



Investor Presentation

March 2008

Proven Quality. Leading Technology.



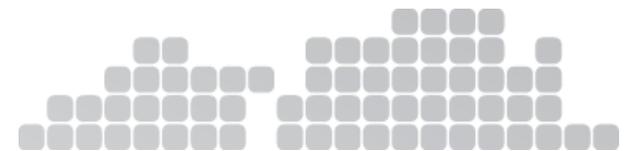


Safe Harbor

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.





Graco Strengths

- Diverse end markets
- Excellent external growth drivers
- Global
- Sustainable competitive advantages
 - Broad product offering
 - Distribution channel
 - Operational Excellence
 - Product Technology
- Acquisitions Capacity





Diverse End User Markets

Contractor Equipment

- Painting & specialty contractors
- Ceiling & wall texture
- Remodeling
- Line striping



Lubrication Equipment

- Auto dealerships
- Fast oil change facilities
- Fleet service centers
- Industrial lubrication
- Mining





Diverse End User Markets

Industrial Equipment

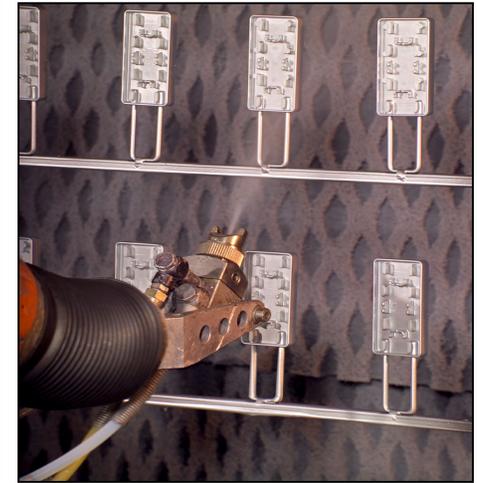
- Aerospace
- Auto/truck/bus assembly
- Auto repair shops
- Process industries
- Farm & construction
- Industrial assembly
- Medical/electrical
- Fabrication & molding
- Foam insulation contractors
- Industrial coating contractors
- Marine & rail
- Furniture
- Food





Long-Term External Growth Drivers

- Global industrialization
- Customer focus on cost reduction and quality improvement
- Manufacturing relocation to developing and low wage geographies
- Wage inflation in developing markets
- Automation and mechanization
- Material changes



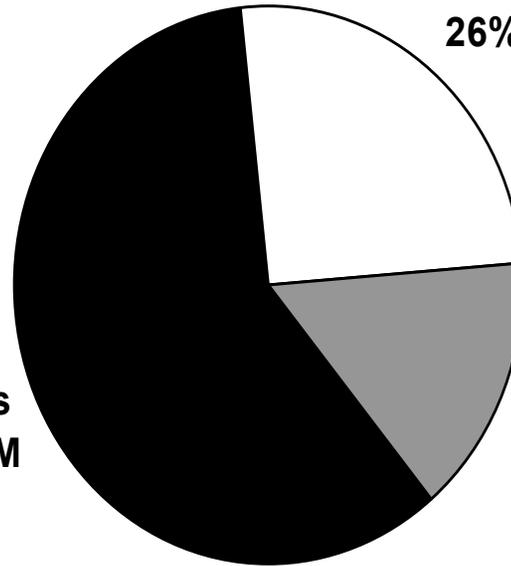


2007 Global Footprint

\$841M



**Americas
59%/\$500M**



**Europe
26%/\$216M**



**Asia Pacific
15%/\$125M**





High Growth in Developing Economies

Growing

- China
- India
- SE Asia
- East Europe
- Africa/Middle East

Expanding Efforts

- Aggressive investment in sales and marketing infrastructure
- Targeting 200 new distributors outside North America in 2008





Sustainable Competitive Advantages

- Broad product offering
- Distribution channel
- Operational excellence
- Technology leadership
- Brand equity





Broad Product Offering

Industrial Equipment

- Liquid finishing
- Sealant and adhesive
- Process pumps
- Sanitary
- High performance coatings
- Residential foam
- Reaction injection molding





Broad Product Offering

Contractor Equipment

- Paint
- Texture
- Striping
- Cleaning
- Fine finish

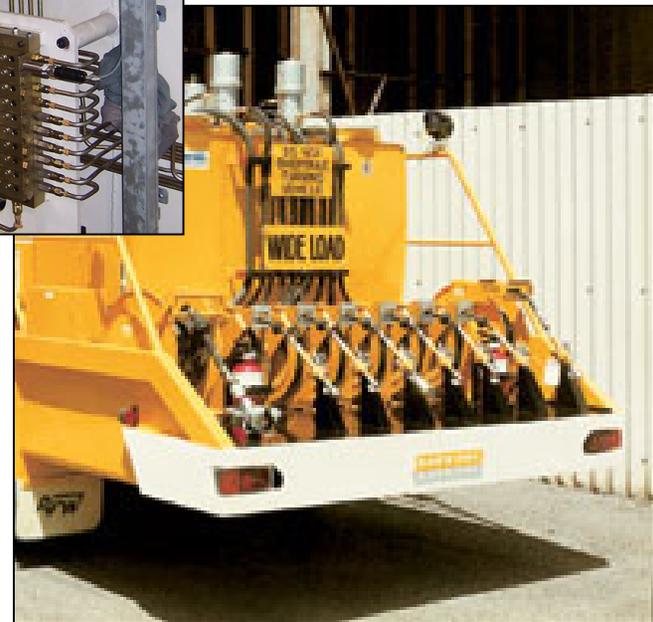
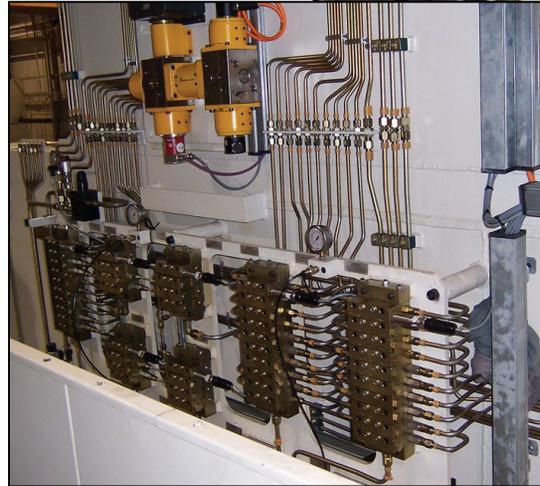
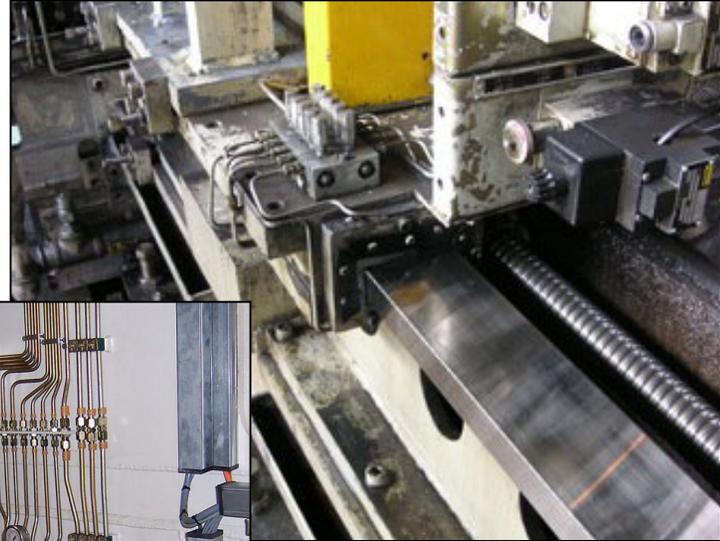




Broad Product Offering

Lubrication Equipment

- Oil change
- Service fluids
- Waste oil handling
- Automatic in-plant lubrication
 - Machine tools
 - Conveyors
 - Presses
 - Transfer machines
- On-road and off-road mobile lubrication





Distribution Channel

- More than 30,000 distributor locations
- Independent 3rd party, very profitable
- Expanding coverage in all regions and application segments
 - Outlet growth with existing accounts
 - Channel specialization
 - Expanded presence in emerging markets





Operational Excellence

Example – Manufacturing

- Unique “cost to produce” metric drives annual improvement that shows up on the P & L
- Rigorous formalized capital expenditure ROI based evaluation
- Strategic vertical integration – in particular, machining processes
- Lean tools implemented selectively to achieve the best result for each production area
- Strategic sourcing capabilities in the U.S. and Asia
- Maintain adequate inventory for immediate shipment to customers





Technology Leadership

New Product Development

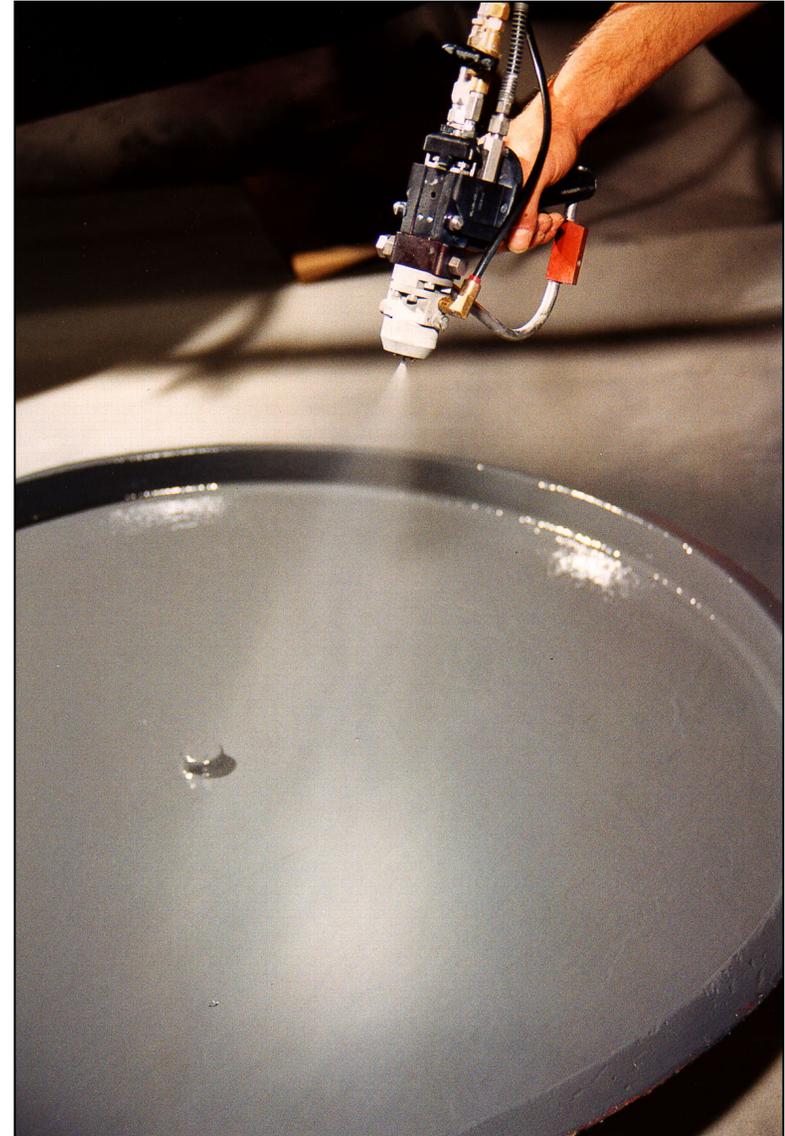
- Invest 3½-4% of sales
- Target 30% of sales from products introduced in last 3 years
- All business segments invest in new product opportunities
- Product expansion into adjacent new markets
 - Spray foam
 - Texture
 - Sanitary





Capacity to Make Strategic Acquisitions

- Strong balance sheet
- Disciplined DCF approach
- Building internal capability
- Leveraging core strength
 - Engineering
 - Manufacturing
 - Channel
- Entering new markets
 - Reactive injection molding
 - Industrial lubrication
 - Precision sealant metering/dispense
 - Composites

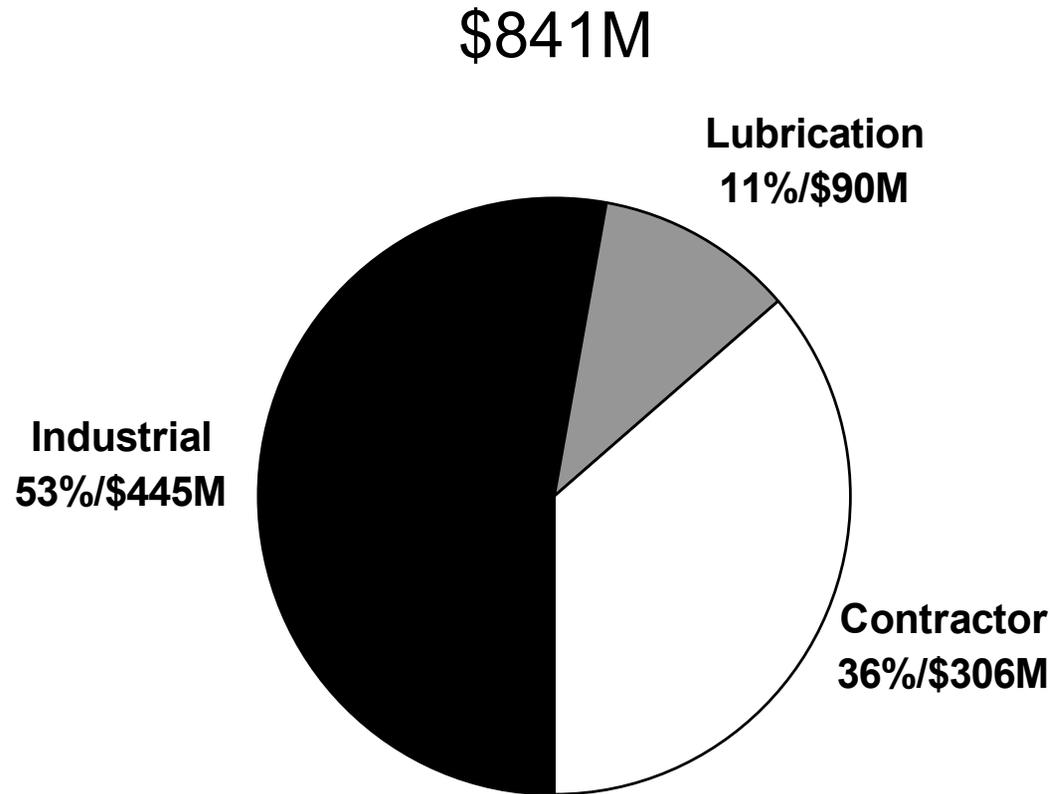




Financial Highlights



2007 Segment Sales





Highlights – 2007

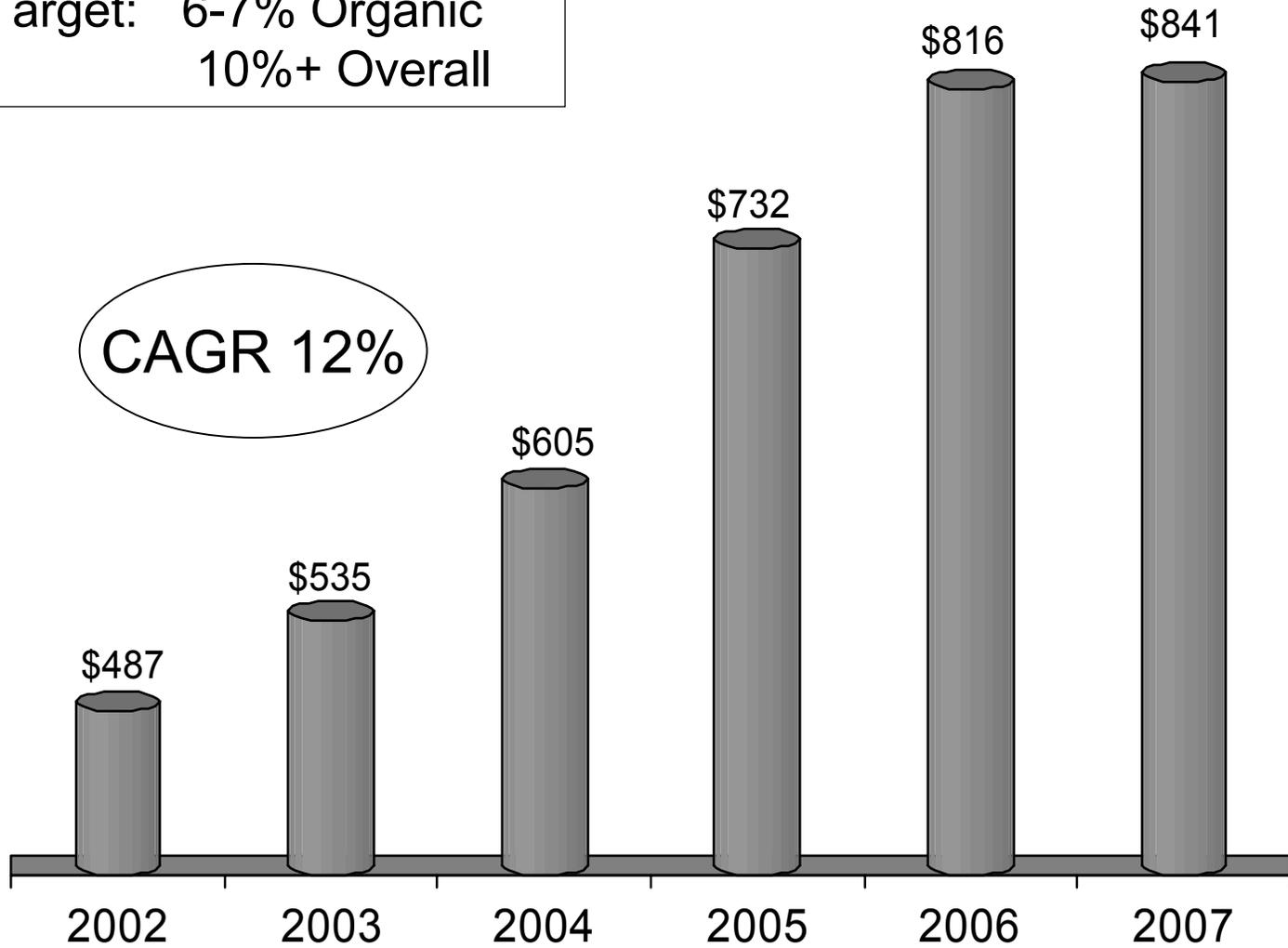
- Sales up 3%
 - Strong international sales; Europe and Asia up 23% and 18%, respectively
 - Americas mixed but overall revenue down 6%
- Gross margin – 53%
- Operating profit margin – 28%
- Earnings per share up 7%
- \$232 million in share repurchase – 6% of outstanding shares



Annual Sales (\$ Millions)

Target: 6-7% Organic
10%+ Overall

CAGR 12%

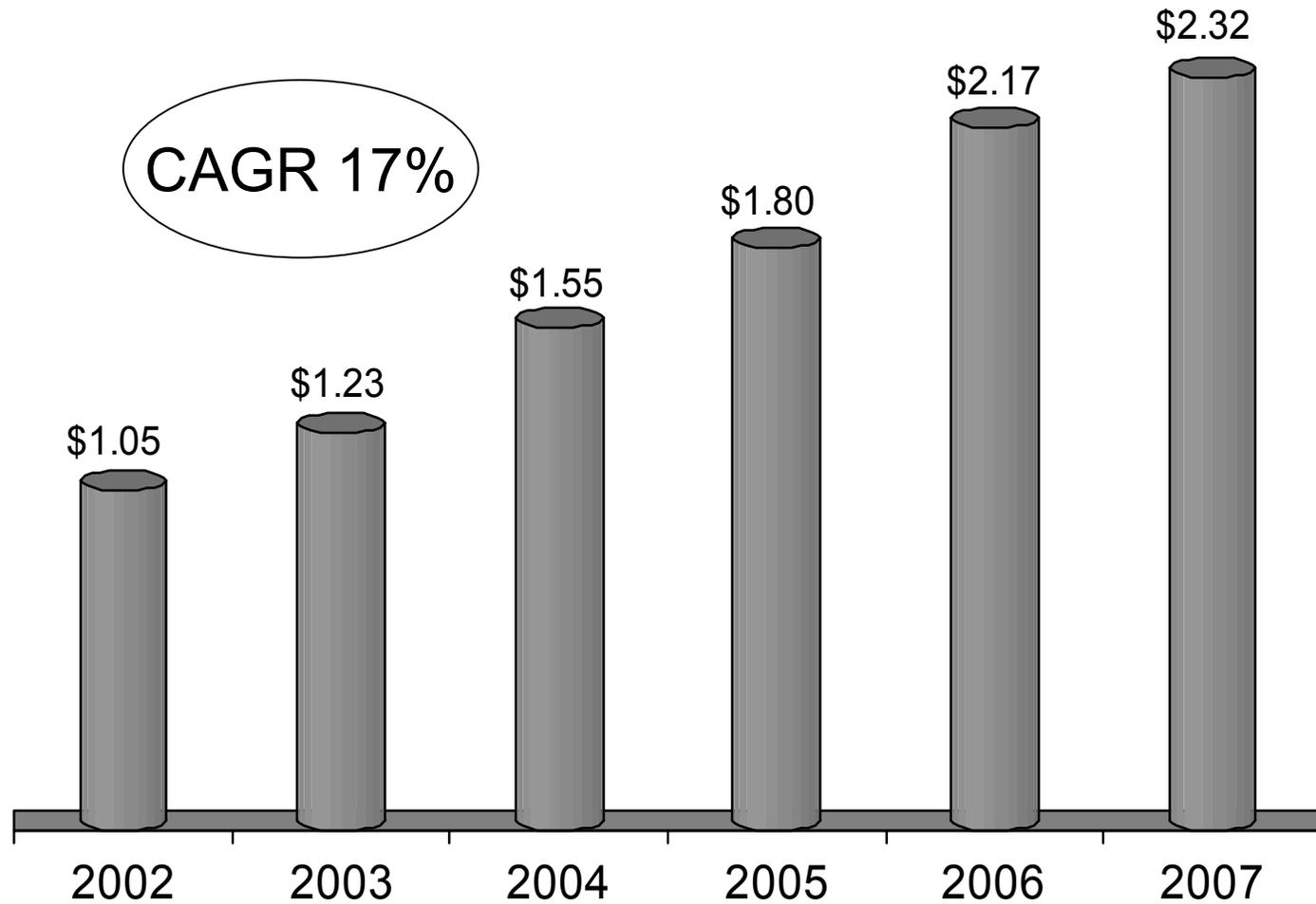




Earnings Per Share

Target: 12%+

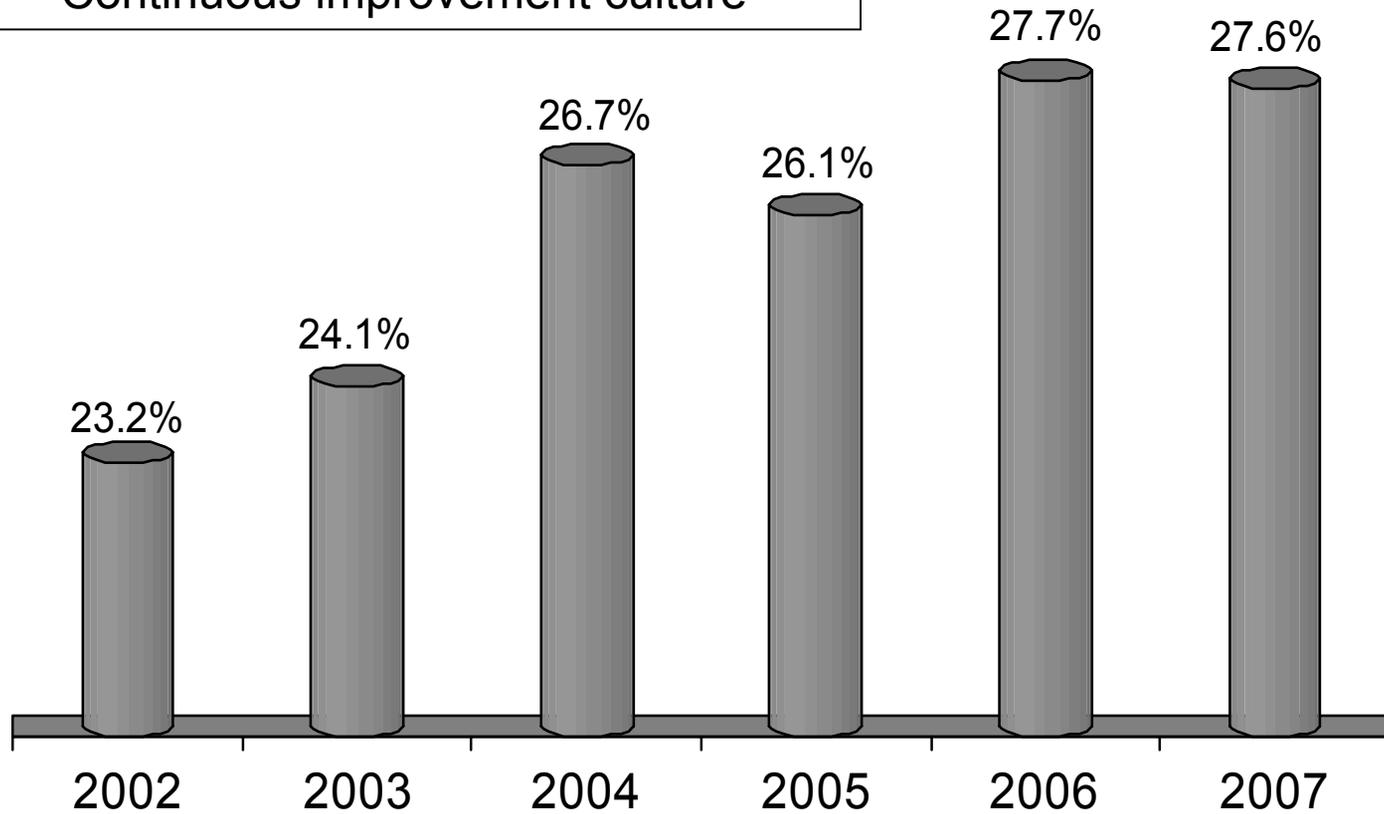
CAGR 17%





Operating Margin

- Disciplined spending
- Increased manufacturing efficiency
- Leverage volume increases
- Continuous improvement culture

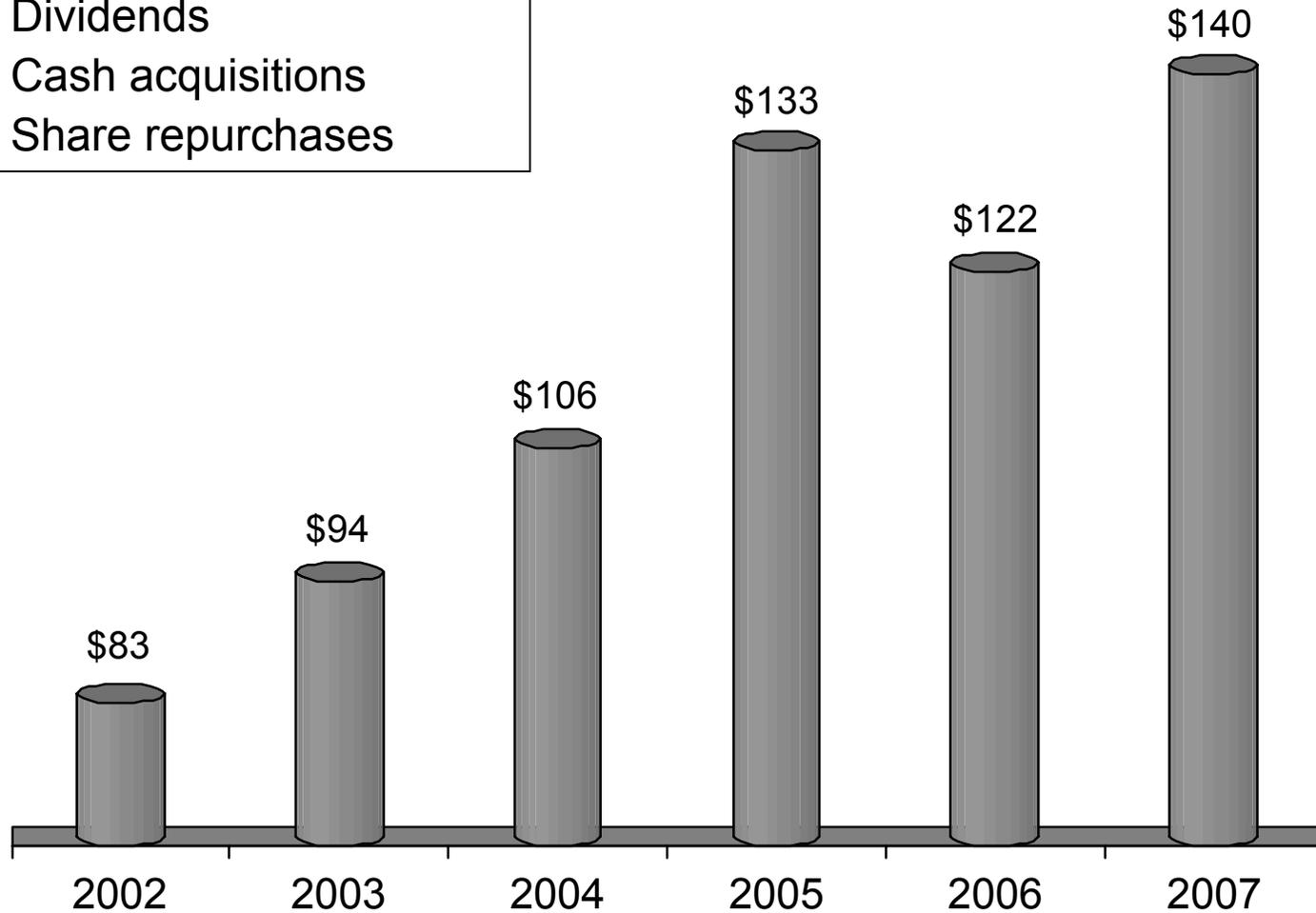




Free Cash Flow Before Dividends (\$ Millions)

Strong cash flow for:

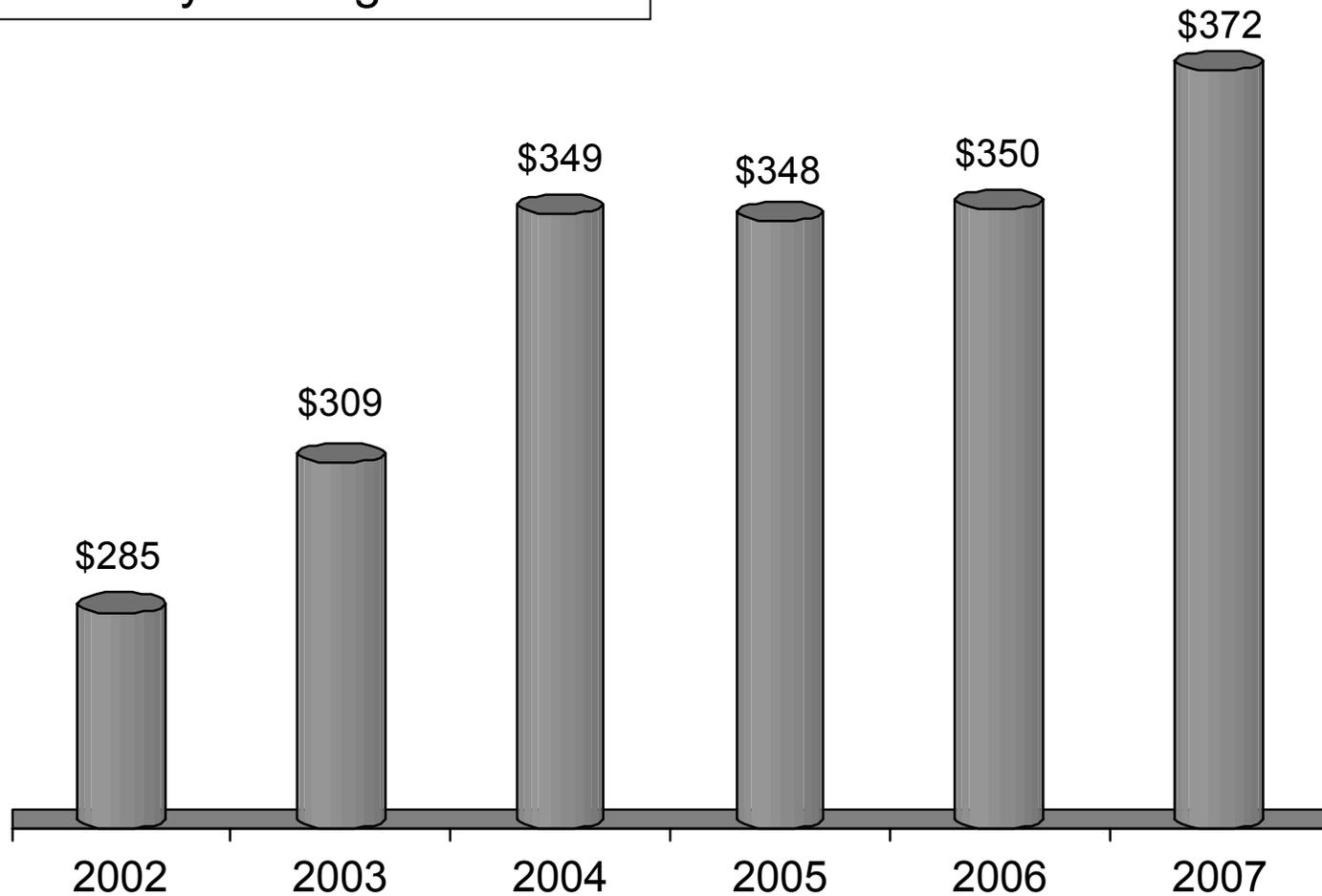
- Dividends
- Cash acquisitions
- Share repurchases





Revenue Per Employee (\$ Thousands)

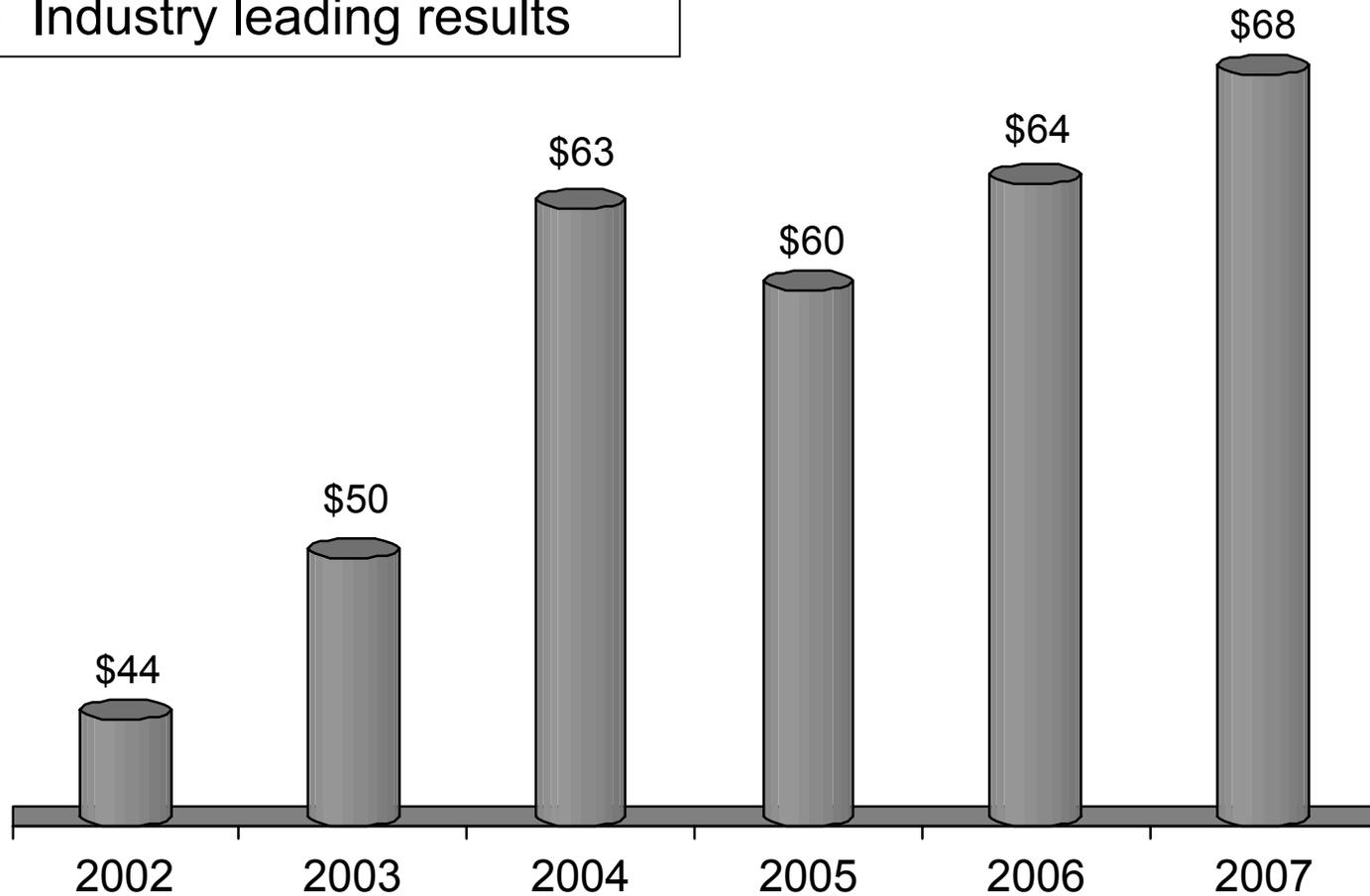
- Industry leading results





Net Income Per Employee (\$ Thousands)

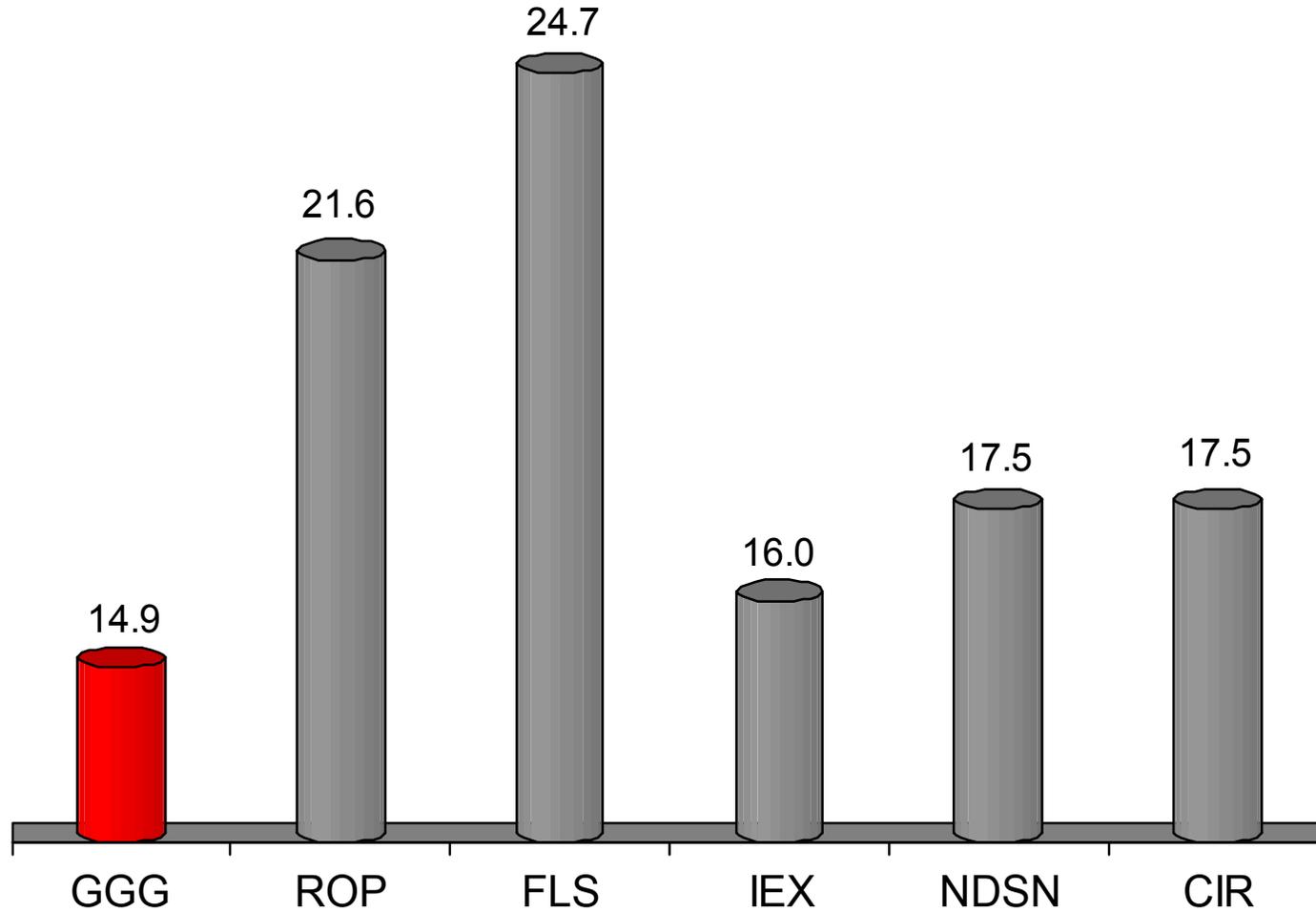
- Leveraging infrastructure
- Industry leading results





P/E Ratio – January 2008

Graco P/E Ratio Below Peers





Cash Deployment Priorities

Organic Internal Investments →

- International footprint
- R&D
- New capital

Acquisitions →

- Supplement to organic growth
- Leverage our strengths

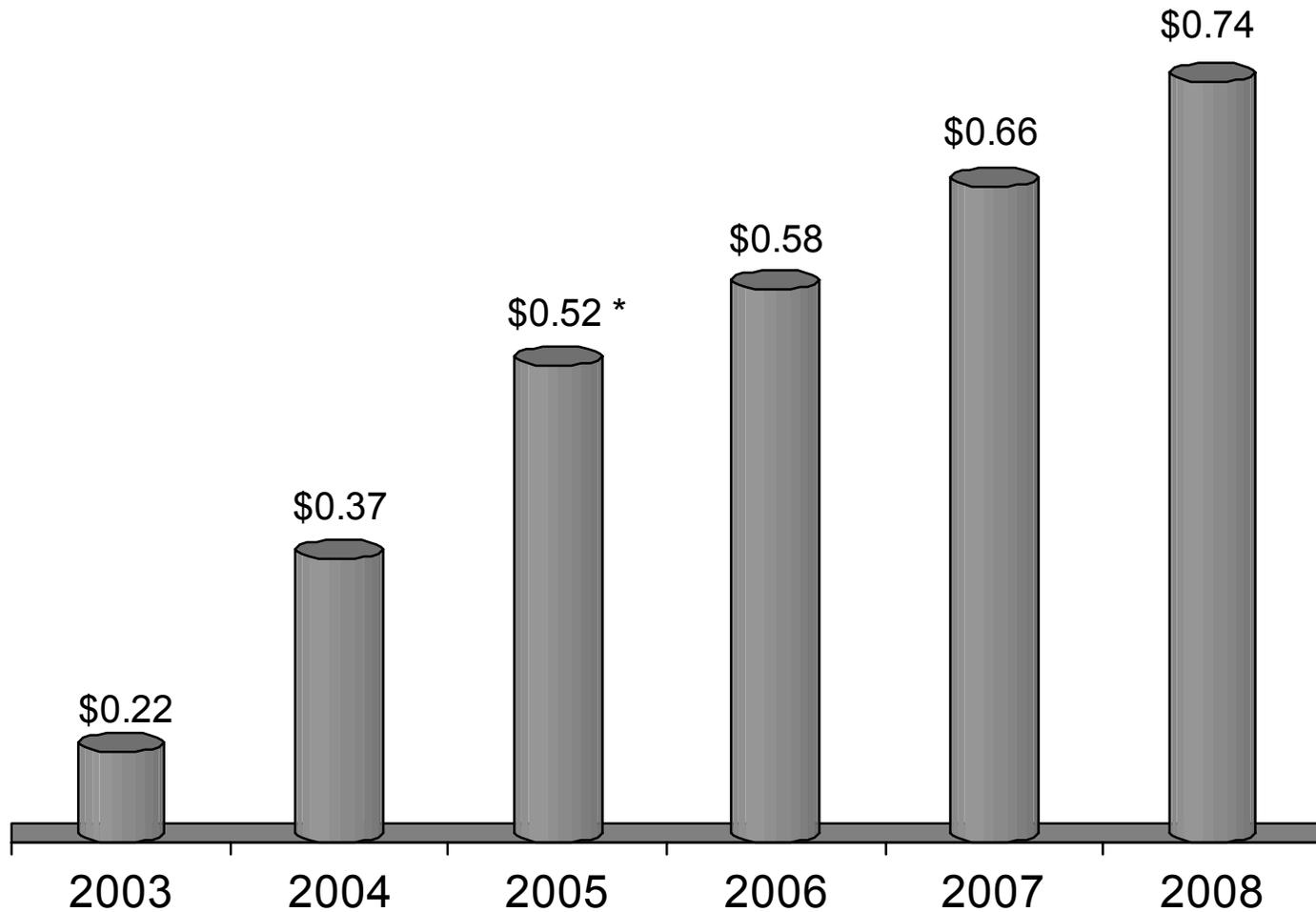
Dividends/Share Repurchase →

- Dividend payout ratio 25-30%
- 7 million authorized share repurchase - 11% of outstanding shares



Annual Dividend Growth

- Annual dividend more than tripled
- * Excludes special dividend of \$1.50





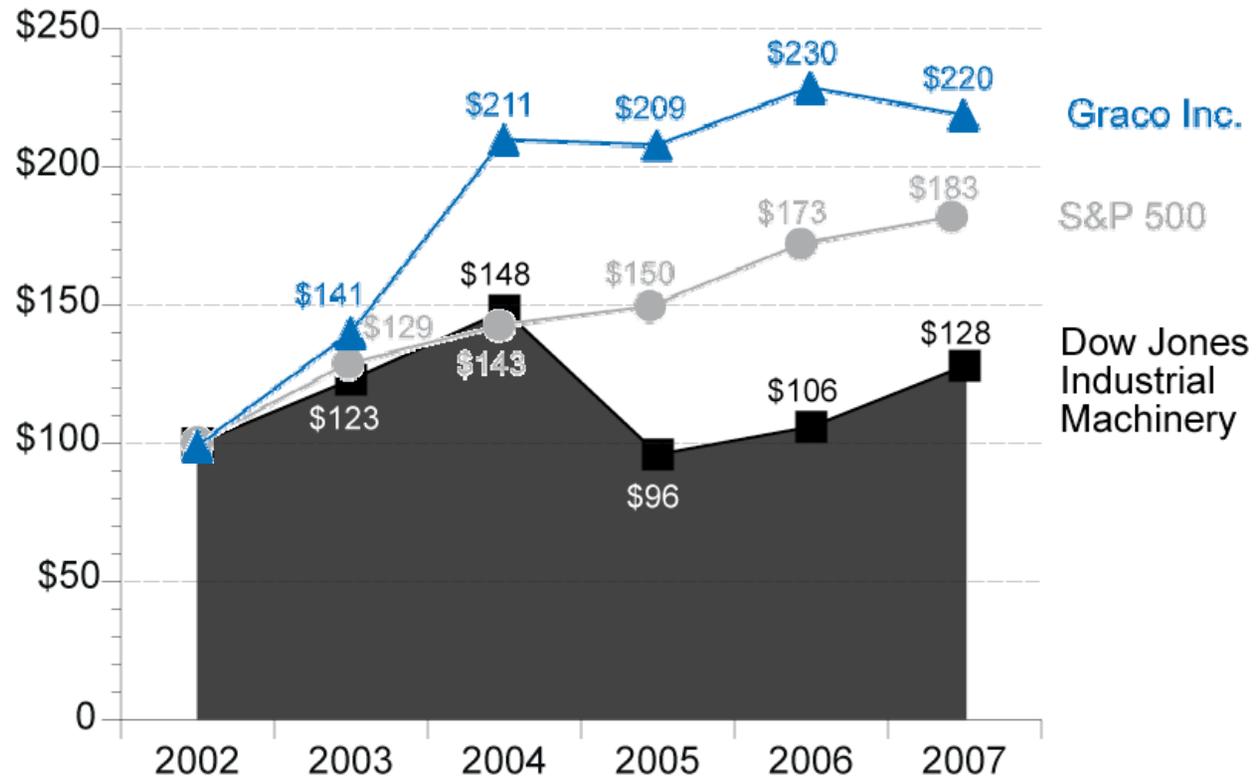
Share Repurchases

- Graco repurchased 5.9 million shares in 2007
- Approximately 6 million shares remain authorized under current share repurchase plan
- Graco has reduced the shares outstanding by more than 26 million shares since 1997, currently 61 million shares outstanding





Shareholder Returns





Key Investment Attributes

- 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
- Returns well above industry norms





Proven Quality. Leading Technology.

Move

Measure

Control

Dispense

Spray

