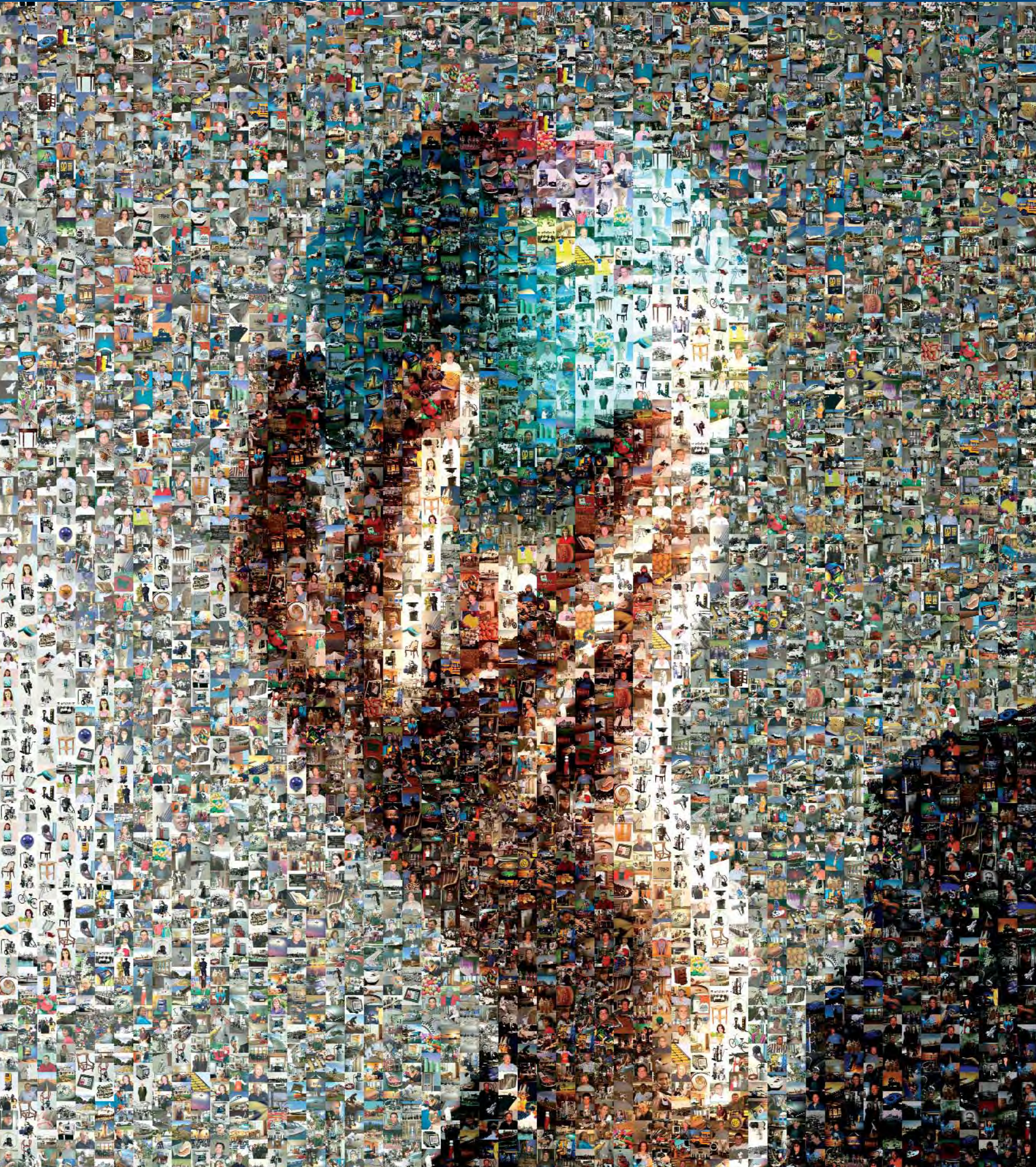




IN TOUCH

2005 GRACO INC ANNUAL REPORT



IN TOUGH

with your life in ways you never imagined

Our products are used by commercial contractors, vehicle lubrication service providers and industrial manufacturers to provide services and to produce products that impact your life everyday.

Corporate Mission

Graco's mission is to generate sustained profitable growth to benefit its customers, employees, shareholders and communities. We will be the world's leading supplier of fluid management products and packages in the markets we target.

Corporate Vision

We will grow revenues by 10% and net earnings by 12% per year. We will grow our sales more significantly outside North America and in new markets, and with new products and improved business processes. Graco's goal is to have at least 30% of each year's revenues from new products introduced in the last three years and to have at least 5% of each year's revenues from sales in markets entered in the last three years. We will actively pursue focused strategic acquisitions where we can add significant value.

Corporate Profile

Founded in 1926, Graco is a world leader in fluid handling systems and components. Graco products move, measure, control, dispense and spray a wide range of fluids and viscous materials used in vehicle lubrication, commercial and industrial settings. The Company's success is based on its unwavering commitment to technical excellence, world-class manufacturing and superior customer service. Working closely with specialized distributors, Graco offers products which set the quality standards in a wide range of fluid handling applications, including spray finishing and paint circulation, lubrication, sealants and adhesives and power application equipment for contractors. Graco's ongoing investment in fluid management and controls will continue to provide innovative solutions to a diverse global market. The Company has its corporate headquarters in Minneapolis, Minnesota, and employs approximately 2,100 people worldwide. Graco common stock (ticker symbol: GGG) is listed on the New York Stock Exchange.



IN TOUGH

with our shareholders

2005 was another record year for Graco. We achieved the highest net sales and earnings in company history. Our employees demonstrated an enormous ability to excel in daily operations while handling significant new responsibilities related to three acquisitions completed during the year. This team is focused on delivering industry-leading results and their accomplishments in 2005 were truly remarkable.

2005 Results

Some of the highlights this year included:

- Record sales of \$731.7 million, up 21% from 2004
- Record net earnings of \$125.9 million, up 16% from 2004
- Sales growth in all three regions
- Sales growth in all divisions
- Acquisition of three businesses for cash
- New products represented 28% of our sales
- Construction started on a new assembly plant in China
- Dividends paid totaling \$35.8 million
- Share repurchases totaling \$42.3 million

We exceeded the \$700 million mark in sales—an increase of 21 percent from 2004. The sales increase came from a combination of continued growth in our three segments plus the revenues gained from acquisitions. We achieved another record in earnings, posting \$125.9 million of net income—a 16 percent increase. Net after-tax margin remained strong at 17 percent and we increased our cash flow from operating activities by 25 percent to \$153.2 million. We purchased three businesses for \$111.0 million, paid dividends of \$35.8 million, repurchased \$42.3 million of stock and spent \$20.7 million on capital expenditures. At the end of the year our balance sheet was strong with \$18.7 million of cash on hand and no long-term debt. In 2006 we will continue to make investments in our four growth strategies, which are discussed below, while returning value to our shareholders in the form of dividends and share repurchases.

New Products

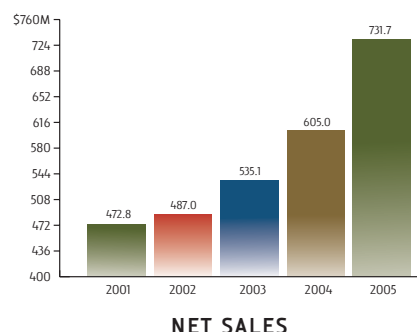
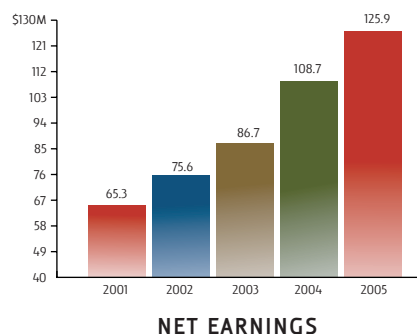
Graco maintains an aggressive strategy to design and develop new products and systems that meet end-user requirements worldwide. Our product development resources are normally located with manufacturing and marketing to maximize communication and efficiency. Graco's goal is to have at least 30% of revenue from products introduced in the last three years.

Graco invested a record \$27.0 million in product development in 2005, an increase of 24 percent from last year. This investment in product development supports our long-term growth objectives of 10 percent growth in sales and 12 percent growth in net earnings. In the past two years we have added engineering talent through external recruiting efforts and acquisitions. We expect that our investments in product development will stimulate organic growth and lead us to new market opportunities.

Expanding Distribution

Graco distributes products through a worldwide network of distributors and other channels to meet customers' requirements and our objectives. We continually pursue the enhancement of our channels to reach customers and achieve market share growth worldwide. The relationship between Graco and our channel partners is based on respect, trust, mutual economic benefit and the expectation of a long-term relationship.

While Graco's products can be found throughout the world, we take action each year to solidify our position in developed regions. We also remain focused on adding coverage in developing regions like China, India, the Middle East and Eastern Europe. Considerable time is spent training and developing our channels each year.





New Markets

Graco is focused on expanding into new markets through product development and acquisitions. Continued expansion into new markets is a priority for us as we look for ways to bring our fluid handling expertise to new customers and applications.

In 2005 we expanded our presence in the protective coatings market with our acquisition of Gusmer. We initially targeted this market with the launch of our Reactor® product line a few years ago. This equipment is used to apply highly abrasive materials such as polyurethane foam, polyureas and elastomeric protective coatings. Applications include roofing, construction, cavity filling, perimeter wall insulation, flotation and movie set design, as well as insulating and sound-deadening auto, truck and bus panels. With the Gusmer acquisition we are clearly the leading supplier of equipment for these materials and are excited about growth prospects in the coming years.

We also expanded our presence in the sealants and adhesives market by acquiring Liquid Control Corporation. This gives us a presence in end markets that require precision metering, mixing and dispensing of plural component and single component materials. Some of the industries we serve include medical, electronics, automotive, aerospace and telecommunications. With this acquisition we now offer a large selection of dispensing machines from the simplest manual processes to fully automated equipment.

Finally, we acquired PBL Industries in November, giving us a presence in fuel transfer and metering while expanding our line of oil pumps, meters and related accessories. Some of the markets served by PBL include vehicle trailer manufacturers and service garages where small quantities of oil and fuel are transferred.



Acquisitions

Graco seeks acquisitions that increase shareholder value and contribute to long-term profitable growth. In 2005 we purchased three businesses that met our criteria. There were several other businesses that we evaluated and did not pursue for various reasons.

Graco has strict financial and strategic metrics that are followed in evaluating potential acquisitions. Acquisition candidates will be companies within our sphere of knowledge where Graco can add value. We have a formal process for pursuing acquisitions and believe that strategic, niche acquisitions will be an important part of our future growth.

Summary

We had a tremendous year in 2005, and enter 2006 with good momentum, confident in our ability to achieve our short and long-term objectives. Our employees are focused on delivering the best products and service in our industry. We continue to foster a culture of high standards and expectations for ourselves and I am confident that we have the right combination of people, products, customer relationships and strategies to improve upon the record results posted this year.

In closing, I want to thank you, our shareholders, for your support and our 2,000 plus employees for their ongoing commitment and dedication to making Graco such a tremendous company.

David A. Roberts
President and Chief Executive Officer

Vice Presidents: David Lowe, Pat McHale, Fred Sutter, Jim Graner, Mark Sheahan, Chuck Rescorla, Dale Johnson, Karen Gallivan, Chris Koch, Simon Paulis



At-a-glance

Industrial Products And Applied Fluid Technologies Divisions

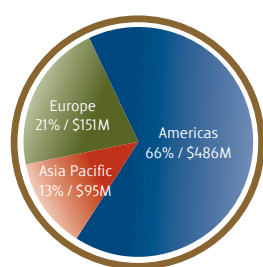
In 2005, Graco acquired Liquid Control Corporation and Gusmer. The two acquisitions will allow the Company to create two new divisions within the Industrial/Automotive Equipment segment. The new Industrial Products Division will design and market products for the liquid finishing and process markets. These customers are primarily manufacturers that transfer fluids such as paints and chemicals. Our pumps move materials from drums and tanks through our proportioning equipment to our spray guns and dispensers. The new Applied Fluid Technologies Division will design and market products to apply sealants, adhesives, protective coatings, and foam. These products, including those acquired from Liquid Control and Gusmer, are used to apply protective coatings on bridges, water towers, ships, as well as foam insulation in residential, commercial and industrial buildings. This division's equipment is also used by manufacturers to bond and seal parts. In 2005, this segment generated \$367.1 million, 50 percent of our total sales.

Contractor Equipment Division

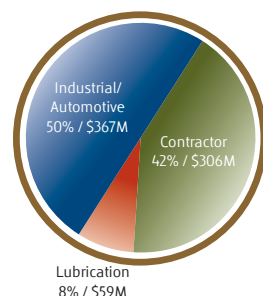
Graco's Contractor Equipment Division designs and markets sprayers used to apply paint, architectural coatings, and texture materials, as well as sprayers for pressure cleaning. This division supplies products to distributors who sell to contractors and tradespeople in the painting, roofing, texture, corrosion control and line striping markets. This equipment delivers high quality finishes at rapid production rates and is known throughout the industry for durability and ease-of-use. The division also designs and markets a line of sprayers through home centers for the Do-It-Yourself (homeowner/handyman) market. In 2005, the Contractor Equipment segment generated \$305.3 million in sales, 42 percent of Graco's total sales.

Lubrication Equipment Division

Graco has been a leading manufacturer of lubrication equipment in North America for 80 years. In 2005, Graco acquired PBL Industries. The Lubrication Equipment Division designs and markets products for the lubrication and maintenance of vehicles and in-plant equipment. It supplies products and systems to fast oil change facilities, service garages, fleet service centers, automobile dealerships, mines and manufacturing companies. Graco's lubrication products are the industry standard for stationary and mobile precision metering applications. In 2005, the lubrication segment generated \$59.3 million in sales, 8 percent of Graco's total sales.



REGIONAL SALES



DIVISIONAL SALES

Products

Pumps and Sprayers

Air, electric, gas and hydraulic
– Transfer fluids to dispense and spray

Controls

Electronic /mechanical fluid control
– Manage flow, pressure and mix

Applicators

Automatic and manual dispense valves and spray guns
– Spray or dispense fluids

Accessories

Fittings, regulators, hoses
– Auxiliary components for complete product solutions

Key Markets Served

Industrial Products and Applied Fluid Technologies Divisions

Aerospace
Automotive/Truck/Bus Assembly
Automobile Repair Shops
Process Industries
Farm and Construction Equipment
General Industrial Assembly
Medical/Electrical
Fabrication and Molding
Foam Insulation Contractors
Industrial Coating Contractors
Marine and Rail
Furniture
Food

Contractor Equipment Division

Painting and Specialty Contractors
Ceiling and Wall Texture
Remodeling
Line Striping

Lubrication Equipment Division

Automobile Dealerships
Fast Oil Change Facilities
Fleet Service Centers
Industrial Lubrication
Mining

IN TOUCH

with products that touch your lives

You don't have to look very far to see how Graco's products touch our lives. While Graco is a recognized leader in the manufacturing and contractor markets it serves, most consumers of the products and services these companies provide are unaware of how Graco adds value. Graco supplies its customers—manufacturers and contractors—with the products and systems to move, measure, control, dispense and spray fluids and semi-solid materials.

Graco provides equipment to supply paint, sealants and adhesives to spray guns and dispensers used by manufacturers to paint the cars, trucks, boats and consumer recreational vehicles in our garages. Our equipment is used by newspaper and magazine publishers to transfer ink from bulk storage tanks to their presses. It is used to dispense the lubricants into cars, trucks, buses and aircraft.

Contractors use our equipment to paint your house, texture your ceilings and stripe the lines on the roads you travel. College and pro football teams use our sprayers to stripe their fields and spray their logos on the turf. Our sanitary pumps and packages are used to produce and package your favorite candy bars, ice cream, soups, peanut butter, tomato paste and other foods. Every day, in many ways, Graco plays an important role in providing you with the products and services that touch your lives.



“I walk through my home and I’m amazed at the products Graco helps bring to market—from large manufacturers to small entrepreneurs around the world. I’m proud of our products that help manufacturers and contractors be more efficient and productive.” **Greg Olson, Technical Assistance**

The Graco 3150 3A sanitary pump is designed to meet the stringent sanitation requirements of the milk and dairy industry.



Husky™ 1040 Sanitary Pumps are used to transfer wine from fermenting casks to the bottling rooms.



- 1 Soups, salad dressings, the tomato paste on frozen pizzas, fruit juice concentrates, breads, as well as candy bars and ice cream require pumps to transfer food ingredients to mix chambers and packaging stations. Graco metering systems assure precise amounts of these products are packaged in each can or bottle.
- 2 Shoe manufacturers apply the adhesive that bonds the shoe soles to leather and canvas uppers using Graco sealant and adhesive pumps and automatic spray guns.
- 3 The ink on your newspapers, magazines, paper currency, as well as on boxes, cans and bottles, is transferred from bulk storage tanks to large printing presses using Graco high-volume air and hydraulic-powered pumps.
- 4 Appliance manufacturers mold gaskets and seals using Graco sealant and adhesive pumps and precision dispensers. They also foam insulate refrigerator and freezer panels using Graco proportioning pumps and spray guns.

- 5 Painting contractors use Graco sprayers to stain and lacquer cabinets and other fine woodwork throughout homes for a quality, fine finish.
- 6 Flooring manufacturers use Graco pumps and spray guns to apply stains and protective finishes on wood and laminated wood floor products.
- 7 Furniture manufacturers use Graco pumps, proportioners, heaters and spray guns to apply the fine finishes on our tables, chairs, hutches, pianos, dining room, living room and bedroom furniture.
- 8 Protective coating contractors use Graco sprayers and proportioning systems to spray special coatings that protect municipal water towers, tanks and pipes from rust and corrosion, assuring a safe municipal water supply.

IN TOUCH

with protecting your investments

Graco's strong brand recognition and leading market positions are results of the investments the Company has made in the wide variety of fluid handling products it manufactures and services it provides. It is strengthened by the Company's commitment to improve manufacturing and operating efficiencies, as well as provide its employees with the tools and training necessary to remain competitive in a global marketplace.

Global Manufacturing

By improving the technology and processes used to manufacture products, both product quality and manufacturing efficiencies increase. In recent years, Graco has invested in new computer tooling centers, robotic assembly workstations and an automated warehouse operation. Graco broke ground in 2005 on a new assembly facility in China. The facility will assemble Graco lubrication products and is expected to be operational in the second half of 2006.

Graco moved the manufacture of PBL and some of Gusmer's products to its Minneapolis and Sioux Falls facilities to take advantage of the Company's manufacturing efficiencies.



"I take pride in my work at Graco and as a shareholder my contributions, along with the contributions of my fellow employees, have made Graco's name synonymous with quality!" **Dan Truong, CNC Operator**

Employee Commitment

While new products, manufacturing equipment and processes play significant roles in Graco's success, there is no technology or process that can improve without capable people. Graco employees—from factory floor to board room—take pride in their contributions and share Graco's vision to make better products efficiently. Each year employees identify new processes that improve office and manufacturing efficiencies. These savings enhance your stake in Graco Inc.

The 1030 FC is a high volume sprayer for applying smooth and aggregate textures, elastomeric and acrylic materials on large concrete buildings.



Graco's Reactor is designed to apply polyurea, foam and other fast-set materials that require accurate temperatures and pressures necessary to achieve expected results. Pictured here applying foam for insulation and sound-deadening.



- 1 Door manufacturers spray paint primer and topcoat on metal and wood doors and frames using Graco pumps, proportioners and spray guns.
- 2 Insulating contractors use Graco sprayers to pump, proportion, heat and spray foam in walls and ceilings. Foam insulation provides a tighter seal and saves a home owner heating and cooling costs.
- 3 Meter manufacturers use Graco sealant and adhesive systems to seal the boxes of gas, water, and electrical utility meters, protecting them from dust and moisture.

- 4 Contractors waterproof basements and foundations using Graco high production, protective coating airless sprayers.
- 5 Window manufacturers use Graco sealant and adhesive proportioners and dispense valves to extrude a precise bead of sealant to protect double and triple pane windows from leaking. They also use pumps and spray guns to paint the window frames and jambs.
- 6 Painting contractors and home owners use Graco airless sprayers to paint their homes. Graco pressure washers are used to keep sidewalks, driveways and the exterior of their homes and garages clean.

IN TOUCH

with new product development

Graco is committed to the development and acquisition of new products and technologies. These investments add to Graco's value as a partner to our customers and increase the Company's value in the marketplace and to its shareholders.

New Products

Graco's success reflects a strong commitment to reinvest in the future of its business. The Company's goal is to generate 30 percent of its total revenue from products introduced in the prior three years. In 2005, Graco generated 28 percent of its sales from new products. These included electric and gas-operated sprayers used by painting contractors to spray the interior and exterior paints on our homes and offices; a wireless system to manage and dispense lubricants in automotive dealerships, quick lube and fleet facilities; spray guns and an automated paint proportioning system for painting manufactured products such as furniture, vehicles and appliances; as well as a foam proportioning system used by contractors to insulate homes and commercial buildings.



“As a Graco employee, it gives me a great sense of pride to realize that many of the products my family uses daily have been made better, and more efficiently, because they have been made using Graco products, some of which I helped develop.”

Tera Brezny - Graco Engineer

Graco invested \$27.0 million dollars in product development in 2005. The results of this investment will assure that new products remain an important mix of the Company's future sales and contribute to the Company's continued growth.

New Markets

New markets are another key component to Graco's future growth. They are selected based on size, fit and the Company's ability to succeed. New markets are entered through the development of new products, acquisitions and licensing or acquiring technologies. Graco's 2005 acquisitions of Liquid Control and Gusmer, as well as PBL, will provide many opportunities to explore new markets. For example, Liquid Control's micro dispense systems are used in such precision applications as embedding microchips in credit cards and bonding medical devices. Furthermore, Graco products are increasingly finding floor space in home centers, auto parts stores and other retail outlets. Graco also provides equipment to franchisees in the quick lube and pick-up truck bed liner markets; and is aggressively seeking new markets where success will spur growth.

Graco's Reactor E-10 is a small, ready-to-use system that helps get smaller jobs done fast without sacrificing performance. The Reactor E-10 sprayers are ideal for plural-component spray, joint-fill jobs and foam touch-ups.



Painters use Graco's Xtreme Mix™ sprayer to apply a high solids coating to protect the exterior of railcars from corrosion and rust.



- 1 Shipyards and repair facilities spray high solid epoxies and other protective coatings to protect ships' metal hulls, pipes and holds from rust and corrosion. They use Graco protective coating sprayers to pump, proportion, heat and spray the materials.
- 2 Contractors protect the structural integrity of our bridges from corrosion and rust using Graco sprayers and spray guns.
- 3 Manufacturers that generate waste water use Graco diaphragm pumps to transfer hundreds of gallons of waste water and chemicals per minute to reclamation points, protecting our lakes, rivers and oceans.

- 4 Rail car and locomotive manufacturers use Graco pumps and spray guns to apply specialty paint coatings to protect them against corrosion and rust. They also use Graco grease pumps and dispense valves to lubricate the wheels and axles of these units.
- 5 Aircraft manufacturers rely on Graco pumps, proportioners and spray guns to apply paint to the aircraft. They also use Graco sealant and adhesives proportioners to mix precise amounts of sealants to seal wing sections, fuselage and other parts of the aircraft.

IN TOUCH

with growing our business

Graco's growth will come not only from accelerating new product development, but from strengthening its distributor base around the world and acquiring innovative products.

Growth Through Distribution

Graco products are sold through a worldwide network of over 3,300 distributors and nearly 6,000 retail outlets. This distributor network provides its end-users with professional sales and service resources. Graco supports this worldwide network by providing it with state-of-the-art products, market research to help them sell these products, as well as the best customer service, technical assistance and service training in the industry. Graco continues to expand its distribution geographically and by market.

Growth Through Acquisitions

An important component of Graco's growth initiative is the strategic acquisition of companies and products that complement our product base, knowledge and organizational structure. As acquisition opportunities arise, Graco evaluates them against strict criteria. In addition to adding value by leveraging our strengths, they must contribute to our future earnings.

"Combining the resources of these two well-respected companies will allow us to significantly expand our product offerings, as well as enhance technical/customer support around the world. It will reinforce our role as an industry leader."

Denis Commette, General Manager, Gusmer Corp

In 2005 Graco acquired two well-respected competitors in the sealant and adhesive market and foam market. Graco acquired Liquid Control Corporation, a leading designer and manufacturer of highly engineered precision resin dispensing equipment in January and Gusmer Corporation, a leading designer and manufacturer of specialized two-component dispense equipment systems in February. Both acquisitions complement Graco's core businesses, creating an opportunity to leverage each company's unique strengths and create future sales and net earnings growth. While Liquid Control and Gusmer have products that offer Graco a door into new markets, Gusmer's foam sprayers complement the Company's line of foam dispensing equipment, increasing market penetration and strengthening this business around the world.

Focusing Resources

These two new acquisitions will allow Graco to create two new divisions within the Industrial/Automotive Equipment segment. The new Industrial Products Division will lead Graco's liquid finishing and process business. The new Applied Fluid Technologies Division will focus on Graco's sealant, adhesives, foam and protective coatings markets, including the Liquid Control and Gusmer products and personnel. This change will allow Graco to focus specific resources on key market segments, creating opportunities for customers, distributors, employees and shareholders.

Graco's New Mini Fire-Ball®
50:1 grease pump for
demanding industrial and
automotive applications.



**BÖLLHOFF SYSTEM
ENGINEERING**

5/31/99

ASM

3/19/01

SHARPE

3/31/03

LIQUID CONTROL

1/03/05

GUSMER

2/04/05

PBL INDUSTRIES

11/28/05

Department of Transportation crews and private line striping contractors use Graco RoadLazer™ and LineLazer™ line strippers to spray safety lines on our roadways and parking lots.



- 1 Contractors paint the safety lines on our highways and parking lots, as well as the signs directing traffic using Graco line strippers.
- 2 During the construction and maintenance of concrete bridges, contractors fill expansion joints using Graco pumps, proportioners, dispense valves and spray guns.
- 3 Contractors use Graco high production airless sprayers to paint bridges, as well as clean the structures and remove graffiti using Graco pressure washers.

- 4 Car manufacturers use Graco PrecisionFlo™ sealant and adhesive proportioners and dispense valves to bond hoods and side panels, as well as gas tank components. Graco systems also apply sealants to prevent dirt and moisture from entering your vehicle. The automotive industry uses circulating paint systems to transfer paints from large tanks to manual and automatic spray guns. Auto dealers and fast lube centers use Graco lubrication pumps, reels and metered dispense valves to add oil, automatic transmission fluid, grease and other fluids to maintain your vehicles. In body shops our pumps, spray guns, filters and infrared heaters are used to repair and restore your car or truck.



Board of Directors

Lee R. Mitau

Executive Vice President and General Counsel, U. S. Bancorp
Chairman of the Board, Graco Inc.

Robert G. Bohn

Chairman, President and Chief Executive Officer, Oshkosh Truck Corporation

William J. Carroll

Retired President, Dana Corporation

Jack W. Eugster

Retired Chairman and Chief Executive Officer, Musicland Stores Inc.

J. Kevin Gilligan

Chief Executive Officer, United Subcontractors, Inc.

James H. Moar

Chief Operating Officer, Identix Incorporated

Martha A. Morfitt

President and Chief Executive Officer, CNS, Inc.

Mark H. Rauenhorst

President and Chief Executive Officer, Opus Corporation

David A. Roberts

President and Chief Executive Officer, Graco Inc.

William G. Van Dyke

Retired Chairman and Chief Executive Officer, Donaldson Company, Inc.

Robert W. Van Sant

Operating Partner, Norwest
Equity Partners

Management

David A. Roberts

President and Chief Executive Officer

Karen Park Gallivan

Vice President, General Counsel and Secretary

James A. Graner

Chief Financial Officer and Treasurer

Dale D. Johnson

Vice President and General Manager, Contractor Equipment Division

D. Christian Koch

Vice President and General Manager, Asia Pacific

David M. Lowe

Vice President and General Manager, Industrial Products Division

Patrick J. McHale

Vice President and General Manager, Lubrication Equipment Division

Simon J. W. Paulis

Vice President and General Manager, European Operations

Charles L. Rescorla

Vice President, Manufacturing and Distribution Operations

Mark W. Sheahan

Chief Administrative Officer

Fred A. Sutter

Vice President and General Manager, Applied Fluid Technologies Division

Directory

AMERICAS

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George Aristides Riverside Center

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David A. Koch Center

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THE PEOPLE'S REPUBLIC OF CHINA

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Graco Korea Inc.
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1599, Gwanyang-Dong, Dongan-Ku
Anyang-City, Kyoungki-Province, 431-060
KOREA

Graco Common Stock

Graco common stock is traded on the New York Stock Exchange under the ticker symbol "GGG." On December 30, 2005, there were 68,387,156 shares outstanding and 2,500 common shareholders of record, with another estimated 30,400 shareholders whose stock is held by nominees or broker dealers.

Quarterly Financial Information

(In thousands, except per share amounts)					2005				2004				2003			
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Net sales	\$170,944	\$198,221	\$176,934	\$185,603	\$134,982	\$160,165	\$149,066	\$160,819	\$119,660	\$146,364	\$133,788	\$135,286				
Gross profit	85,866	102,292	94,722	96,470	73,404	85,142	82,120	87,744	63,003	75,932	71,403	72,464				
Net earnings	27,039	35,638	30,898	32,279	22,327	29,979	28,817	27,558	18,194	24,463	22,711	21,345				
Diluted net earnings Per common share	0.38	0.51	0.44	0.46	0.32	0.43	0.41	0.39	0.25	0.35	0.32	0.30				
Stock price																
High	\$40.68	\$40.25	\$38.23	\$37.55	\$29.11	\$31.05	\$33.66	\$37.70	\$19.87	\$21.33	\$26.73	\$26.99				
Low	34.00	31.83	33.89	32.05	26.43	27.12	29.96	33.76	17.12	18.85	21.95	24.01				
Close*	40.36	34.07	34.28	36.48	29.11	31.05	33.50	37.35	18.73	21.33	25.03	26.73				
Volume (# of shares)	18,642	31,776	17,328	25,149	12,095	13,801	15,972	16,348	10,686	13,149	18,660	12,206				

* As of the last trading day of the calendar quarter.

For financial information, please refer
to Graco Inc.'s 2005 Form 10-K.

Annual Meeting

Shareholders are cordially invited to attend the Annual Meeting, which will be held at 1:00 p.m., April 21, 2006, at Graco's:

George Aristides Riverside Center
1150 Sibley Street Northeast
Minneapolis, Minnesota 55413

Corporate Inquiries

Investors may obtain the Graco Inc. annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports by visiting the Graco website at www.graco.com. Requests for financial publications can also be addressed to:

Graco Inc.
Attn: Treasurer
P.O. Box 1441
Minneapolis, Minnesota 55440-1441
Or by calling (612) 623-6659

Shareholder Inquiries

Questions regarding dividend checks, dividend reinvestment, lost stock certificates, change of address or consolidation of accounts, should be directed to the Company's Transfer Agent and Registrar:

Wells Fargo Bank, N.A.
Shareowner Services
161 North Concord Exchange Street
South St. Paul, Minnesota 55075-1139
Or call: (800) 468-9716.
In Minnesota: (651) 450-4064.
Monday-Friday, 7 a.m.-7 p.m. CT.

Graco is an equal opportunity employer.
Graco's EEO policy is on the Company's website at www.graco.com



GRACO INC. WORLD HEADQUARTERS MINNEAPOLIS MINNESOTA WWW.GRACO.COM