AVERY DENNISON

2005 Financial Analysts' Meeting

About this Booklet

This text is an edited transcript of the presentations made by Avery Dennison Corporation to members of the financial and investment communities in March 2005. *Information has not been updated to reflect subsequent performance or events.*
Presentations were made by:

- Dean A. Scarborough
  President and Chief Executive Officer
- Daniel R. O'Bryant
  Chief Financial Officer

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Use of Non-GAAP Financial Measures
This presentation contains certain non-GAAP measures as defined by SEC rules. As required by these rules, we have provided a reconciliation of non-GAAP measures to the most directly comparable GAAP measures, included at the end of this presentation.

Cindy Guenther
Welcome to our Annual Financial Analysts' Meeting; thank you for taking the time to join us. I'd like to introduce Dean Scarborough, President and Chief Operating Officer. With Dean's transition to Chief Executive Officer taking effect this May, Phil thought it was time for Dean to fly solo. But Phil did ask us to extend his greetings to all of you. Also here today is Dan O'Bryant, our Chief Financial Officer, who will take the podium following Dean's remarks. And we also have with us Diane Dixon, Senior Vice President of Worldwide Communications and Advertising. Now I'll turn the podium over to Dean.

Dean Scarborough
Thanks, Cindy. We've got a lot of ground to cover over the next 45 minutes or so, and we want to leave plenty of time for your questions, so we'll just get started.

Agenda

• Portfolio Strategy	past, present & future
• Investments for Growth	reap the benefits
• Near-term outlook	solid business momentum in 2005
• Long-Term Goals	higher margin, stronger growth company with financial flexibility

In terms of topics for discussion this afternoon, I'll describe how our portfolio of businesses has evolved over time, and where we see ourselves in the future. I'll also provide some perspective on where we stand relative to the sizeable investments we've undertaken over the past few years. All this investment has depressed our operating margin and return on capital. Now it's time to reap the benefit of those investments, which we will address in some detail. We'll also discuss our outlook for the near-term. I'm very optimistic about our prospects for the year. And, finally, we'll discuss our long-term financial goals, along with the specific initiatives that will help us achieve those goals.

2004 At A Glance

- Delivered strong revenue growth, earnings per share near high end of original guidance, and record cash flow
- Completed consolidation of operations in Europe
- Increased investment / made progress in RIS and emerging RFID businesses
- Faced significant challenges / disappointments:
  - Share loss and price reductions in Office & Consumer Products
  - Raw material inflation
  - Discovery of employee misconduct in Europe

Dan will provide a more detailed recap of 2004, but let me just set the stage. It was a solid year. We delivered strong revenue growth, earnings per share near the high end of our original guidance, and record cash flow. Our materials businesses had a terrific year, with strong underlying demand and the successful consolidation of our operations in Europe. Since our acquisition of Jackstädt in mid-2002, we've increased our operating margin in our European roll materials business by nearly 500 basis points… and we expect further improvement as we leverage our new investments there. It was also a year of increased investment – and great progress – by our Retail Information Services and our emerging Radio Frequency Identification businesses.

But it was also a year characterized by some major challenges… and one big disappointment. Sales for the Office and Consumer Products business were hurt by the share loss we announced late in 2003, along with the ongoing shift from branded to private label product, and price reductions. Company-wide, raw material inflation began to impact us in the second half of the year, and we were only partially successful in offsetting those higher costs with price increases. Now, with a new round of price increases implemented in January, we expect that 2005 will tell a different story. We haven't had an inflationary pricing environment coupled with strong demand for about ten years, and we intend to make the most of it.

Of course, the big disappointment last year was the discovery of misconduct by some of our European employees. We have cooperated with the EU authorities, and their investigation of the paper and labelstock industries continues. With regard to the investigations underway, I have no news to report to you today. These are ongoing inquiries, and we're not in control of the process, so there is nothing I can say by way of update. We will continue to keep you apprised of material developments if and when they occur.

We are market leaders in all of our key businesses…

Business	Market/Categories	Global Market Position
Pressure-sensitive Materials	Paper/film roll materials for labels	#1
Office and Consumer Products	• Printable media (labels, dividers)	#1
	• Binders, sheet protectors (North America only)	#1 or "close #2"
	• Other products	Varies by product, region
Retail Information Services	Tickets and tags for retail apparel	One of two global players

Now, let's talk about our business portfolio. We are strong market leaders in each of our key businesses. Our global Fasson roll materials business is three times the size of its next largest competitor. Our flagship office product categories – mailing labels and index dividers – command over half of the global market. And, while our Retail Information Services business shares the leadership role with Paxar, the two companies far outdistance the rest of the pack.

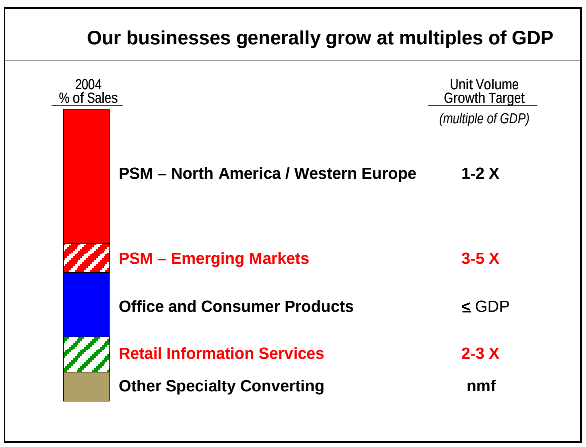
…and we continue to build competitive advantage in these large, growth markets

	Key Sources of Competitive Advantage
Pressure-sensitive Materials	• Global and regional scale • Proprietary product technology and know-how
Office and Consumer Products	• Ubiquitous software templates and other consumer use "enablers" • Powerful consumer brand
Retail Information Services	• Data management and global image/color control systems • Global Service Bureau network • Master customer sales force • Design expertise and rapid sampling capability

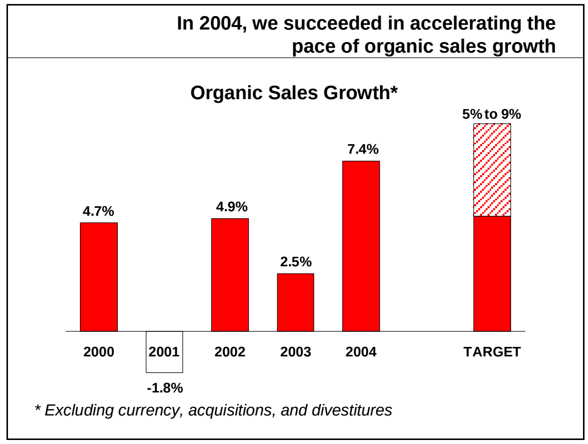
We expect to strengthen these leadership positions by enhancing our already substantial competitive advantage in each of our key businesses. For Pressure-sensitive Materials, our competitive advantage is all about scale. With 30 plants, 69 distribution centers, and 40 sales offices in 32 countries, we have an absolutely unrivalled manufacturing and distribution platform, in terms of both level of service and cost to serve.

Our Office and Consumer Products business benefits from software templates that drive consumers to demand Avery-brand products for mass mailings, filing, and other desktop printer applications.

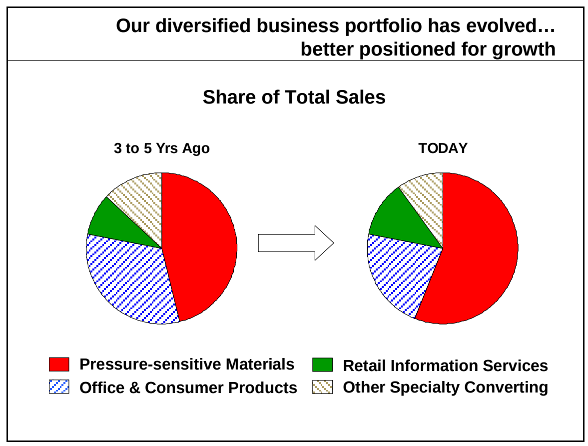
Likewise, our Retail Information Services business benefits from a set of strong competitive advantages. We have outstanding data management capabilities, and global image and color control systems. We've got global scale in the form of 39 ticket centers located wherever apparel is manufactured around the world. We call that "close to the needle". Perhaps our most significant competitive advantage is our master customer sales force and design team. We maintain constant contact with the retailers and major brand owners, standing at the ready when they launch their new apparel programs. Our in-house design team develops creative labeling and packaging solutions, and rapidly turns those ideas into samples for customer review and approval. And we're literally ready to go in the regions where they need to ship in a matter of hours.



Our businesses typically grow at multiples of GDP, driven by increased penetration of pressure-sensitive technology, as well as industry consolidation, particularly in emerging markets. I'll speak more to specific growth drivers in a moment.



Although one year does not make a trend, I'm happy to say that after a couple years of hard work, we did accelerate our pace of organic sales growth in 2004. Sixty percent of that growth came from emerging markets. I'll speak at some length about what we're doing to maintain that momentum going forward.



Here's a look at the change in our portfolio over the past few years. You can see the reduced emphasis on Office and Consumer Products, and the increased share of our sales coming from the faster-growing materials and Retail Information Services businesses.

Our portfolio today

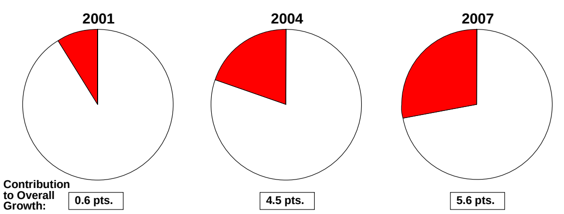
	2004 % of Sales	AVY Long-Term Growth Target	Growth Drivers	Strategy
Pressure-sensitive Materials		7-9%	• Emerging markets • Increased penetration of PS label technology for product ID (food & beverage, durables) • RFID adoption driving carton labeling penetration	Invest & Grow
Office & Consumer Products		1-4%	• New products and applications	Reposition Portfolio
Retail Info Services		6-9%	• Global consolidation of fragmented industry	Invest & Grow
Other Specialty		5-8%		Grow Niches

Let's take a closer look at the portfolio today. Over the next three to five years, we believe that our Fasson roll materials and Retail Information Services businesses will grow the fastest and contribute the most to margin expansion. We anticipate modest growth for office products, through new products and applications. This business should be viewed as a portfolio in itself, consisting of two very different businesses with very different strategies.

Now the question of acquisition strategy always comes up at these meetings. In fact, it was one of the first questions I got at the lunch table today, so let me speak to that for a moment. I do feel good about the shape of our portfolio today. We're in solid businesses, and I see no need to stray from the core or add another leg to the business. So acquisitions that we undertake will be built on geographic expansions or product line extensions to support our core businesses.

We've increased our participation in the rapidly growing emerging markets…

Emerging Markets Share of Total Sales



2004 Growth Rates in Local Currency:

- China 30%
- Rest of Asia 19%
- Latin America 19%
- Eastern Europe 18%

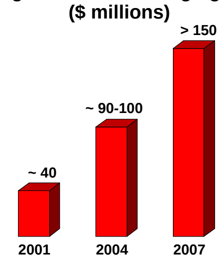
Local Management Leveraging Global Capabilities

Another important element of our portfolio is geographic reach. We've doubled our share of sales coming from the emerging markets over the past few years. And we expect to see another 50 percent increase in the proportion of sales from these markets in another few years. In the aggregate, these markets have consistently grown at better than 20 percent annually.

Growth in China has been particularly robust. Last year, the roll materials business grew by over 40 percent there… and overall country sales were up by about 30 percent.

… and these markets are contributing significantly to our profit growth and returns

Operating Profit from Emerging Markets* ($ millions)



* Figures are approximate. Estimates do not include allocation of expenses incurred in North America and Europe for direct support of businesses in emerging markets (particularly significant for RIS).

Largest single growth platform today

These markets are contributing significantly to profit growth and return. The numbers here are not precise, but we generated roughly a hundred million dollars of profit from emerging markets last year. In contrast to RFID, *the future is now* when it comes to growth from emerging markets. They represent the largest single growth platform for the Company today.

We're both the largest label stock manufacturer and leading apparel ticket and tag supplier in China

We are both the largest label stock manufacturer and the leading apparel ticket and tag supplier in China today.

Strategic priorities for the emerging markets

- Asia sales close to $600 million in 2004
- Will continue to invest heavily in this region: people and capital
- Asia Technical Center launched in 2004
  – Initial focus: deploy global technology to regional customers
  – Longer term: enhanced technical productivity
- Accelerating efforts in India and Russia – invest ahead of demand

Let me spend a minute on our strategies for growth in Asia. This region had close to 600 million dollars in sales last year. Today, most of these sales are generated by our Fasson roll materials and Retail Information Services businesses. But we've established a presence in the market for *all* of our operations – including Specialty Tapes, Graphics and Reflective, Office Products – effectively planting the seeds for another round of growth.

We're investing as fast as our teams can absorb the resources. We've got 16 major capital projects planned for Asia this year… 13 of those in China, including new coaters for the roll business, expansion of our production facilities for Retail Information Services, and a new coater for specialty tapes. In fact, about a third of our total capital expenditures will be dedicated to Asia this year.

Last year we started a multi-year program to build an R&D center in China. Our new Asia Technical Center will provide localized product development support, to leverage our global capabilities, and enhance technical productivity in the region. We're also accelerating our expansion efforts in India and Russia. In terms of market development, India is about five to seven years behind China today. But we already have our pressure-sensitive materials infrastructure on the ground. We're seeing rapid, profitable growth there now, admittedly off of a small base. We're also investing ahead of the market for our Retail Information Services business. After China, India is expected to be the next largest beneficiary of the elimination of apparel manufacturing quotas. So we're putting the resources in place now, to meet rising demand.

We are focused on four global priorities:

- Expand existing leadership position in emerging markets
- Expand in faster-growth, high return businesses through superior service and product innovation
- Build leadership position in emerging Radio Frequency Identification (RFID) market
- Expand operating margin and returns through strategic pricing initiatives, improved product mix, and ongoing Six Sigma, restructuring, and technology-based productivity initiatives

I'd like to spend some time describing the challenges and opportunities for each of our three largest business segments. But before I do, let me summarize what I think are the unifying priorities for our diverse set of businesses.

I've already touched a little bit on the first key priority, and that's emerging markets. We'll expand our existing leadership position there. Part of this is riding the wave of GDP growth and also the growth in personal consumption in those markets. But the other part is industry consolidation, as we continue to take share from smaller players.

We are also focused on expanding in our core markets through superior service and product innovation. A third priority is to build a leadership position in the emerging RFID market. Finally – and this truly is a case of last but not least – it's absolutely imperative that we raise our operating margins and return. All of our businesses are focused on expanding productivity, through a number of both corporate-driven and business-specific initiatives.

Pressure-sensitive Materials

2004 Sales	Organic Sales Growth* 2003	Organic Sales Growth* 2004	Operating Margin** 2002	Operating Margin** 2003	Operating Margin** 2004
$3.0 B	+ 3.6%	**+ 10.6%**	9.2%	7.4%	**8.4%**

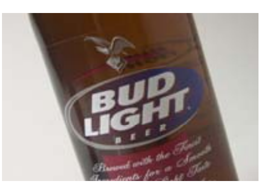
** Excluding currency, acquisitions, and divestitures*
*** Excluding restructuring charges*

Now, let me describe some of the opportunities and challenges in each of our key segments. Our largest business, pressure-sensitive materials, delivered a nice acceleration in revenue growth last year – sales increased by nearly 11 percent before currency, driven both by the emerging markets and new applications in our core markets.

We also achieved 100 basis points of margin improvement here, ex-restructuring charges. Much of that came from the consolidation in Europe. The profitability improvement was not as much as we had hoped for, as progress in Europe was offset by a decline in North America, where our price increases did not keep pace with raw material inflation. We implemented another round of price increases in January, and that appears to be sticking. And we have additional leverage ahead from our capacity expansion in Europe, which will enable us to serve the rapidly growing Eastern European market. So we expect continued, meaningful margin lift for this segment in 2005 and beyond.

Pressure-sensitive Materials

Revenue Growth Target: 7-9%
Operating Margin Target: 10-11%



- **Market leader**
- **Global scale advantages… technology development, raw material sourcing, global customers**
- **Regional scale advantages… higher service (Exact, Next Day Delivery), lower cost asset configuration and utilization**

Opportunities
- Emerging markets: top priority
- Beverage market conversion
- RFID adoption driving carton labeling penetration

Challenges
- Achieving price increases necessary to offset raw material inflation
- Optimizing volume / price / mix equation

Pressure-sensitive Materials is a great business. We are the market leader in every region of the world in which we do business. As I said earlier, that drives major competitive advantage for us, through both global and regional scale. In particular, we offer service programs that none of our competitors can match. And we optimize the utilization of our large assets, by focusing them on specific applications. For example, we'll be expanding capacity to meet growing demand for clear film labels for the beer market. Generally speaking, our competition simply doesn't have the volume to dedicate assets like this. So they'll have the same coating line running film materials, papers, and multiple adhesive technologies. It's tough for them to match our economics, because of our size and scale.

We've got great growth opportunities in this business. The emerging markets are the top priority, of course. But the good news is that we're seeing solid growth in North America, driven primarily by the growth in new applications.

Last March when we were here, we talked about the Anheuser-Busch application. We told you they were switching the labeling on glass bottles of Bud Light from glue-applied labels to clear, pressure-sensitive, and that they had made a major new investment in label application equipment in their factories. That was a revolutionary change. Now, they didn't do this because our labels are cheaper. They did it to enhance their market share. But after the technology switch, we learned something else, and that is that they had some pretty significant productivity improvement in their bottling plants. So I believe it's unlikely that they will switch back to the old technology.

There's a lot more testing going on by the other major brewers. We've already seen some smaller brands make the switch. Heineken, for example, recently announced that it was switching to clear film labels for the products it imports into the U.S.

We also have some exciting work underway to develop a removable clear label for beverage bottles – that is, a film label that can be cleanly and easily removed during the recycling process. In international markets, the use of returnable bottles is much more prevalent than it is here in North America. Therefore, in order to use our clear-on-clear technology, they need a new product. So we've developed a proprietary recyclable product that has had some initially very promising results… so we're quite excited about it and we're working with another major beer company in Europe to qualify that new application.

Another growth driver worth mentioning is the collateral effect of RFID adoption. Today, something like half of the cartons that move through supply chains are marked with self-adhesive labels. Pressure-sensitive share of carton marking should go up significantly as RFID is adopted, because self-adhesive labels are an ideal carrier for RFID devices.

What are the challenges for this business? Clearly, it is paramount that we hold onto our price increases, to offset rising raw material costs. That takes discipline – which is tough for a commercial team that hasn't raised prices in a long time. I'm very pleased with the progress we've made.

Office and Consumer Products

	Organic Sales Growth*		Operating Margin**		
2004 Sales	2003	**2004**	2002	2003	**2004**
$1.2 B	*- 1.5%*	***- 2.5%***	*16.5%*	*17.2%*	***15.9%***

* Excluding currency, acquisitions, and divestitures
** Excluding restructuring charges

Let's spend a few minutes on Office and Consumer Products. These are the products most people think of when they hear the name Avery. A great brand, very profitable products… and, frankly, our biggest strategic challenge.

We've faced some tough headwinds here over the past few years. The traditional growth drivers for the business have slowed. The biggest single category in printable media is mailing labels, and everyone knows that first class mailings are going down. We serve very big customers in this space – office product superstores and mass merchandisers. These are tough customers to negotiate with. And we've seen about 1 to 2 points of annual share loss in some important categories, as our customers have promoted their own private labels to the detriment of our branded products.

Office & Consumer Products

Revenue Growth Target: 1-4%
Operating Margin Target: 16-18%

- **Branded Printable Media – innovator of highly differentiated, proprietary products**
  Manage for Growth
- **Organization, Filing & Presentation (OF&P) – low cost provider**
  Manage for Margin

Opportunities

- New sources of growth for Branded Media (Photo ID, signage, one-at-a-time media, DVD labels)
- Cost reduction for OF&P

Challenges

- Key growth drivers have slowed
- Customer concentration / competitive pressure
- Private label growth eroding share

As I said earlier, there are two very distinct parts of this business that require very different strategies. A little over half of the business consists of printable media products, characterized by their proprietary features and high consumer involvement. These are the highest margin products in the portfolio – they're "destination items" for consumers, who look to Avery for product innovation, ease of use, and quality. For this part of the portfolio, we'll invest in the brand, and we'll invest in new products and applications.

The other part of the office products portfolio consists of products for which consumer involvement is relatively low, like three-ring binders. Here our strategy is to manage the business for margin. Now, we fell behind the curve a bit at the end of 2003, when we lost a big chunk of binder business with one customer. But productivity has been ramping up – *margins did improve significantly over the course of 2004* – as we continue to move a greater share of production to low labor cost countries.

Our growth strategy here is very straightforward: new applications for the printable media segment. Let me describe just a couple of recent new product launches. Photo ID helps businesses improve temporary visitor security with a system that replaces manual logbooks with a digital record of entry and exit, accompanied by attractive, bar-coded name badges. Taking a page from our old playbook, we embed our software in the templates of companies who market digital temporary ID systems. So they sell the razors, we sell the blades.

One other brand new category that I'm excited about is Signage. Check out the samples outside if you haven't seen them yet! Special "tiling" software allows consumers to make their own large format posters and signs at home, by piecing together eight-and-a-half by eleven inch sheets of self-adhesive paper. We believe that categories like these, which we will continue to invest in, will help reinvigorate growth in the high margin printable media segment.

Now, again, for the other side of the business, the strategy is all about cost takeout. We announced in January that we would be closing a factory in the U.S. We've shifted about half of our production to low labor cost countries in the last five years, and we'll continue that trend.

Retail Information Services

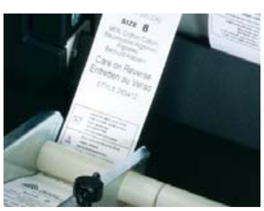
2004 Sales	Organic Sales Growth* 2003	Organic Sales Growth* 2004	Operating Margin** 2002	Operating Margin** 2003	Operating Margin** 2004
$0.6 B	+ 5.1%	**+ 10.8%**	9.1%	5.7%	**7.6%**

* Excluding currency, acquisitions, and divestitures
** Excluding restructuring charges

Now let me tell you about Retail Information Services. I started my career with Avery Dennison in this business over twenty years ago… when we still called it Soabar. I have to admit, I had no idea back then what a great business this would become. The segment delivered double-digit organic growth last year, with a sizeable lift in operating margin. And there's a great deal more potential for this business.

Retail Information Services

Revenue Growth Target: 6-9%
Operating Margin Target: 10-12%



- **One of two global providers**
- **Complex supply chain**
- **Labels and tags low cost/high value to retail/apparel companies**
- **Customers demand:**
  - **Global quality, data integrity, color consistency**
  - **Fast, reliable sampling and order fulfillment**

Opportunities
- Industry consolidation driving share gain
- Elimination of quotas benefiting China / India
- Leveraging full portfolio of products and services

Challenges
- Increased vendor power
- Retailer consolidation
- Achieving scale in Latin America and Europe

This business has great fundamentals – not only in terms of its growth drivers, but also in terms of long-term profitability. As I said earlier, we are one of only two global providers in this business. What we offer here is deceptively simple – we make labels and tags that do one of two things. They either help promote a brand or private label, or they manage data, in the form of barcodes and other variable information. What turns this simple product line into a great business is the complexity of the apparel supply chain.

When Nordstroms or Saks or The Gap launch a new line of clothes, they source from multiple vendors operating in multiple countries. So you can imagine what would happen if they tried to source all the printed products and price tickets locally. It would be total chaos either at the cash register or on the racks, where the consumers compare merchandise sourced from different locations. These tags and labels are a small fraction of the cost of the garment, so major retailers and brand owners are simply happy to have an outside party manage that complex process for them.

The big opportunity here comes from the ongoing consolidation of the industry. Between Paxar and ourselves, we have a combined market share of less than 50 percent. So there's still a great deal of share gain ahead from smaller, more regional, players.

Last year, the WTO eliminated manufacturing quotas. China and India are expected to be the primary beneficiaries of this policy change. We expect Latin America will continue to be an important region for short cycle items, especially those items that have a high fashion content. So we expect our business to benefit alongside of the rapid growth in these countries, as we leverage the scale of our operations.

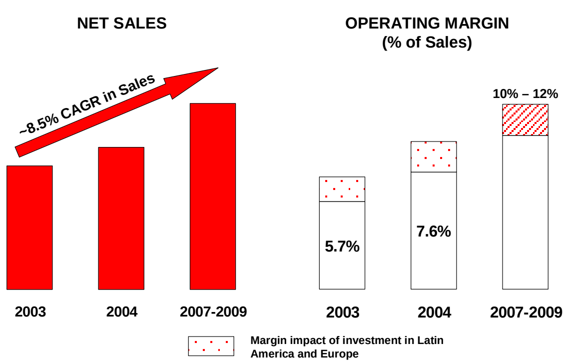
One other important element of our growth strategy is to offer a full range of products and services. I know that "one-stop shopping" is a much abused term, but it truly is relevant here. When a retailer comes to us to develop a new private brand image, they're looking for that image to translate to every label and tag on the garment… whether that's a printed hang tag, or a woven label. We provide them all.

We've invested heavily in this business…

- ~$370 million for acquisitions, capital and software development over three years:
  - ~$235 million for RVL/L&E and other smaller acquisitions
  - ~$135 million for software development and capital investment *(including plans for 2005)*
    - » 15 new locations
    - » 5 significant site expansions
- ~$30 million increase in annual SG&A spend *(excluding freight)*, post RVL acquisition

We believe strongly in the growth potential for this business, and our investments reflect that belief. We've invested roughly 370 million dollars in acquisitions, capital and software development over three years. And we've added about 30 million dollars to our annual operating costs, investing in the infrastructure to support future growth, particularly in Latin America and Europe where our share position today is relatively low.

… anticipating strong growth in sales and improving margin/return for years to come



In return for that investment, we anticipate continued rapid growth in sales and operating profit for many years to come. We are still in investment mode for this business, though, so don't expect to see the margin improve too much in the near-term… in fact, there may be some quarters where we see some contraction as we absorb the new resources we're putting in place.

Other Specialty Converting Businesses

	Organic Sales Growth*		Operating Margin**		
2004 Sales	*2003*	***2004***	*2002*	*2003*	***2004***
$0.5 B	*+ 6.6%*	***+ 9.5%***	*9.0%*	*9.8%*	***9.8%***

** Excluding currency, acquisitions, and divestitures*
*** Excluding restructuring charges*

The collection of businesses included in the "Other Specialty Converting" category is sufficiently diverse that I can't generalize about it. What I can say is that we've got some nice niche businesses in here with good top-line growth and margin improvement potential. By the way, we'll be reporting our RFID business as part of this segment going forward, so the margin will decline here while we develop that business.

"H1" growth acceleration program is gaining momentum

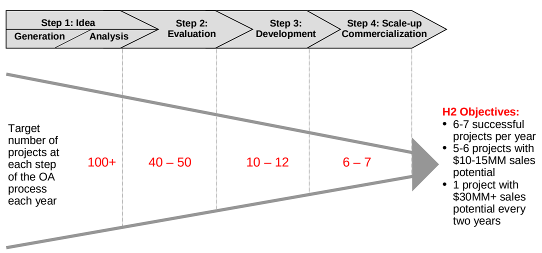
- Over 1,000 projects completed since program launch
- More than 4,000 employees actively involved
  - One-fifth of total employee base
  - Approx. 40 "Growth Champions" to shepherd the process

Now, all of these growth opportunities are exciting in and of themselves. But what's even more exciting to me is that we've developed a program and the tools to ensure that we actually realize that growth potential. I'm talking here about Horizons, a homegrown program designed to engage all of our employees in accelerating our growth. Each Horizon 1 team focuses on a specific business need or customer challenge, and commits to solving it within 100 days.

Since we launched the first pilot about two years ago, we've completed over 1,000 projects. More than 4,000 employees – about a fifth of our total employee base – have been actively involved in these projects. We'll likely complete another 500 projects this year, shepherded by 42 growth champions who spend at least half their time on Horizon 1 efforts.

While our Horizon 1 process focuses on ideas that can be quickly commercialized, we've also improved our approach to capturing longer-term growth opportunities. Horizons 2&3 represent a disciplined approach for managing projects that are linked to new technologies or markets that are adjacent to those we participate in today.

"H2" and "H3" project pipeline continues to improve



Two years ago, we had a pipeline of about 30 new long-term growth ideas. After implementing Horizons, that pipeline ballooned to more than 130 potential new products and businesses. Now our issue isn't filling the pipeline; it's prioritizing and executing the most promising programs.

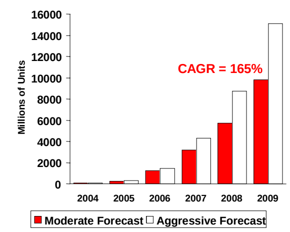
RFID Is Avery Dennison's #1 growth opportunity

Since I can't talk about all of our priority projects, I'll focus on the most promising one… RFID. We created a new division last year, Avery Dennison RFID, to manufacture and market passive, ultra high frequency transponders, also known as inlays.

While the projected pace of industry development is highly uncertain, current demand forecasts are promising

- Initial targets: passive inlays for retail carton label, pharmaceutical, Department of Defense
  - Retail cartons: $1.5B
  - Dept of Defense: $1B+?
  - Retail apparel >$20: $1B
  - Pharmaceuticals: $500M
  - Automotive: $200M
- Other applications, products, services over time

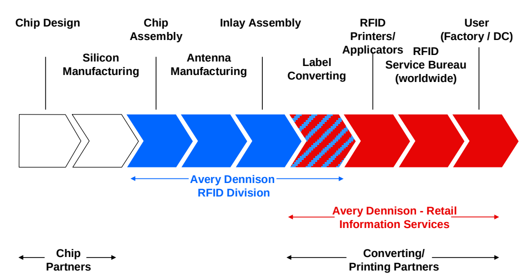
Projected Market Demand for UHF RFID Tags
(all applications)



SOURCE: ABIresearch (Q1 2005)

Thanks to vendor mandates from Wal-Mart, other key retailers, and the Department of Defense… not to mention interest from the FDA and pharmaceutical companies, RFID is emerging as a multi-billion dollar market. And while the projected pace of industry development is highly uncertain, current demand forecasts are very promising. We're targeting a 30 percent share of the tag market once it ramps up, which should eventually translate into a business contributing hundreds of millions of dollars of revenue annually. I'm happy to report one recent success: we were qualified by the Department of Defense to supply tags for its new program launch.

We are ideally positioned to capture a meaningful share of this large, new market



We showed a variation of this value chain to you last year, but I think it's worth showing you again: because we play in the markets where RFID is going to become big, we are ideally positioned to capture a meaningful share of this large new market. As both a materials supplier and a high volume converter of a wide assortment of highly specialized label constructions, we have the capabilities in-house to provide virtually every component of the RFID tag, except for the chip.

We've increased our commitment to this opportunity – we're expecting to more than double the net cost from RFID this year, to roughly 35 million dollars… or about 25 cents per share. And we'll dedicate another 20 million dollars to capital spending on the venture this year, as we build our production capacity.

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

- **Superior product performance**
  - Proprietary tag design/applications expertise
  - Materials, converting processes, 100% testing
- **Low cost manufacturing process**
  - Printed silver ink antennas
  - High throughput proprietary process
- **Superior commercial approach**
  - Partnering – not competing – with Fasson's customers
  - Global network for tag printing/programming through RIS
- **Corporate credibility / financial strength**

It's more than the magnitude of the opportunity that is driving our commitment to RFID. This is a very attractive market for us because of the number of ways in which we can achieve competitive advantage. The first is around product performance. Passive RFID is a complex technology, still in its early days. Today's tags exhibit a high degree of performance variation, a function of the chip, antenna design, and the material being tagged. We believe we can achieve performance advantages through our proprietary tag designs, from our manufacturing processes and materials, as well as from the work we've done around product testing.

We believe another important advantage will come from our cost position, as we migrate from copper-etched to printed silver antennas, and from conventional flip-chip technology to our proprietary process for manufacturing inlays.

Our third key advantage comes from our approach to the marketplace. Ultimately, we believe the traditional label converters will play a key role in the distribution of RFID inlays. Like bar code labels today, RFID labels will eventually demand a high degree of customization, in terms of adhesive type, label size and layout, and requirements for printed information. We already command the leading share in supplying label material to the converter channel, and we know how to partner with those customers and with end users. This is a market that's fragmented with start-ups, and we've been a leader in the labeling market for decades. RFID represents the next major evolution in labeling – we think our size and stability will be valued in this market, especially as companies like Wal-Mart start insisting on high read rates.

Manufacturing Status

- 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
- Gen 2 products commercially available Q4 2005, driven by chip availability

Now let me update you on our manufacturing process. To meet demand for various pilot projects, we've been operating several pieces of current generation flip chip machinery. But our main focus has been the launch of our high speed process. The throughput from this proprietary process represents an order of magnitude increase compared to conventional technology. They say a picture is worth a thousand words… in this case, a short film clip should give you an idea of the difference in our approach.

What you're looking at here is the speed of conventional flip chip technology. You can see it would take a long time to make billions of tags at this speed. What you're seeing on the video now is our new process – honestly, we haven't played with the film speed!

Another piece of good news about this process is that it is proprietary. We believe we have strong intellectual property around this technology. We expect the new line to be production ready by the end of this month, in time to begin testing it with the Gen 2 chips when they become available, hopefully by the middle of this year.

We anticipate producing Gen 2 products in commercial quantities in the fourth quarter, but that will obviously be paced by the availability of Gen 2 chips, which are still under development by the various IC suppliers. In any case, when the Gen 2 chips are ready, our manufacturing process will be a key factor in meeting industry demand for tags.

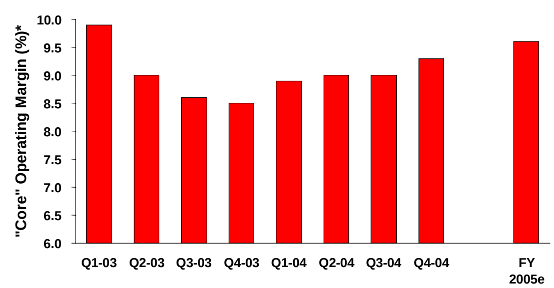
Key unknowns will affect timing

- Technological hurdles, including commercialization of Gen 2 chips
- Murky intellectual property environment
- Business case attractiveness varies widely by application / user
- Infrastructure costs still high
- Real implementation experience / expertise not widely available

"When"… Not "If"!

Now, as you would expect with any promising new technology, there are a number of risk factors to bear in mind. The industry is still facing a number of technological hurdles – including the commercialization of Gen 2 chips – and there are continuing intellectual property issues that we expect will take many months, or possibly years, to resolve. But we continue to believe that market development is a question of "when", not "if".

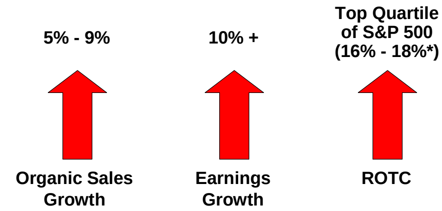
"Core" operating margin (ex-RFID) is improving



* Excludes restructuring charges and RFID spending

Now let's turn from growth to our other top priority: margin expansion. It's no secret that our operating margin has dropped over the past few years. There have been a number of factors driving that compression… the recession and slowdown in Office Products, as well as the impact of two major acquisitions and a tough pricing environment. We began to see the turnaround last year. But the real opportunity still lies ahead. I'll leave it to Dan to talk about our specific initiatives in this area.

Long-term Financial Goals

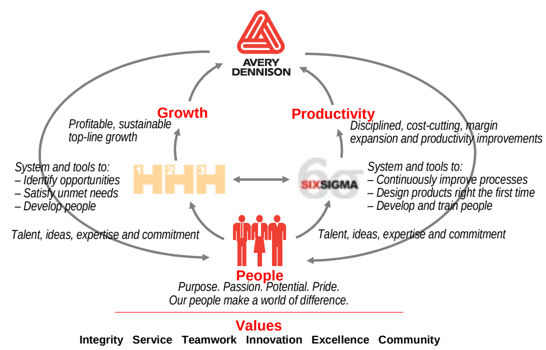


- ➢ Expanding margin
- ➢ Expanding ROTC, growth in EVA
- ➢ Cash ≥ earnings growth

** Excluding RFID*

To summarize, we're targeting improvement in all key indicators of financial performance: sales growth in the range of 5 to 9 percent, double digit earnings per share growth, and return on total capital in the top quartile of the S&P 500.

Building leaders… reinforcing values



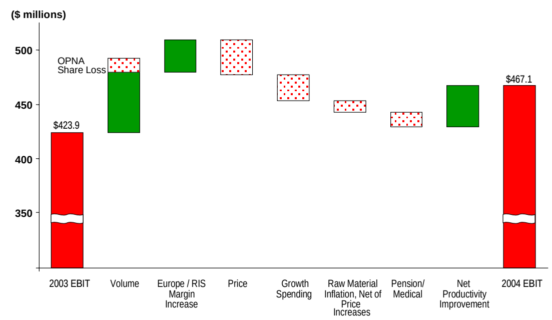
Before I turn this over to Dan, let me make a few comments on the people side of the equation. We have a long history of success with a highly decentralized management structure. This structure gives our general managers significant freedom to run their businesses. The role of the corporate office is to provide the tools to enable these independent businesses to be successful – our Horizons and Six Sigma programs are corporate-driven platforms that target two of our key priorities: growth and productivity. The other key priority is our people. We invest substantial senior management time in developing leadership capabilities.

Underpinning all of these efforts is a set of core values on which the Company was founded. As we discovered last year, our legacy of strong ethical values cannot be taken for granted. We know that we have to be very clear about these standards going forward. We have a clear set of international standards that are spelled out in our Code of Ethics and Business Conduct, and that supersede local and cultural practices. Phil and I are personally engaging all of our leaders in a series of regional workshops to reinforce the importance of our values and ethics. And we are providing all of our businesses with tools and resources to support this effort.

Now Dan will spend a few minutes on our 2005 guidance and margin improvement initiatives.

2004 At A Glance

Sources of Change in Operating Profit



Dan O'Bryant

Thanks, Dean. To offer some perspective for our 2005 outlook, I wanted to start with a bit more detail on our results last year. The trends at the end of the year set the stage for where we are in 2005.

Last year, the overall volume and margin improvement for Fasson in Europe and the Retail Information Services businesses together provided about $85 million worth of additional operating profit. But there were offsetting factors as well, including over $30 million worth of price declines that took place in the first half of the year, nearly $25 million of incremental spending for growth initiatives, and about $10 million worth of increased raw material costs, net of what we were able to get through in price increases. Six Sigma and some other productivity initiatives added about $40 million to offset some of these higher costs, but, as Dean mentioned, we were not satisfied with our operating margin at year-end.

Actions Driving Margin Improvement: Pricing

- Optimize price / volume
  - Expect some loss of volume on lower margin products
- Strategic pricing initiative
- Increased focus and accountability
  - New corporate director of pricing
  - Monthly reporting
  - Data / tools to "Six Sigmatize" pricing procedures

We've got several Company-wide initiatives underway to drive margin improvement. The first thing we have to do is re-learn effective pricing in an inflationary environment.

Let's face it, it's been a decade since we've seen a situation like we're in today where raw material costs are increasing and we have the opportunity to push price increases through, and some of those skills that are used to get those price increases through have to be relearned.

We did secure acceptance of our January 1st price increases in the Office Products business, affecting all of our customers in both North America and Europe, and that's a milestone for the company. And we put through another round of price increases for our Fasson roll materials business in January as well. Of course, we may cede some market share as we do this, but we'll end up with higher margins and a richer mix of products as we go through this process.

The question is, how do you optimize pricing over time? We've launched a new Strategic Pricing Initiative to do just that. I'm not going to go into any detail here… pricing is a complex process that differs for every business. In general, we're fine-tuning the pricing process… working to better segment our customers, understand what they value, and what they're willing to pay for. In short, we're turning what has become somewhat of a pricing art in the company into more of a science.

We're also doing a number of things to increase the visibility and accountability across the company into what our divisions do on the pricing front. We've added a new corporate director of pricing to oversee these efforts, and we've beefed up monthly reporting. We're essentially "Six Sigmatizing" our pricing procedures… introducing more discipline, and providing the tools to help our divisions optimize the price/volume trade-off. I feel very confident that we're in a better position today to manage the pricing process than we were six months ago when the inflation really began to set in.

Actions Driving Margin Improvement: Six Sigma / Lean

- Over 1,000 projects currently underway (roughly 3,000 completed since program inception)
- Trained employees:
  - ~750 Champions
  - Over 250 *active* Black Belts / Master Black Belts *(over 150 have moved to new roles in the Company)*
  - ~1,500 certified Green Belts since program inception
- "Next generation" program in development

Now, on the productivity front, our Six Sigma program should drive further margin improvement, especially in a more stable pricing environment. Six Sigma has delivered hundreds of millions of dollars in savings since launch. We currently have over a thousand projects underway, and a "Next Generation" program under development, to leverage what we've learned over the years from Six Sigma, Lean manufacturing, and continuous quality management.

Actions Driving Margin Improvement In 2005: Business-Specific Initiatives

- Pressure-sensitive materials:
  - Full year benefit of Jac integration saving
  - Loading of wider, faster coaters
  - Technology-driven productivity (e.g., MARS)
- Office and Consumer Products:
  - Reconfiguration of North American supply chain
  - SKU reduction
- Retail Information Services:
  - Volume leverage
  - Transition to mainland China from Hong Kong

Besides the Company-wide initiatives I just outlined, we have a number of productivity efforts that are unique to each business. With the JAC integration behind us, we saw a nice lift in our operating margin in the European roll materials business by the end of the year. And we now have plenty of capacity. As that business grows, we expect a margin lift from leveraging the investment we've made there.

We also have several technology-driven initiatives underway. We've talked in the past about our MARS technology – let me try this… multi-layer aqueous release system – you can tell I'm a finance guy. This is a process that allows us to replace highly engineered and expensive liner material – that's the part of the label that you peel off and discard – with a more commodity-like paper, using a proprietary process to achieve the performance characteristics we need. We've put this technology in place in three of our plants; we'll be rolling it out to the rest of our Fasson operations over the next several years.

Dean talked about our cost reduction strategies for Office and Consumer Products, so I won't go into that in any further detail.

For Retail Information Services, the margin lift will come from leveraging the infrastructure we've put in place to serve Latin America and Europe. We're also midway through transitioning most of our manufacturing from Hong Kong to mainland China.

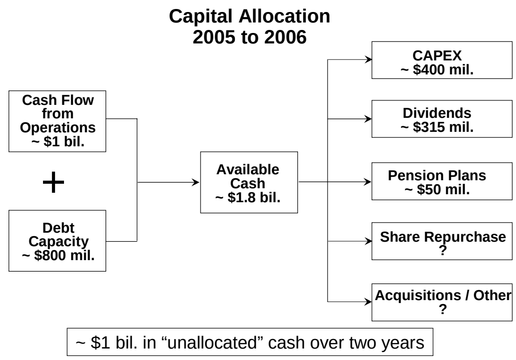
Our balance sheet is strong

- Debt capacity of $800 million
- Fixed rate debt (year-end 2004): 53% of total
  - Weighted average interest rate ~ 5.5%
- U.S. pension plans over funded in aggregate (funding level varies by plan)… using 6% discount rate, 8.75% long-term rate of return
  - Anticipate contributing $50 million to pension plans over the next two years

Our balance sheet remains strong and continues to improve. We estimate our capacity for increased debt at roughly $800 million. Now, please don't take that to imply that we're looking to make an $800 million acquisition! We continue to target a debt-to-total capital ratio in the range of 40 to 50 percent. But we do have substantial financial flexibility in the event that we need it.

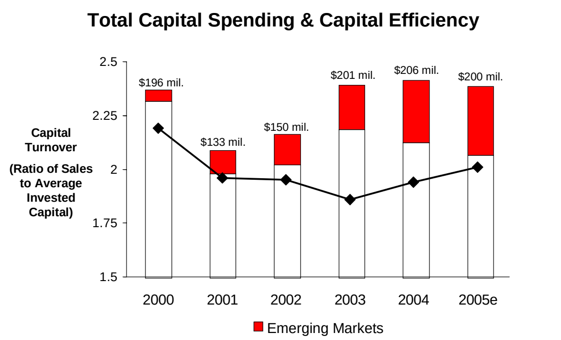
Our fixed rate debt at year-end represented 53 percent of total debt, with a weighted average interest rate of 5.5 percent. And our pension funding is in good shape. We anticipate contributing about $50 million to our U.S. pension plans over the next two years, keeping them fully funded in the aggregate.

Capital model provides significant flexibility for future funding requirements over the next two years



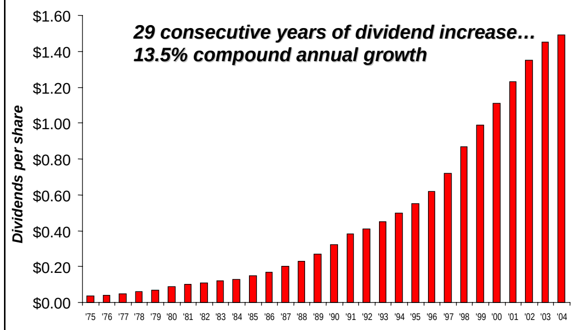
We believe that our capital allocation model provides significant flexibility to meet our funding requirements. Over the next two years, we estimate that the combination of cash flow from operations and available debt capacity will represent roughly $1.8 billion in cash. After funding cap ex, dividends, and contributions to our pension plans, that leaves us with roughly $1 billion of unallocated cash to meet other financing needs. Let me say again, we don't anticipate adding $800 million in debt – this chart is only intended to demonstrate our financial flexibility.

Capital spending… continued shift towards emerging markets



In terms of projected uses of cash, we do anticipate continued capital expenditures of roughly $200 million annually, in line with the last two years, with emerging markets taking up a third of our total spend. At this pace, we should continue to see improved capital efficiency, as our sales growth continues to outstrip growth in average invested capital.

Expect continued modest increase to dividend



It wouldn't be an analyst meeting if we didn't show you our dividend chart. We've had 29 consecutive years of dividend increase. We continue to expect modest annual increases while our earnings growth catches up with our payout ratio.

SOX 404 Update

- Evaluated effectiveness of internal control over financial reporting *(based on guidelines issued by Committee of Sponsoring Organizations of the Treadway Commission)*
- Enhanced existing control processes using internal resources (~9,000 "Key Controls")
- Achieved compliance with 404 requirements

Just a quick update on Sarbanes-Oxley. We enhanced our control processes over the past twelve months, identifying and testing some 9,000 key controls. And I'm happy to say that we achieved compliance with the section 404 requirements for the year. Now Dean will wrap this up.

Key Success Factors

- Fasson Roll Materials – maintain pricing stability; capture growth in emerging markets, beer (and other film) business; expand European operating margin
- Retail Information Services – leverage recent investments… geographic expansion, software enablement
- Office Products – re-energize around new growth opportunities; get cost out of OF&P business
- RFID – maintain momentum and commitment

Dean Scarborough

Let me summarize with a few thoughts on the factors that will drive our success. The keys to accomplishing our goals really lie in the execution of the initiatives that I outlined for you earlier. For our Fasson materials business, we need to maintain pricing stability, continue to expand aggressively in emerging markets, capture the margin improvement in Europe, and capitalize on the new beer business. For Retail Information Services, we need to leverage our recent investments in geographic expansion and systems. The keys to success for Office Products will be re-energizing the printable media business, and getting cost out of the more commoditized categories. And, finally, we'll need to maintain a high level of management attention and commitment to RFID, as we manage through the inevitable bumps that are inherent with a new technology.

Wrap-Up

- Industry leader with clear competitive advantages in large, growth markets
- Balanced strategy for value-creating growth
- Strong balance sheet and cash flow, combined with highly disciplined investment strategy
- Proven management team and high-performance organization focused on creation of shareholder value

To close, let me quickly recap the Company's strengths. We are leaders in our industries with clear competitive advantages in large, growth markets. We are executing against a balanced strategy for value-creating growth – that is, top-line growth, margin improvement, and capital efficiency. We maintain a strong balance sheet and deliver solid cash flow, combined with a highly disciplined capital allocation model and investment strategy. And we've got a proven management team that continues to develop a high-performance organization, focused on maximizing long-term shareholder value.

AVERY DENNISON

APPENDIX:
Reconciliation of Non-GAAP to GAAP Measures

2003 Organic Sales Growth by Segment

	2002 GAAP Sales	Impact of 2003 Currency Changes	2002 Adjusted Non GAAP Sales	2003 GAAP Sales	Estimated Impact of Acquisitions & Divestitures	2003 Adjusted Non-GAAP Sales	GAAP Sales Growth	Non-GAAP Organic Sales Growth
Pressure Sensitive Materials	$2,184.6	$159.0	$2,343.6	$2,572.6	$146.6	$2,425.9	17.8%	3.6%
Office & Consumer Products	$1,143.0	$41.8	$1,184.8	$1,168.1	$0.0	$1,168.1	2.2%	-1.5%
Retail Information Services	$374.9	$15.6	$390.6	$552.7	$141.8	$411.0	47.4%	5.1%
Other Businesses	$453.4	$19.1	$472.5	$469.2	($35.2)	$504.4	3.5%	6.6%

Operating Margin by Segment

	FY2002	FY2003	FY2004
Retail Information Services			
Net Sales	$374.9	$552.7	$636.1
Operating income, as reported	$29.1	$24.2	$47.8
Operating margin, as reported	7.8%	4.4%	7.5%
Non-GAAP adjustments:			
Restructuring costs, asset impairment and lease cancellation costs	$4.9	$7.0	$0.2
Adjusted non-GAAP operating income	$34.0	$31.3	$48.0
Adjusted non-GAAP operating margin	9.1%	5.7%	7.6%
Other Businesses			
Net Sales	$453.4	$469.2	$523.8
Operating income, as reported	$40.3	$43.7	$51.5
Operating margin, as reported	8.9%	9.3%	9.8%
Non-GAAP adjustments:			
Restructuring costs, asset impairment and lease cancellation costs	$0.5	$2.5	$0.0
Adjusted non-GAAP operating income	$40.8	$46.2	$51.5
Adjusted non-GAAP operating margin	9.0%	9.8%	9.8%

2004 Organic Sales Growth by Segment

	2003 GAAP Sales	Impact of 2004 Currency Changes	2003 Adjusted Non GAAP Sales	2004 GAAP Sales	Estimated Impact of Acquisitions & Divestitures	2004 Adjusted Non-GAAP Sales	GAAP Sales Growth	Non-GAAP Organic Sales Growth
Pressure Sensitive Materials	$2,572.6	$145.6	$2,718.1	$3,008.5	$0.0	$3,008.5	16.9%	10.6%
Office & Consumer Products	$1,168.1	$35.1	$1,203.2	$1,172.5	$0.0	$1,172.5	0.4%	-2.5%
Retail Information Services	$552.7	$12.3	$565.1	$636.1	$10.1	$626.0	15.1%	10.8%
Other Businesses	$469.2	$14.5	$483.7	$523.8	($5.3)	$529.1	11.6%	9.5%

Total Company Operating Margin

	Q1-03	Q2-03	Q3-03	Q4-03	Q1-04	Q2-04	Q3-04	Q4-04
Net Sales as reported	$1,135.2	$1,192.2	$1,204.2	$1,231.1	$1,246.7	$1,324.0	$1,336.2	$1,434.0
Operating income as reported	$96.4	$95.4	$88.1	$54.1	$72.5	$88.7	$102.5	$109.7
Operating margin as reported	8.5%	8.0%	7.3%	4.4%	5.8%	6.7%	7.7%	7.6%
Non-GAAP Adjustments								
Interest expense	$15.1	$14.6	$14.2	$14.6	$14.9	$14.1	$14.1	$15.4
Restructuring, asset impairment, lease cancellation costs	$0.0	($4.0)	$0.2	$34.3	$21.4	$13.8	$0.0	$0.0
RFID expense	$1.2	$1.0	$1.0	$1.2	$1.7	$2.3	$4.1	$8.0
Adjusted non-GAAP operating income	$112.7	$107.0	$103.5	$104.2	$110.5	$118.6	$120.7	$133.1
Adjusted non-GAAP operating margin	9.9%	9.0%	8.6%	8.5%	8.9%	9.0%	9.0%	9.3%

Operating Margin by Segment

	FY2002	FY2003	FY2004
Pressure Sensitive Materials			
Net Sales	$2,184.6	$2,572.6	$3,008.5
Operating income, as reported	$177.7	$176.6	$219.0
Operating margin, as reported	8.1%	6.9%	7.3%
Non-GAAP adjustments:			
Restructuring costs, asset impairment and lease cancellation costs	$22.3	$13.6	$34.5
Adjusted non-GAAP operating income	$200.0	$190.2	$253.5
Adjusted non-GAAP operating margin	9.2%	7.4%	8.4%
Office & Consumer Products			
Net Sales	$1,143.0	$1,168.1	$1,172.5
Operating income, as reported	$184.1	$188.5	$186.4
Operating margin, as reported	16.1%	16.1%	15.9%
Non-GAAP adjustments:			
Restructuring costs, asset impairment and lease cancellation costs	$4.8	$12.5	$0.5
Adjusted non-GAAP operating income	$188.9	$201.0	$186.9
Adjusted non-GAAP operating margin	16.5%	17.2%	15.9%

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