

Avery Dennison

Baird 2005 RFID Conference

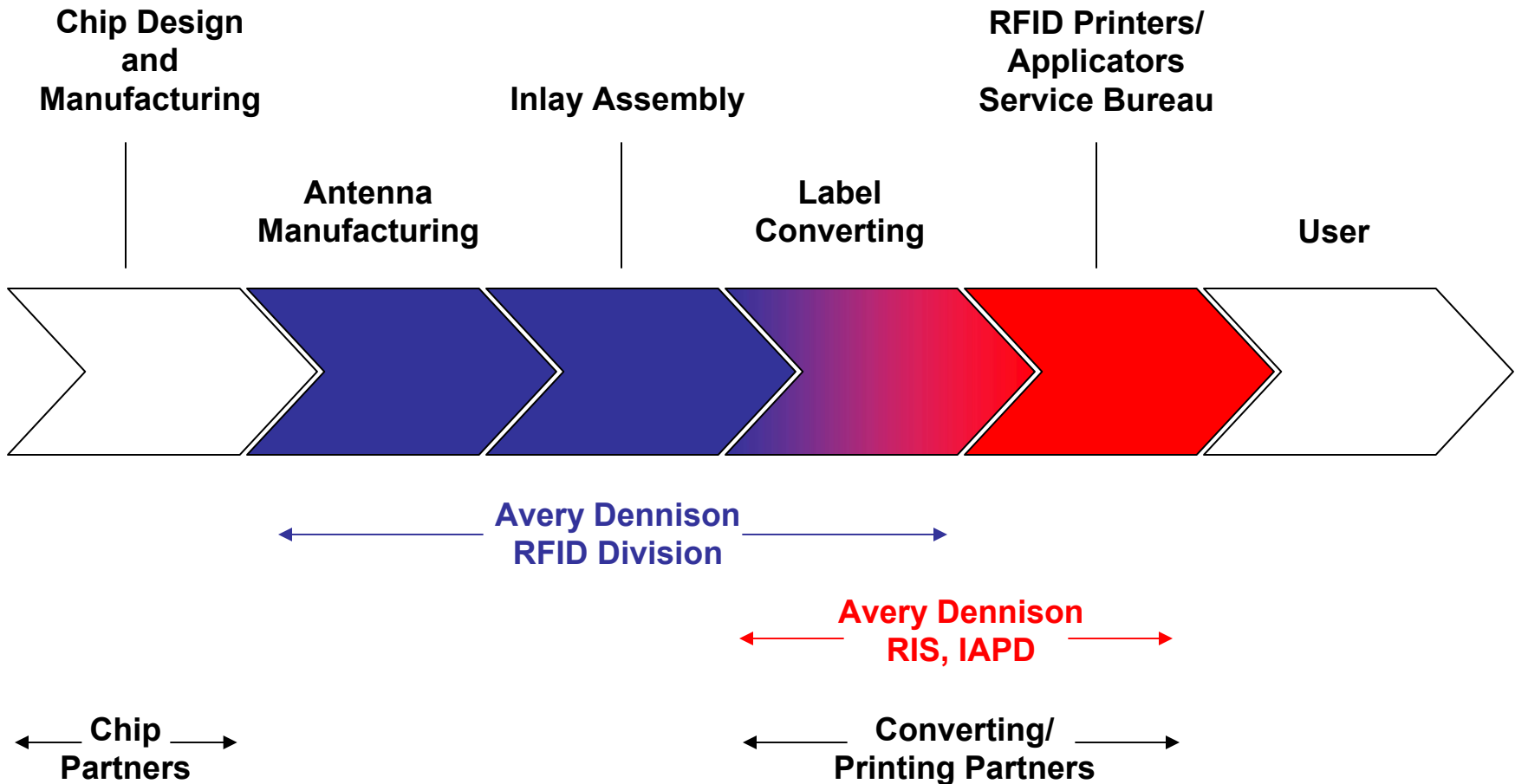
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RFID is Avery Dennison's #1 growth opportunity

- Multi-billion dollar market potential
- Will impact/create multiple AVY businesses
- Initial targets: carton labels (Wal-Mart, DoD, other retailers), pharmaceutical
- 2005 investment:
 - Approx. \$35 mil. net expense
 - \$20-25 mil. capital spending

We will participate in a large portion of the RFID consumable value chain



We're developing multiple sources of competitive advantage that leverage our strengths

- Superior product performance
 - Proprietary antenna designs
 - Materials, converting processes, 100% testing
- Low cost manufacturing process
 - Printed silver ink antennas
 - High throughput proprietary strap attach process
 - Vertical integration
- Superior commercial approach
 - Partnering – not competing – with converters
 - Good linkages to all points in value chain
- Corporate credibility, stability

- Standard inlays for targeted applications
 - Chip agnostic
 - Branded as Avery Dennison
- Sell through converters, but significant end-user engagement
- Global scope, initially focused on North America and Europe
 - Begin adding Latin American / Asian resources in 2005

- Current generation flip chip equipment in place
- Targeting high-speed proprietary processes to be production-ready by end of March
 - 10X + throughput increase versus flip chip
 - Expand qualified products, staffing, throughput and yield throughout the year
- Gen 2 products commercially available Q4 2005, driven by chip availability

Key unknowns will affect timing

- Business case attractiveness varies widely by application / user
- RF technology isn't foolproof
- Infrastructure costs still high
- Industry capacity well below potential demand
- Real implementation experience / expertise not widely available
- Murky intellectual property environment

“When”... Not “If”!



**AVERY
DENNISON**