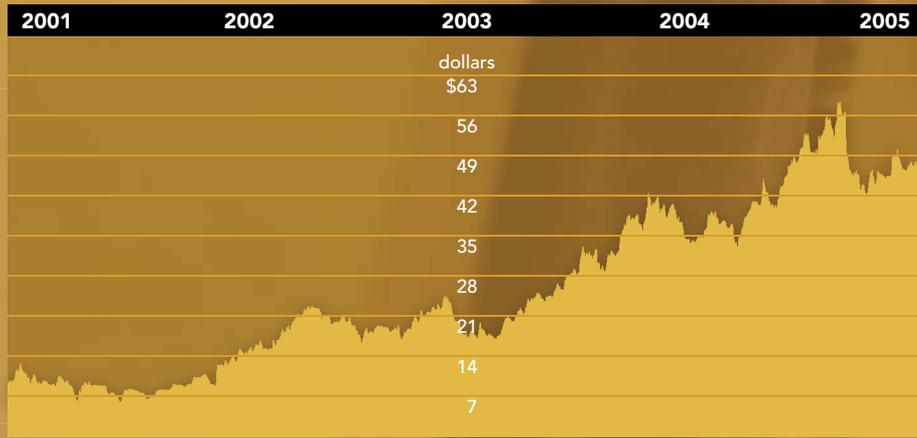


KEEPING THE DRIVE **ALIVE**

Actuant 2005 ANNUAL REPORT

ATU STOCK PERFORMANCE



5 YEAR HIGHLIGHTS

SALES



EBITDA ⁽¹⁾



EPS FROM CONTINUING OPERATIONS ⁽²⁾



⁽¹⁾ EBITDA represents net earnings before interest, taxes, depreciation, and amortization, adjusted for special items such as discontinued operations, changes in accounting, refinancing/debt extinguishment charges, net gains on business divestitures, and other items.

⁽²⁾ EPS from continuing operations, excluding cumulative effect of accounting change, refinancing/debt extinguishment charges, net gains on business divestitures, and other items.

Actuant has delivered five years of impressive growth—and **sustained** its drive to lead. Our earnings, sales, global reach, market penetration, cash flow and stock price all **improved**, thanks to core strategies that significantly increased **shareholder value**. In 2005, we deployed capital wisely, successfully integrated acquisitions, launched new products, reduced costs, developed employees and leveraged our capabilities to ensure continued **growth** and **long-term** shareholder value.

In 2005, Actuant **delivered**—again.

We achieved our fourth year of double-digit growth.

We deployed capital efficiently, crossed the

\$1 billion threshold in market capitalization and

generated sales of **\$976 million**.

SHAREHOLDERS

LETTER

THEN AND NOW

Stock Price			Market Value			Enterprise Value			Sales			EPS ⁽¹⁾			Debt/EBITDA Leverage ⁽²⁾		
dollars	00	05	millions	00	05	millions	00	05	millions	01	05	dollars	01	05	X	00	05
\$49			\$1400			\$1800			\$1000			\$2.70			4.0		
42			1200			1600			900			2.40			3.5		
35			1000			1400			800			2.10			3.0		
28			800			1200			700			1.80			2.5		
21			600			1000			600			1.50			2.0		
14			400			800			500			1.20			1.5		
7			200			600			400			.90			1.0		

⁽¹⁾ EPS from continuing operations, excluding refinancing/debt extinguishment charges, net gains on business divestitures, and other items.

⁽²⁾ Debt leverage is computed as net debt divided by EBITDA. For fiscal 2005, EBITDA includes a full year of earnings from acquisitions. For fiscal 2000, EBITDA is comprised of EBITDA for businesses owned at the time of the spin-off.

Actuant's Success

Consistency of earnings was a major highlight as we achieved four consecutive years of 15% or more annual earnings growth. In 2005, we grew our sales by 34%, and our EPS by 32%, excluding one-time charges in the prior year. We achieved these results with difficult economic conditions in some of our core markets.

A hallmark of Actuant's success is our product, geographic and customer diversity. 2005 proved again how important diversity is to our business model. Our recreational vehicle actuation business, one of Actuant's growth platforms, experienced a double-digit sales decline as the motor home industry rebalanced its retail and wholesale inventory levels. Thanks to the diversity of our business portfolio, Actuant's overall results powered through the RV slowdown.

We completed five acquisitions in 2005, the largest being Key Components, Inc., or KCI. Our management team stepped up to the challenge of integrating KCI, a holding company with six separate business units, and the business has outperformed our expectations.

Actuant's success in acquisitions can be attributed to three factors:

1. A disciplined acquisition process focused on acceptable returns on invested capital.
2. Intense focus on the acquisition integration process.
3. Utilization of our business efficiency model (LEAD Process) to create improving returns on the acquired business.

Cash flow continues to be our overriding financial metric. Through prudent capital deployment, we acquired businesses, conservatively managed our debt leverage and generated excellent cash flow. With \$86 million of free cash flow, a 120% cash flow conversion of net income, we again demonstrated Actuant's ability to produce superior cash returns on invested capital.

Actuant's Future

As highlighted in this report, we will continue to build on what we've achieved — and then do more — as we maintain our focus on six core strategies:

- Global reach
- Internal growth
- Acquisitions
- Lean Enterprise Across Disciplines (LEAD) Process
- Employee development
- Return on invested capital

2006 promises to be another busy year, as our 2005 growth initiatives begin to bear fruit. Our LEAD Process activities are accelerating. Acquisitions, while not expected to be at 2005 levels, should again play a role in our growth. And, the never-ending need to develop and invest in our leaders and managers, the glue holding Actuant together, will intensify.

These are exciting times for Actuant as we strive to maintain our entrepreneurial culture while becoming a significantly larger company. We thank our 5,800 employees worldwide for getting the job done every day. We have made it a practice to tie their success to that of our shareholders — and we'll continue to do so. Actuant achieved much in its first five years, and with your support our best days are ahead of us.

Sincerely,



Robert C. Arzbaecher
Chairman and CEO



Actuant businesses are **market leaders** in branded industrial
and electrical **tools & supplies** and highly **engineered solutions**.

Tools & Supplies

Acme Electric • Ancor
Del City • Dresco
Enerpac • Gardner Bender
Guest • Hydratight • Kopp
Marinco • Sperry

Engineered Solutions

Acme Aerospace • Elliott
Gits • Kwikkee
Milwaukee Cylinder • Nielsen-Sessions
Power Gear • Power-Packer
Turner Electric • Yvel

BUSINESS

PROFILE

SALES BY MARKET

2005

Sales of approximately \$1 billion

● Tools & Supplies

● Engineered Solutions

25% Industrial Tools

18% DIY Electrical

12% Professional Electrical

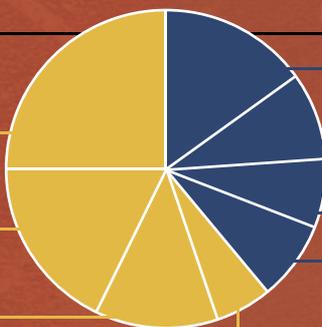
6% Specialty Electrical

Truck 15%

Convertible Tops 9%

RV 7%

Other 8%



Actuant's **six core strategies** underlie our success and continued growth. Focusing on global reach, internal growth, acquisitions, the LEAD Process, employee development and return on invested capital, Actuant has **improved** business operations, reduced costs and increased **shareholder value**. These strategies are explained on the following pages.

We have developed strategies to serve a rapidly shrinking world.

By extending our global presence, we've **diversified** our geographic

concentration and **strengthened** our ability to serve customers

wherever they are located. That includes fast-growing **emerging markets**

such as Eastern Europe, China and other parts of Asia. We employ

local management teams who know **customers and cultures**,

and provide the **training and resources** to help them succeed.

G L O B A L S T R A T E G Y

LEADING POSITIONS IN THE MARKETPLACE

Tools & Supplies		Engineered Solutions
High Force Hydraulic Tools, Bolting Products and Services	DIY Retail Specialty Electrical Professional Electrical	Highly Engineered Products Actuation Systems
Enerpac Hydratight	Gardner Bender Kopp Acme Marinco Ancor Guest Dresco	Power Gear Kwikkee Power-Packer Gits Elliott



In China, Actuant executed an **emerging market strategy** that focused initially on infrastructure projects needing Enerpac's hydraulic systems. As shown below, Enerpac hydraulics are used in high profile Chinese infrastructure projects. Once Actuant's presence was established, we followed by providing Power-Packer and Gits products for China's rapidly expanding heavy-duty truck market. We are anticipating the next phase of China's growth — the consumer arena — and are preparing to provide tools and electrical supplies to retail markets.

Serving global markets competitively requires Actuant to constantly seek to lower its product costs, and we accomplish

this through component sourcing. Actuant established a team in China to serve the sourcing needs of all Actuant businesses. This group encompasses approximately 50 employees, mostly native Chinese. In addition, Actuant has trained these employees, helping them gain experience with Actuant management systems and technical product specifications. As a result of these efforts, Actuant has rapidly expanded our ability to source component parts globally.

Enerpac engineers, working with contractors on a water containment project on China's Yangtze River, developed a synchronous hydraulic system for lifting large tonnage concrete blocks into place.



Actuant has achieved compound annual sales growth of **20%** over the last four years. How? By **reinvesting** in our businesses, **listening** to customers and **providing the right products and services** worldwide. We are finding sales synergies and leveraging opportunities throughout our **expanded business portfolio**—in some cases, across Actuant business units. We believe **internal growth** is the most effective and lowest risk way to increase return on capital and create lasting **shareholder value**.

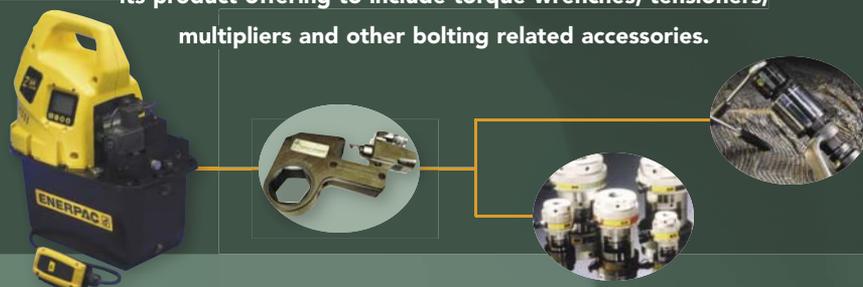
G R O W T H S T R A T E G Y

EXPANDED PRODUCT PORTFOLIO

ENERPAC

The acquisitions of Hedley Purvis and Hydratight Sweeney, now collectively called Hydratight, created an excellent cross-selling opportunity with Enerpac.

An example is pictured here, where Enerpac will be able to expand its product offering to include torque wrenches, tensioners, multipliers and other bolting related accessories.



Our **Circuit Alert** electrical tool demonstrates Actuant's ability to leverage our technology to create value. In 2002, Gardner Bender developed a line of professional grade Armour Edge™ wire strippers that won a Retailers Choice Award at the National Hardware Show. Taking this tool to an even higher level, in 2005 Gardner Bender integrated a voltage sensor into the wire stripper, which allows the user to verify whether the wire is carrying current. Winner of the Electrical Contracting Products Innovation Award in 2005, this tool is being marketed to both the DIY and professional user.



Cleaner air is a global concern and has led governments worldwide to cut harmful emissions.

Gits has a growth strategy centered on assisting diesel engine and turbocharger OEMs to meet the increasingly tight emissions standards with innovative, highly engineered actuation systems.



An example of a Gits engine actuation system used in diesel engines worldwide.



Through strategic acquisitions, we have **strengthened** our market positions and **increased** product diversity. We focus on products and businesses that are strategic to our **base business platforms** and that will achieve **above-average returns** on invested capital. Our LEAD Process and streamlined decision-making have helped **integrate** nine acquisitions since 2003. We have developed our Acquisition Integration Model (AIM)

Process into a **core competency** in creating shareholder value.

ACQUISITION STRATEGY

RECENT ACQUISITIONS

2003

Sanxin
Kopp

2004

Kwikee
Dresco

2005

Yvel
A.W. Sperry
KCI
Hedley Purvis
Hydratight
Sweeney



KCI includes:
Acme Electric,
Acme Aerospace,
Marinco, Turner Electric,
Gits, Elliott

hydratight®

By acquiring bolting businesses **Hydratight Sweeney** and **Hedley Purvis**, now called Hydratight, Actuant not only leveraged Enerpac's leadership position in industrial tools, but also expanded our presence into new growth markets. Specifically, the acquisitions are facilitating Actuant's expansion into oil, gas and power generation, which are among the fastest growing industrial markets in the world.



Actuant's acquisitions of **Yvel, A.W. Sperry** and **Marinco** demonstrate how Actuant has expanded its served markets in truck and electrical products and meets customers' demands to work with fewer, but higher value-added vendors. By bringing together like businesses and like products, we can serve customers more effectively with a broader product offering.



By combining the Marinco, Guest and Ancor business units into the Actuant Recreational Group, we have brought together the ability to provide both the boat builder and the aftermarket complete dock-to-boat electrical product lines.



Our Lean Enterprise Across Disciplines (LEAD) Process features a set of **process improvement tools** that we use to enhance customer **satisfaction** and create shareholder value. LEAD underpins Actuant's day-to-day business **operations, acquisitions** and **product launches**.

Through **training, empowerment** and **enthusiastic participation** by the entire workforce, employees worldwide are focused on eliminating waste, reducing working capital and **doing the job right the first time**.

LEAD STRATEGY



TOOLBOX APPROACH TO CONTINUOUS IMPROVEMENT

Process Improvement Tools

Management By Fact

80/20 Rule / Pareto Analysis

Six Sigma

Value-Stream Mapping

Kaizen-based Lean Manufacturing

Global Sourcing

Demand Pull

Poke Yoke

Continuous Flow

5S

The LEAD Process played a major role in acquisition integration in 2005. A good example is **Turner Electric**, which Actuant acquired as part of KCI. By utilizing a variety of LEAD tools, including employee training, management by fact, inventory control and value-stream mapping, the business developed processes that improved responsiveness, supported growth initiatives and reduced product costs.

The impressive results included reductions of:

- 3,500 Stock Keeping Units (SKUs)
- 40% in inventory investment
- 22% in manufacturing space
- 5% in material costs

In addition, Turner reduced order entry lead-time to one day from 10 days, and implemented a computer-aided design software system that allows engineers to rapidly design new products.



The LEAD Process helped **Gardner Bender** improve its order-entry process to allow pre-staging of shipments on a store-per-pallet basis. Because customer purchase orders had to be manually broken down by location to enter into Gardner Bender's order system, the time required to complete the process was so long it was nearly impossible to ship the orders on time.

A kaizen team used value-stream mapping and other tools to streamline the order-entry process. As a result, throughput time was decreased from 72 hours to 1 hour. That gave the distribution center more time to process orders and helped reduce warehouse overtime costs, while at the same time improved customer satisfaction.



We are committed to developing employees at all levels. A **strong management team** and a **motivated workforce** together drive Actuant's success on a daily basis. **Comprehensive communication** programs are key to making this happen. Actuant believes that employees and shareholders are tied to a **common purpose**—building shareholder value through stock appreciation. Our employee benefit programs utilize stock options, 401(k) matching programs and employee stock purchase plans as tools to drive Actuant's **success**.

PEOPLE STRATEGY

ENTREPRENEUR AWARD

ERNST & YOUNG

During 2005, Actuant won Ernst & Young's Entrepreneur of the Year award in the state of Wisconsin. Given the size and scope of Actuant's operations, the award symbolizes the ownership spirit that our employees display every day.



As a company committed to employee development, Actuant has made **training** a key strategy.

Over the last three years, we have put more than 400 people through the Karrass Effective Negotiating® course in the United States and Europe. We believe that our entrepreneurial culture and our focus on pushing down decision-making to the lowest level possible require that type of skills-based training. Learning and using effective negotiating techniques allow our employees to create situations and relationships in which both the buyer and seller win.



Actuant's goal is to make **leaders out of managers**. To do that, we have developed our Leadership

Development and Training Program (LDTP). Thus far, 130 managers from three continents and 20 countries have participated in the LDTP. This training focuses on both customer creation and customer fulfillment functions. Additionally, the LDTP plays an important role in developing employees who can integrate Actuant acquisitions and provide leadership for the future.

Actuant employees learn effective negotiating skills through role playing case studies.

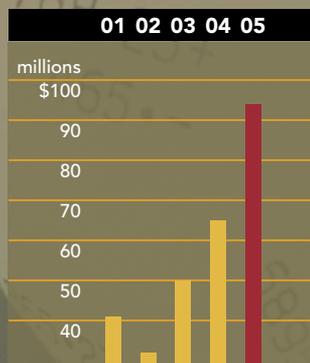


We believe that **stock price appreciation** closely correlates to **free cash returns**. Through our Combined Management Measure (CMM) metric, our **variable compensation plan** is tied to pretax return on invested capital. This strategy ensures that our business decisions are based on **creating and increasing** cash flow. We accomplish this through operating margin improvements and a relentless focus on improving the **velocity** of asset turns.

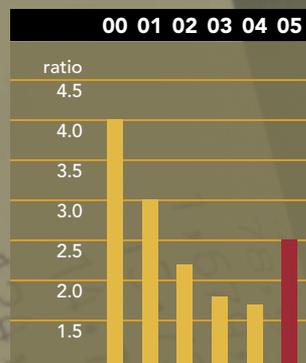
R O I C

(RETURN ON INVESTED CAPITAL) STRATEGY

CASH FLOW FROM OPERATING ACTIVITIES ⁽¹⁾



DEBT/EBITDA LEVERAGE ⁽²⁾



⁽¹⁾ Cash flow from operating activities excludes proceeds from business unit divestitures, accounts receivable securitization and income tax refunds and reimbursements both relating to the July 31, 2000 spin-off of the electronics segment.

⁽²⁾ Debt leverage is computed as net debt divided by EBITDA, with EBITDA in each year including a full year of earnings from acquisitions.

What is Actuant's ROIC Strategy and Why is it Important?

Actuant's return on invested capital (ROIC) strategy focuses on maximizing returns on the capital we invest on behalf of shareholders. Returns can be increased in different ways — by increasing the profits earned on an investment, by decreasing the amount of the investment or a combination of the two.

The primary measurement for ROIC is operating profit before amortization expense divided by net assets employed:

$$\text{ROIC} = \frac{\text{Earnings before interest, income taxes and amortization}}{\text{Net assets employed}}$$

Where net assets employed =
debt + shareholders equity – cash

What's an acceptable return or ROIC?

We target a minimum of 20%. Actuant's ROIC for fiscal 2005 was approximately 23%. While this declined in 2005 due to acquisitions, we believe that Actuant generates above-average ROIC compared to multi-industry peers.

Our goal is to grow and redeploy our cash flow in future growth opportunities. We plan to increase each business' ROIC from its baseline — year-over-year improvement — whether it's an acquisition with a lower ROIC, or a business that has been part of Actuant for a long time.

How does the company increase its returns?

- In the case of new acquisitions, by buying them at attractive prices. Actuant paid between 4-8x EBITDA (earnings before interest, income taxes, depreciation and amortization) for its five 2005 acquisitions.
- By driving working capital reductions — we reduced inventory by more than \$6 million in the KCI businesses since its December 2004 acquisition.
- By leasing instead of buying assets.
- By leveraging existing infrastructure — we saved approximately \$3 million annually by closing Key Component's corporate headquarters and consolidating functions into Actuant's Milwaukee offices after the acquisition.
- By involving employees at all levels within Actuant, the company continues to get cost and efficiency savings from an increasingly motivated and participatory workforce.

What are the outcomes of our ROIC strategy?

An enviable track record of year-over-year improvement in earnings and cash flow. We remain convinced that Actuant's ROIC model, along with the quality of our business units, is responsible for the stock's superior performance since the spin-off.

ANDY LAMPEREUR

CHIEF FINANCIAL OFFICER

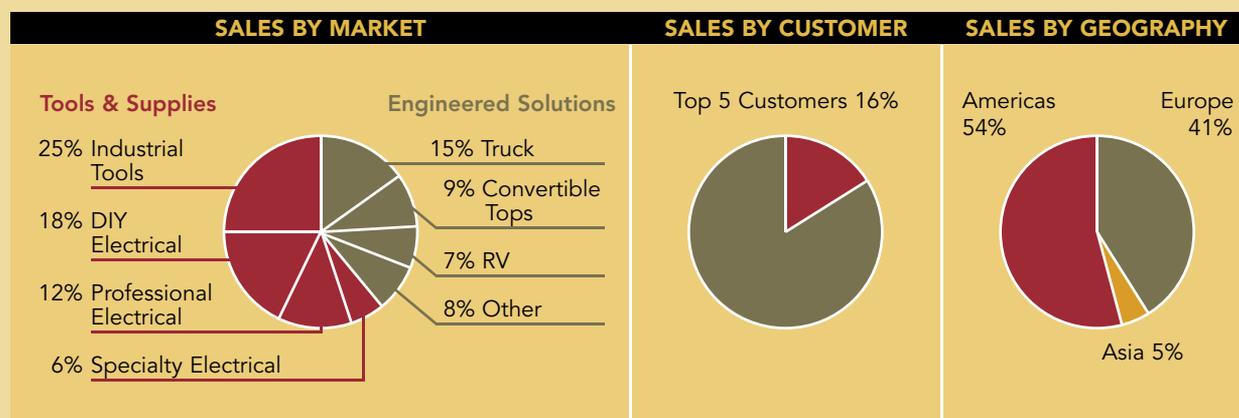
“Actuant's return-on-invested capital strategy has gotten us to where we are today: a financially sound company well positioned for continued growth. We have remained fiscally disciplined, which has enabled us to improve cash flow, strengthen our balance sheet, extinguish debt and fund acquisitions. By adhering to the strategy, we have stayed the course during times of economic uncertainty and maintained our focus on shareholder value creation.”



Selected Financial Data

(US\$ in millions, except per share amounts)

	2005	2004	2003
Operating Results—Fiscal Year Ended August 31,			
Net sales	\$ 976	\$ 727	\$ 585
Gross profit	316	231	190
Gross profit %	32.4%	31.8%	32.5%
Operating expenses ⁽¹⁾	194	141	117
Operating earnings	122	90	73
Operating earnings %	12.5%	12.4%	12.5%
Financing costs	17	14	21
Net earnings	71	24	29
Net earnings %	7.3%	3.3%	5.0%
Diluted earnings per share ⁽²⁾	2.42	1.32	1.18
Financial Position at End of Fiscal Year			
Accounts receivable	\$ 131	\$ 90	\$ 82
Inventories, net	136	87	68
Property, plant and equipment, net	84	48	59
Goodwill and intangible assets	603	168	121
Total assets	996	424	359
Trade accounts payable	90	64	53
Net debt ⁽³⁾	432	188	165
Shareholders equity (deficit)	245	32	(12)
Actual shares outstanding (000s) ⁽⁴⁾	27,047	23,762	23,512
Other Information			
Dividends declared per share	\$ 0.08	\$ —	\$ —
Capital expenditures	15	11	13
Depreciation and amortization	22	17	15
Non-cash stock option expense	4	—	—
Year-end market capitalization ⁽⁵⁾	1,147	899	605

⁽¹⁾ Selling administrative and engineering expenses and amortization of intangible assets.⁽²⁾ Diluted earnings per share includes the impact of discontinued operations, refinancing/debt extinguishment charges, and other items. Excluding these items, diluted earnings per share for fiscal 2004 and 2003 would have been \$1.84 and \$1.41 per diluted share, respectively.⁽³⁾ Net debt equals short term borrowings, long term debt including current portion, less cash and cash equivalents.⁽⁴⁾ Does not include common stock equivalents such as contingently convertible security shares or shares issuable under non-exercised stock options.⁽⁵⁾ Market capitalization equals actual shares outstanding x stock price.**DIVERSIFIED BUSINESS PROFILE**

FINANCIAL

INFORMATION

Reconciliation of GAAP Measures to Non-GAAP Measures

(US\$ in millions, except per share amounts)

Diluted Earnings per Share Excluding Discontinued Operations and Special Items	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Net earnings (GAAP Measure)	\$ 1.42	\$ (0.12)	\$ 1.18	\$ 1.32	\$ 2.42
Discontinued Operations, Net of Tax	0.05	0.47	—	(0.39)	—
Cumulative Effect of Change in Accounting Principle, Net of Tax	—	0.34	—	—	—
Net Earnings from Continuing Operations	1.47	0.69	1.18	0.93	2.42
Gain on Sale of Subsidiaries, Net of Tax	(0.54)	—	—	—	—
Restructuring Charge, Net of Tax	0.06	—	—	—	—
A/R Securitization Program Costs, Net of Tax	0.02	—	—	—	—
Debt Extinguishments Costs, Net of Tax	—	0.50	0.05	0.91	—
Litigation Matters Related to Businesses Divested Prior to the Spin-off of APW, Ltd., Net of Tax	—	—	0.18	—	—
Total (Non-GAAP Measure)	\$ 1.01	\$ 1.19	\$ 1.41	\$ 1.84	\$ 2.42
Cash Flow from Operating Activities Excluding Non-Recurring Items	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Net Cash Provided by Continuing Operations	\$ 95	\$ 19	\$ 49	\$ 46	\$ 97
Proceeds from A/R Securitization Program	(25)	—	—	(1)	(19)
Receipt of Tax Refund	(29)	—	—	—	—
Redemption Premiums on 13% Notes Paid	—	6	1	20	—
Transaction Costs & Taxes on Mox Med Sale	—	7	—	—	—
Reimbursement of Tax Refund to Former Subsidiary	—	—	—	—	16
Total (Non-GAAP Measure)	\$ 41	\$ 32	\$ 50	\$ 65	\$ 94
EBITDA Excluding Discontinued Operations and Special Items	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Net Earnings (GAAP Measure)	\$ 23	\$ (3)	\$ 29	\$ 35	\$ 71
Discontinued Operations	1	10	—	(11)	—
Cumulative Effect of Change in Accounting Principle	—	7	—	—	—
Net Earnings from Continuing Operations	24	14	29	24	71
Net Financing Costs	49	33	22	13	17
Income Tax Expense	16	8	16	15	35
Depreciation and Amortization	18	13	15	17	23
Minority Interest	—	—	—	—	(1)
Non-Continuing Businesses	(7)	—	—	—	—
Gain on Sale of Subsidiaries	(14)	—	—	—	—
Debt Extinguishment Costs	—	16	2	37	—
Litigation Matters Related to Businesses Divested Prior to the Spin-Off	—	—	6	—	—
EBITDA (Non-GAAP Measure)	\$ 86	\$ 84	\$ 90	\$ 106	\$ 145

Actuant has filed with the Securities and Exchange Commission certificates of its Chief Executive Officer and Chief Financial Officer regarding the quality of the Company's public disclosures. These certificates are included as Exhibits to Actuant's Form 10-K for the 2005 fiscal year. Actuant's Chief Executive Officer has also submitted to the New York Stock Exchange a certification to the effect that he is not aware of any violation by the Company of the Exchange's corporate governance listing standards.

CORPORATE

INFORMATION

Exchange

New York Stock Exchange
Ticker Symbol ATU

Transfer Agent

LaSalle Bank N.A.
135 South LaSalle Street
Chicago, IL 60603
1 800 246 5761

Legal Counsel

McDermott Will & Emery LLP
227 West Monroe Street
Chicago, IL 60606

Independent Accountants

PricewaterhouseCoopers LLP
100 East Wisconsin Avenue
Milwaukee, WI 53202

Website

www.actuant.com

BOARD

OF DIRECTORS

		Committee		
		Audit	Compensation	Governance
Independent	Tom Fischer	Chair		
	Bill Hall		Chair	
	Kathy Hempel	●		Chair
	Bob Peterson	●	●	
	Bill Sovey		●	●
	Larry Yost		●	●
Insiders	Bob Arzbaecher			
	Guus Boel			

6100 North Baker Road
Milwaukee, WI 53209
414 352 4160

The logo for Actuant, featuring a stylized white arrow pointing to the right, followed by the word "Actuant" in a bold, white, sans-serif font.