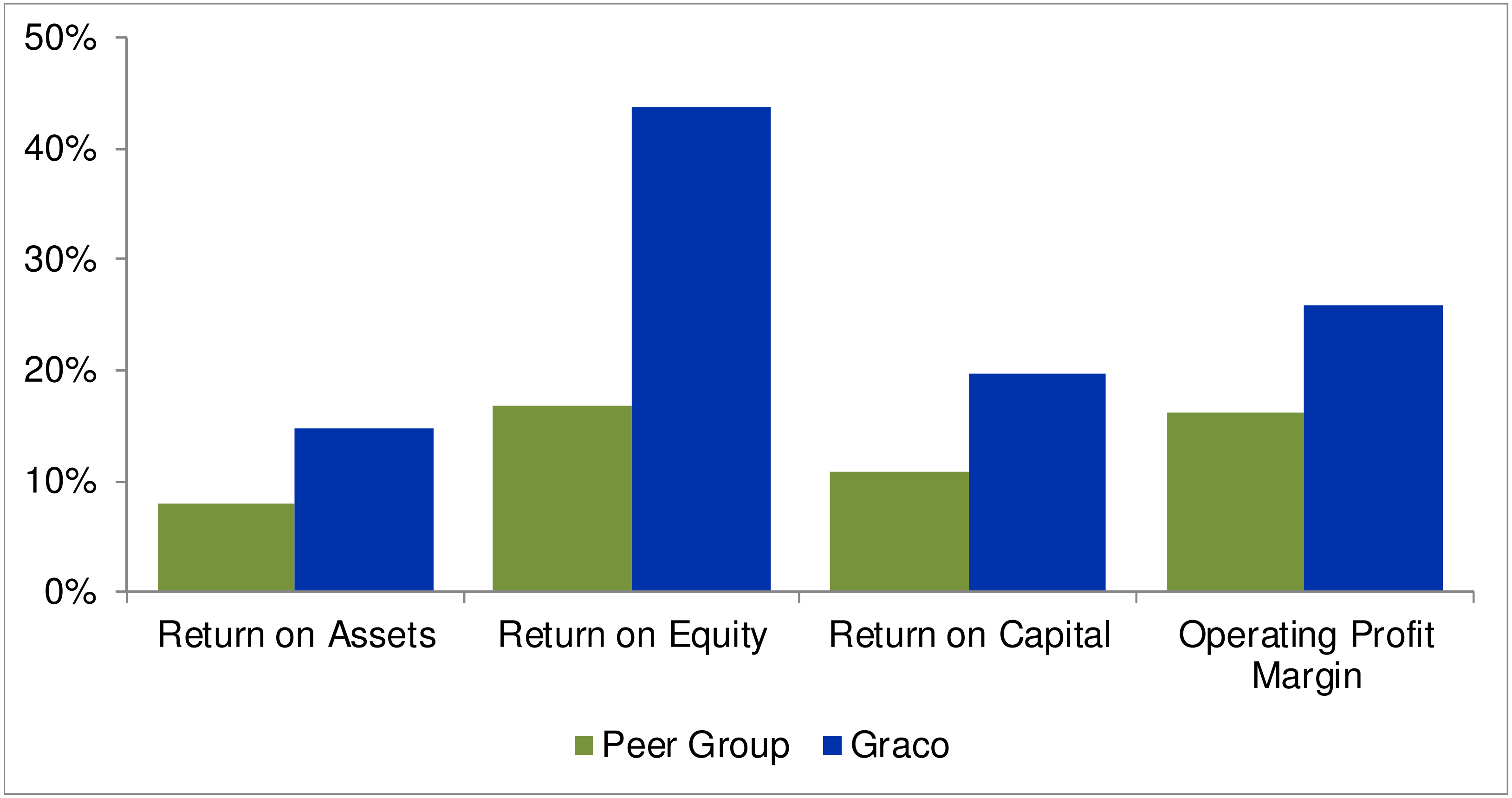
2015 - Divestiture of Liquid Finishing Held Separate assets - sale completed in Q2 2015

- Gain on the sale, net of expenses, was $141 million and reflected in net income
- Effect of taxes on the gain, transaction costs & foundation contribution are included in operating cash flows: payments total $67 million in 2015

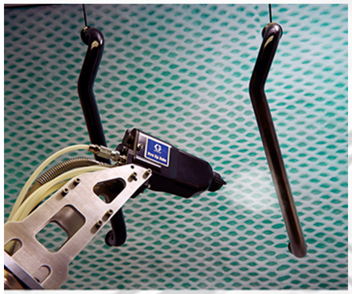
($ Millions)	2016	2015	2014	2013	2012	2011	2010	2009	2008
Dividends	$ 73	$ 69	$ 66	$ 61	$ 54	$ 51	$ 48	$ 45	$ 45
Acquisitions	49	189	185	12	667	2	-	-	55
Share Repurchases *	18	256	165	26	(29)	21	11	(6)	101
	$ 140	$ 514	$ 416	$ 99	$ 692	$ 74	$ 59	$ 39	$ 201

* Net of shares issued

Capital Efficiency – 5 Year Average



Source: S&P Capital IQ



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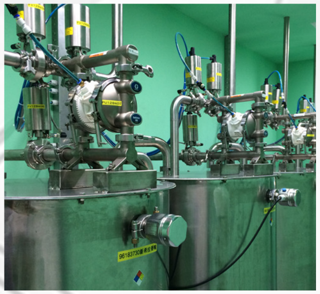

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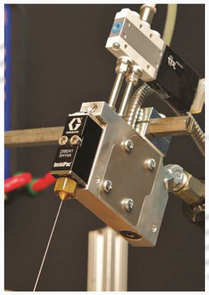

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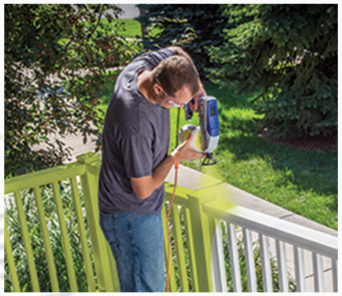

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