



EMERGING ECONOMIES **DRIVE** GROWTH

2010 Graco Inc. Annual Report



About Graco

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 in industrial, contractor and lubrication applications. 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 that set the quality standard for spray finishing, paint circulation, lubrication, dispensing sealants and adhesives, and contractor power application equipment. Graco's ongoing investment in fluid management and control will continue to provide innovative solutions to a diverse global market. The Company has its corporate headquarters in Minneapolis, Minnesota, and employs approximately 2,200 people worldwide. Graco common stock (ticker symbol: GGG) is listed on the New York Stock Exchange.

To our SHAREHOLDERS

Our unwavering commitment to investment in key business strategies and priorities during the 2009 economic downturn firmly positioned Graco to deliver in 2010. The global industrial recovery, coupled with our investment in new products, innovative technologies and the infrastructure to support geographic expansion drove positive 2010 Graco results. This past year we continued to take a long-term view of our business. I'm proud of what our employees, partners, management team and Board have accomplished over the past two years, and look forward to another year of growth and profitability as our 2010 momentum pushes into 2011.

During 2010, we continued to accelerate our investment in proven quality and leading technology products, international expansion and best-in-class customer support. Graco's strong financial performance in 2010 is the result of this commitment and our ability to respond to the industrial recovery, particularly in our Asia Pacific, European and Latin America markets. These regions' sales grew a substantial 46 percent, 25 percent and 52 percent, respectively, over 2009 results, with Asia and Latin America setting new peaks. We anticipate continued strength in these geographies in 2011.



Pat McHale - President and Chief Executive Officer

Sales in our construction and automotive markets stabilized in 2010, and we experienced solid expansion in others. Graco continues to push into our expanding markets with confidence and determination.

Our ongoing investments reflect our global focus, particularly that of emerging economies. Actions taken in 2010 related to our geographic expansion include the following:

- In Asia Pacific, we increased the number of commercial people by nearly 25 percent. This growth in on-the-ground selling expertise has created distribution channel improvements and has driven Graco brand preference with our end-users.
- In Eastern Europe, Africa and the Middle East, we increased the number of commercial people by more than 30 percent. We continue to be excited about the long-term growth prospects in these markets and believe we are positioning ourselves well to capture future opportunities.
- In Latin America, we continued to increase the number of sales people and added new distributors to serve the market. Latin America's rapidly expanding economic base represents a tremendous opportunity for us, particularly in application areas related to mining, manufacturing and construction. The strength of global commodity prices, the growing appetite for capital investment and improvement in living standards throughout the region are driving demand for Graco products.
- We continued to drive expansion of Graco distributor capabilities and world-wide coverage. We now have distributors located in over 100 countries around the world.
- Graco retained a new director, Eric Etchart, who has significant global manufacturing experience. A native of France, he has lived and worked in China, Singapore, Italy, and France, and, over the years, has had responsibility for various operations in Asia Pacific, Europe and the Middle East. Eric brings tremendous global business perspective to Graco at the perfect time.
- In Asia Pacific, we are moving our headquarters to a new and larger facility in Shanghai. This 29,000 square foot facility will include product, application and sales training capabilities for distributors, material suppliers, end-users and our rapidly growing sales force.
- We continued to support the needs of our international customers through expanded investment in customer service and technical assistance. We now create most product support materials in about 30 different languages.



Management Team (left to right): Brian Zumbolo, Mark Sheahan, Jim Graner, Chuck Rescorla, Dale Johnson, Karen Gallivan, Simon Paulis, Jeff Johnson, David Lowe, David Ahlers.

Our success in emerging markets complements our other core growth strategies, including those focused upon specialized application areas.

New product investment and technology innovation continued throughout 2010, resulting in exciting new ways to approach the market. Product platforms, designed to address the requirements of expanding global geographies, were developed at Graco by cross-functional and cross-regional teams. We also completed the launch of a product line designed in Asia for international markets, our new LD™ Series Hose Reel. Using the design capabilities of Graco employees, we developed the first-ever professional hand-held paint sprayers, and also products such as the Graco XP70™ Plural Component Sprayer, Graco HFR™ Metering System, and ProMix® 2KS products. In addition, we leveraged our superior product technology across all Graco segments. One example is the sharing of Graco's control architecture across our Applied Fluid Technologies and Industrial Products segments. All of these innovations demonstrate our commitment to new products and technology.

In addition to the successful launch of new products, we continued to expand and target new markets. I am particularly pleased with our progress in the industrial lubrication, composites, sanitary, alternative energy and pavement maintenance markets.

We also continued to transition both our sales force model and distribution channel to greater specialization by application area.

Finally, we built resources, processes and tools during 2010 to support our acquisition capabilities. We now have dedicated business development resources in North America and Europe, as well as enhanced due diligence and integration planning tools.

In addition to our ongoing focus on emerging markets, we intend to expand our capital resources in the first quarter of 2011, we expect to implement additional share repurchases throughout the year, and we will continue to evaluate acquisition prospects.

I am optimistic about Graco's short- and long-term opportunities as the world economy continues to improve. My confidence in the capabilities and accomplishments of our employees, business partners, management team and Board fuel this optimism. I'd like to extend my personal thanks to those Graco shareholders who shared this confidence and maintained their trust in us. We once again affirm our commitment to you to develop superior global products, enter new markets around the world, increase and support our distributor network, and ensure operational excellence.

Patrick J. McHale
President and Chief Executive Officer

At-a-GLANCE

Key Markets Served

Industrial Equipment

- Aerospace
- Alternative energy (wind and solar)
- Automotive/truck/bus assembly
- Automobile repair shops
- Beverage
- Cabinetry
- Cosmetics
- Electronics
- Fabrication and molding
- Farm and construction
- Foam insulation
- Food
- Furniture
- General industrial assembly
- Industrial coating
- Marine and rail
- Medical and electrical
- Military and utility vehicles
- Oil and gas
- Pharmaceuticals
- Process industries
- Window and door

Contractor Equipment

- Construction
 - Architectural coatings
 - Ceiling and wall texture
 - Interior and exterior textures
 - Remodeling
 - Roofing
- Pavement maintenance

Lubrication Equipment

- Agricultural
- Automotive service centers
- Automotive/truck/bus assembly
- Food and beverage
- Fleet
- Garages and service centers
- Government and municipalities
- Industrial manufacturing
- Mining and construction
- Natural gas transmission
- On-road and off-road vehicles
- Packaging and material handling
- Pulp and paper plants
- Rubber manufacturing
- Steel mills
- Wind energy

Products

Pumps and Sprayers

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

Controls

Electronic and mechanical controls and sensors
– Manage flow, pressure temperature and mix

Applicators

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

Accessories

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

New Products - 2010

Industrial

- Husky™ 1050 AODD Pump
- SaniForce™ Pump
- G15™/G40™ AA Gun Upgrade
- AAF Air Assist Tips
- AirPro EFX™ Spray Gun
- Merkur® ES Pump
- Merkur® Bellows Pump
- Upgraded 4-Ball Lowers
- ProMix® 2KS Proportioner
- ProControl™ 1KS Flow Control System
- ProMix® 2KE Proportioner
- PGM™ Metering System
- RS™ Gun
- XP70™ Plural Component Sprayer
- Graco HFR™ Metering System
- EP™ Pour Gun
- SmartWare™ Shot Dispense Technology

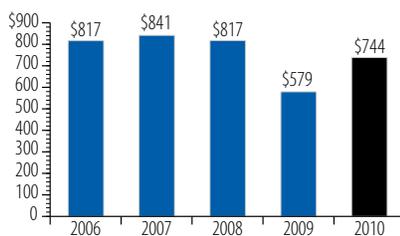
Contractor

- ProShot® Sprayer
- TrueCoat™ (Plus/Pro) Sprayers
- EasyMax™ WP Sprayer
- Magnum® Pro Compact A15 Sprayer
- Ultra® Max 695/795/1095/1595 Sprayers
- Ultimate MX™ II 695/795/1095/1595 Sprayers
- GMAX™ II 3900/5900/7900 Sprayers
- ThermoLazer™ Linestriper
- GrindLazer® Scarifier
- LineLazer™ 130HS Linestriper
- Continuous Flow Drywall Tool
- TexSpray™ Mark IV™/Mark V™ Sprayers
- TexSpray 5900 HD/7900 HD Sprayers
- G-Force™ (various models) Pressure Washer

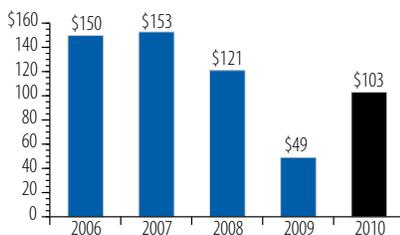
Lubrication

- G3™ Electric Lubrication Pump
- XD30™ Hose Reel Series
- LD™ Hose Reel Series

Net Sales



Net Earnings



Industrial Segment

The Industrial segment designs and markets equipment for the liquid finishing, process, sanitary, sealants, adhesives, composites, protective coatings and foam markets. The customers for our liquid finishing and process equipment are primarily manufacturers that transfer, meter and apply fluids such as paints and chemicals. Our pumps move fluids from drums and tanks through our proportioning equipment to our spray guns and dispensers. Our sanitary equipment is used in pharmaceutical, cosmetic, beverage and food processing applications. Customers using our protective coatings equipment apply materials to protect the surfaces of bridges, water towers, tanks, pipes, rail cars and ships from the elements. Our foam equipment is used for wall and roof insulation, band joist applications, in-plant OEM applications and reaction injection molding. The Industrial segment's sealant and adhesive equipment is used by manufacturers to bond, encapsulate and seal assembled parts. In 2010, this business segment generated 55 percent of Graco's total sales, or \$409 million.

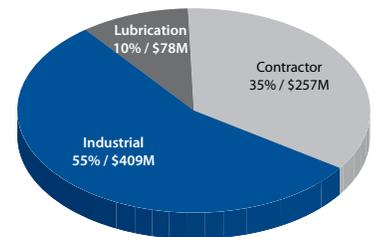
Contractor Segment

The Contractor segment designs and markets sprayers used to apply paint, architectural coatings and texture materials. Distributors of our products sell to painting, roofing, texture, corrosion control and line striping contractors and tradespeople. Our equipment is highly regarded for its durability and ease of use, as well as its ability to deliver high-quality finishes at rapid production rates. In 2010, the Contractor segment generated \$257 million in sales, 35 percent of the Company's total sales.

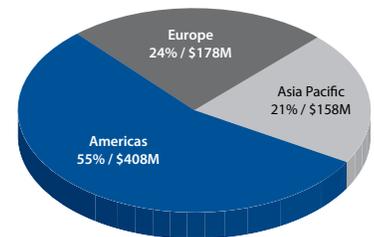
Lubrication Segment

The Lubrication segment designs and markets equipment used to transfer, meter and dispense lubricants and petroleum products with a full line of pumps, meters, hose reels, controls and centralized lubrication products. The customers for our products and systems are typically automotive service centers, oil change facilities, governments and municipalities, manufacturing companies, mines and other heavy industries. As a leader in the lubrication equipment market for more than eight decades, Graco's products are valued by customers for their industry leading quality and technology. In 2010, the Lubrication segment generated \$78 million in sales, constituting 10 percent of the Company's total sales.

Segment Sales



Geographic Sales



Emerging Economies Drive Growth

Entering emerging markets is a critical business strategy for Graco, as these markets offer a vital source for future growth and unprecedented opportunities as they invest in infrastructure. In 2010, Graco sales in Europe, Asia Pacific and the Americas all increased as compared to sales in 2009, much of this driven by rapid development in expanding markets around the world. Closing in on pre-recession sales levels, total Graco sales in 2010 grew to \$744 million, a 28 percent increase over 2009.

All three of Graco's segments – Contractor, Industrial and Lubrication – saw numerous growth opportunities in emerging economies in 2010, whether it was spray equipment in Latin America, alternative energy products in China, or hose reels in India. Key to Graco's emerging market strategy is developing new products selectively for international and emerging markets, and adding specialized sales employees and distributors worldwide. Thirty-nine new products were launched in 2010, and a number of Graco employees and distribution outlets were added worldwide to help support our expansion into fast-growing economies.

Graco's strategy to expand in emerging markets will continue into 2011 and beyond. We will keep expanding our global footprint early with investments in sales and marketing resources to establish our channels.

ASIA PACIFIC

Graco had a particularly strong 2010 in the Asia Pacific region, with double-digit increases in both developed and developing countries. Sales grew to \$158 million, a 46 percent increase over the region's 2009 sales, exceeding its pre-recession peak. This region now represents 21 percent of Graco's sales.

Wind energy, transportation and mining industries drove much of Graco's business in Asia Pacific in 2010. Countries like Indonesia, Vietnam, India and China are undergoing rapid growth and industrialization, and Graco is well positioned to help these areas grow through new product and technology development. Graco has invested heavily in people and channels in this region: a record 25 percent increase in the number of commercial people, and a record number of distributors were added in our Asia Pacific region in 2010.

To further demonstrate our commitment to the region, Graco's Asia Pacific headquarters is being moved to a new and larger facility in Shanghai and should be complete in 2011. In addition to office space for 90 employees, the new building provides a world-class Graco training center with lab capability for employees, distributors, material suppliers and end-users.



Beijing-Shanghai High-Speed Railway project



Mining truck at lubrication station in India

2010 Highlights

- Graco equipment is being used in one of the world's largest polyurea protective coating projects. Construction is underway on the Beijing-Shanghai High-Speed Railway project, which is using Graco Reactor® Plural Component Proportioners to apply the polyurea and Graco Xtreme® Airless Sprayers to apply a base coat underneath the polyurea. The Beijing-Shanghai High-Speed Railway project will be finished sometime this year and an estimated 220,000 passengers will use it each day.
- In early 2010, one of the leading Chinese manufacturers of wind tower blades moved ahead with building three new facilities to manufacture blades for the larger wind turbines required for offshore wind sites. Graco had six months to develop, build and deliver a machine capable of molding and bonding large blades. We responded by quickly producing the required system and the customer purchased 13 Graco HVR™ Metering System units, with discussions underway for repeat orders.
- Increased mining activity in 2010 in Indonesia helped propel Graco and one of the world's largest heavy equipment dealers into a mutually beneficial partnership. This major Indonesian distributor started as a standard account in 2007 and, thanks to Graco's Dyna-Star® Pump and Injector Systems, grew into a multi-million dollar business for Graco in 2010. With dedicated Graco sales and technical support staff to further enhance business throughout the Asia Pacific region, Graco lubrication products will continue to grow market share.
- Graco's strategic approach to the professional painting contractor channel in China resulted in considerable success in 2010. We took the Ultra® Max II 395 Paint Sprayer through Chinese paint manufacturers to convert contractors from manual to power. We provided training to painting contractors and organized "tech days" on spraying, parts changing and troubleshooting. Graco successfully converted the painting contractors from brush and roller, resulting in a 58 percent repeat order rate. Ninety-five dealers were added.



Thomas Luk, (right)
President, Starwood Furniture
and Victor Vong, Graco Sales



A Starwood Furniture employee applies finish to wood furniture

A Furniture Maker's Success Story

Vietnam's domestic wood processing industry, the country's fifth largest industry, generated \$1.5 billion in 2010, compared to \$1.05 billion in 2009. Among the businesses contributing to this growth was Starwood Furniture near Ho Chi Minh City, Vietnam, owned by Graco customer Thomas Luk.

Luk started his own business in 1988 making wood furniture and enjoyed great success for many years. In 2004, Luk moved his operation from Hainan Island to Vietnam. Once there, Luk realized he needed to set up a new finishing line for his furniture. He required overhead conveyor finishing for bedroom and dining room furniture. That's where Graco came in with Triton® Spray Packages. Luk met with representatives from Hergen, a Taiwan-based Graco distributor. Due to Graco's proven reputation for top quality, he decided to partner with us for his finishing needs. "Graco products are reliable and help me maintain my production line with very few problems and less maintenance," Luk said.

Success continued for Luk, and he decided he needed another finishing line. Graco was again Luk's choice, and he purchased ten Triton Spray Packages with electrostatic guns – Pro Xs3™ and Pro Xs2™ – for his fourth line expansion. With Graco's help, Luk has grown his furniture production six times over and has become the fifteenth largest wood furniture manufacturer in Vietnam. Currently shipping 200 containers of furniture monthly, he hopes to double that number this year.

EUROPE

Graco operations in Europe flourished in 2010, much of it driven by increasing demand for oil and gas production, minerals like gold, platinum and copper, and automobile production. European sales, strong across all product segments, grew to \$178 million, a 25 percent increase over the region's 2009 sales, representing 24 percent of Graco's 2010 total sales.

In Western Europe, Graco business was driven by the German economy, which has nearly recovered from the recession, leading to more internal industrial investment. And certain niche markets such as alternative energy are rapidly expanding, presenting Graco with many opportunities.

Emerging economies played a significant role in Graco's success in this region in 2010. Already doing business in 84 countries in Europe, developing countries like Russia, Kazakhstan, Turkey, Poland, Slovakia and United Arab Emirates presented Graco with tremendous opportunities. In Eastern Europe, Africa and the Middle East, Graco increased the number of commercial people to support this expanded focus, and Graco distributors in Europe now number almost 1,700, a six percent increase over 2009.



Spraying protective coatings on oil pipelines both above and below ground in Russia



2010 Highlights

- In emerging markets where oil and gas production are driving growth, such as Nigeria, North Africa, Russia and the Arabian Gulf, Graco introduced the XP70™ Plural Component Sprayer, which pumps, mixes and atomizes high-viscosity, high solids coatings. An XP70 product launch with distributors in Budapest was conducted in the fall of 2010, resulting in 145 orders for the unit with 16 different distributors.
- A new training center was built in 2009 in Belgium and during 2010, numerous training sessions were held for distributors from Russia, Ukraine, Belarus, Saudi Arabia and other countries.
- In 2010, Graco products played a role in two massive projects in Dubai, United Arab Emirates: the underground train, or metro, encircling 55 miles around the city of Dubai, and the Dubai Business Bay, a central business district under construction within Dubai. Both the Graco GMax™ 5900, a gas-powered airless sprayer, and the Graco Mark V™ Electric Airless Texture Sprayer, are being used to help complete these projects.
- With the rapid increase in the Middle East of projects applying polyurea to large surface areas like secondary containment, manhole and tunnel coatings, tank liners, and truck bed liners, Graco's 2010 sales in this region have grown 177 percent since 2006. General painting contractors had traditionally steered clear of polyurea applications due to the limitations and costs associated with the application equipment. However, since the introduction of Graco Reactor® Plural Component Proportioners, general paint contractors in the Middle East have found it an affordable investment to expand their coating businesses. The Reactor is also widely used to apply spray polyurethane foam (SPF) for building insulation in Egypt, Saudi Arabia, United Arab Emirates, Qatar and Kuwait. Rather than keeping the cold outside, the SPF applied on the buildings in the Middle East keeps the cool air inside. With an average temperature of 104 degrees Fahrenheit (40 degrees Celsius) in the region, governments there are increasingly looking at methods to reduce their carbon footprints by raising the R-value of buildings.



Graco XM70 in front of tank



Atlas employee with Graco XM70



Atlas employee applies chemical coating inside tank

A Transportation Manufacturer's Success Story

The continued demand for oil has resulted in more companies setting up in the Arabian Gulf to locally supply products and services required for oil production. Atlas Process Equipment, based in Dubai, is one of these companies helping to keep the industry's oil moving.

Atlas, a division of the Al Shirawi Equipment LLC group, manufactures process road tankers, cement bulk carriers, semi trailers, water tankers and dump trucks. Its process equipment road tankers require a chemical lining to be coated inside the tanks to allow for the transport of aggressive chemicals. In August of 2010, Graco offered to fill this need with the Graco XM70 Plural Component Sprayers Electronic Proportioning paint system.

Prabhu Shankar, Atlas Assistant Manager, a loyal Graco customer for 20 years, was delighted with the Graco product. Over time, Shankar has replaced all previous paint equipment in the plant with only Graco-manufactured products. "We've been enjoying superb and professional service from Graco dealers here in Dubai, which helps our production requirements when we need replacement parts in a hurry," Shankar said. "Most of Graco's dealers here carry a large number of spares, which means we can get the units working in a few hours."

The Graco XM70 Plural Component Sprayer brought important features and benefits for Atlas, according to Shankar – ratio assurance, significant paint and solvent savings, and overall flexibility. Since the installation of the system into Atlas, the company has integrated its specialist coating requirements directly into its existing paint lines, resulting in significantly increased production output. After the first 14 days of the purchase of the system, paint usage has been optimized, resulting in considerable cost savings as well. "With the savings we experienced in paint and solvent, our financial investment in Graco's XM70 is paying off – a very good investment!" Shankar said.

AMERICAS

While the Americas have not fully recovered from the economic crisis of 2008-2009, Graco saw solid growth in 2010 in most sectors in which it does business. Sales grew to \$408 million, a 24 percent increase over 2009. This represents 55 percent of Graco's total 2010 sales. Much of the growth in sales came from new product and technology development.

In North America, all Graco segments were up double digits compared to 2009, however not at pre-recession peaks. Many end markets, like auto, heavy construction and mining continued to strengthen in 2010, but there was ongoing weakness in select industries such as recreational vehicles, boating, wood and commercial construction. The housing industry continued to show incremental signs of improvement but was still at historically low levels.

A key growth market in these regions for Graco was Latin America, where we are doing business in many emerging countries, and where, in 2010, we exceeded our pre-recession peak. The fourth quarter was the biggest quarter ever in that region, up 52 percent. Developing markets for Graco in Latin America include Brazil, Argentina and Peru. These countries continue to benefit from strong demand for raw materials and strong currency values. Automotive-related markets and a growing need for protective-coatings products drove much of Graco's business in these fast-growing economies.



Estadio Nacional Julio Martínez Prádanos,
Chili's National Stadium renovation project



Polyurea application inside stadium

2010 Highlights

- A large automotive manufacturing supplier located in northeast Mexico uses several Graco products in its plant, generating considerable cost savings. In 2010, the company started using Graco's new ProMix® 3KS Electronic Plural Component Proportioning System. The ProMix 3KS mixes three component materials instead of two, and has improved production and profits at the company. The company also uses Graco's AirPro EFX™ Automatic Air Spray Gun, finding that it generates about 10 to 15 percent material savings. In addition, the company uses Graco's low flow fluid regulators, saving time and giving it solvent savings and production quality reliability.
- Paint stores and home improvement centers throughout Latin America are increasingly selling Graco products, recognizing the quality, performance and unmatched on-the-job productivity of these products. Airless paint sprayers like the TrueCoat™ and ProShot® Hand-held Sprayers, and the Magnum® and Ultra Max II family will soon become household names for professional, contractor and do-it-yourself painters in Latin America.
- In 2010, Graco developed its first-ever line of professional hand-held paint sprayers, including the TrueCoat, TrueCoat Plus, TrueCoat Pro, and ProShot, one of the most successful launches of new products in Graco history. In addition, a leading global paint, stain and coatings retailer named the ProShot its "Product of the Year" due to sales volume. Graco hand-held paint sprayers feature patented and patent-pending ProSpray technology that delivers professional power and results.



CNH Vehicle on exhibit at Brazil facility



Graco sales representative Osni Franzini (left) discussing Graco equipment at CNH



CNH paint line employees spray equipment parts

A Tractor Manufacturer's Success Story

Case New Holland (CNH), a subsidiary of Italy's Fiat Group and manufacturer of agricultural and construction equipment, finished building a new modern factory and distribution center in early 2010 in Sorocaba, Sao Paulo, Brazil. The factory has the capacity to produce 8,000 units per year, which will supply the domestic market, Latin America and more than 50 countries on other continents.

The company invested about \$600 million in the new facility, the largest machinery industry investment in Brazil. The complex will generate 2,000 direct jobs and about 6,000 indirect jobs in the region by 2012.

Among many other contemporary features, the factory has a manufacturing plant with state-of-the-art processes known as sequential manufacturing and continuous flow. It also has one of the most efficient paint systems, similar to those used in the automotive industry.

Graco has been an integral part of this success story, providing a variety of paint and spray equipment, including E-Flo® Pumps, ProMix® II, and Pro Xs™ Electrostatic Guns installed at what is called "low temperature paint lines." Graco will also now provide E-Flo Pumps, ProMix 2KS, and Pro Xs Electrostatic Guns to be installed at "high temperature paint lines." New paint with high solids and low solvent content is coming soon, allowing painting of parts in a single layer, avoiding repeat applications.

Board of Directors

Lee R. Mitau
Chairman of the Board,
Graco Inc.

Executive Vice President
and General Counsel,
U. S. Bancorp

William J. Carroll
Chief Executive Officer,
Limo-Reid, Inc.
d/b/a/
NRG Dynamix

Eric P. Etchart
Senior Vice President,
The Manitowoc Company, Inc.
President,
Manitowoc Crane Group

Jack W. Eugster
Retired Chairman, President
and Chief Executive Officer,
Musicland Stores Corporation

J. Kevin Gilligan
Chairman and
Chief Executive Officer,
Capella Education Company

Patrick J. McHale
President and
Chief Executive Officer,
Graco Inc.

Marti Morfitt
Chief Executive Officer,
Airborne, Inc.
President and
Chief Executive Officer,
River Rock Partners, Inc.

William G. Van Dyke
Retired Chairman,
Donaldson Company, Inc.

R. William Van Sant
Operating Partner,
Stone Arch Capital, LLC

Annual Meeting

Shareholders are cordially invited to attend the Annual Meeting, which will be held at 2:00 p.m., Central Time Thursday, April 21, 2011, at Graco:

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

Management

Patrick J. McHale
President and
Chief Executive Officer

David M. Ahlers
Vice President,
Human Resources and
Corporate Communications

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

Jeffrey P. Johnson
Vice President and
General Manager,
Asia Pacific

David M. Lowe
Vice President and
General Manager,
Industrial Products Division

Simon J.W. Paulis
Vice President and
General Manager,
Europe

Charles L. Rescorla
Vice President,
Manufacturing, Information Systems
and Distribution Operations

Mark W. Sheahan
Vice President and
General Manager,
Applied Fluid Technologies Division

Brian J. Zumbolo
Vice President and
General Manager,
Lubrication Equipment Division

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 other reports 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.
Attention: Investor Relations
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Or call: (612) 623-6609

Graco is an equal opportunity employer.

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Graco Inc. & Subsidiaries

10 Year Financial Summary

(In thousands, except per share amounts and other statistics)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operations:										
Net Sales	\$744,065	\$579,212	\$817,270	\$841,339	\$816,468	\$731,702	\$605,032	\$535,098	\$487,048	\$472,819
Gross Profit	403,445	292,816	432,177	447,426	433,957	379,350	328,410	282,802	250,158	234,762
Percent of Sales	54.2%	50.6%	52.9%	53.2%	53.2%	51.8%	54.3%	52.9%	51.4%	49.7%
Operating Earnings	153,141	74,467	187,365	232,480	225,999	191,070	161,531	128,833	112,846	100,182
Percent of Sales	20.6%	12.9%	22.9%	27.6%	27.7%	26.1%	26.7%	24.1%	23.2%	21.2%
Net Earnings	102,840	48,967	120,879	152,836	149,766	125,854	108,681	86,713	75,625	65,266
Percent of Sales	13.8%	8.5%	14.8%	18.2%	18.3%	17.2%	18.0%	16.2%	15.5%	13.8%
Financial Position:										
Current Assets	\$252,408	\$188,993	\$260,595	\$248,832	\$238,983	\$213,898	\$227,226	\$256,106	\$240,524	\$155,497
Current Liabilities	119,754	103,815	121,160	125,877	128,929	111,581	96,773	187,947	80,214	73,253
Working Capital	132,654	85,178	139,435	122,955	110,054	102,317	130,453	68,159	160,310	82,244
Property, Plant & Equipment, Net	134,185	139,053	149,754	140,594	124,524	106,498	94,510	94,317	94,953	98,944
Total Assets	530,474	476,434	579,850	536,724	511,603	445,630	371,714	397,390	355,850	276,113
Long-term Debt (including current portion)	70,255	86,260	180,000	107,060	-	-	-	-	-	550
Shareholders' Equity	264,114	209,654	167,634	244,674	331,004	287,684	230,837	169,810	245,406	173,740
Capital (long-term debt plus shareholders' equity)	334,369	295,914	347,634	351,734	331,004	287,684	230,837	169,810	245,406	174,290
Cash Provided (Used) By:										
Operations	\$101,123	\$146,532	\$162,478	\$177,097	\$155,629	\$153,224	\$122,908	\$109,807	\$95,673	\$89,181
Investing, excluding marketable securities	(18,769)	(12,794)	(85,346)	(38,157)	(64,402)	(131,472)	(19,164)	(28,772)	(11,958)	(45,885)
Financing	(76,792)	(138,810)	(71,353)	(138,293)	(102,541)	(65,123)	(153,833)	(69,843)	(5,660)	(28,641)
Other Data:										
Depreciation and Amortization	\$33,973	\$35,140	\$35,495	\$28,665	\$26,046	\$23,496	\$17,808	\$18,747	\$18,080	\$18,494
Property, Plant and Equipment Additions	16,620	11,463	29,102	36,869	33,652	19,904	16,893	15,515	12,253	30,203
Per Common Share: (1)										
Basic Net Earnings	\$1.71	\$0.82	\$2.01	\$2.35	\$2.21	\$1.83	\$1.57	\$1.25	\$1.06	\$0.94
Diluted Net Earnings	1.69	0.81	1.99	2.32	2.17	1.80	1.55	1.23	1.05	0.92
Dividends Paid	0.80	0.76	0.74	0.66	0.58	0.52	1.87 ⁽²⁾	0.22	0.19	0.18
Shareholders' Equity	4.40	3.49	2.82	3.95	4.95	4.21	3.35	2.46	3.44	2.48
Other Statistics:										
Sales Growth	28.5%	-29.1%	-2.9%	3.0%	11.6%	20.9%	13.1%	9.9%	3.0%	-4.4%
Return on Average Shareholders' Equity	43.4%	26.0%	58.6%	53.1%	48.4%	48.5%	54.3%	41.8%	36.1%	45.9%
Return on Average Capital	32.6%	15.2%	34.6%	44.8%	48.4%	48.5%	54.3%	41.8%	36.0%	42.9%
Long-term Debt/Capital	21.0%	29.2%	51.8%	30.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
Current Ratio	2.1	1.8	2.2	2.0	1.9	1.9	2.3	1.4	3.0	2.1

(1) All per share data has been restated for the three-for-two stock splits.

(2) Includes the special one-time dividend of \$1.50 per share declared December 12, 2003.



