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**82- SUBMISSIONS FACING SHEET**

Fellowship  
Statement

MICROFICHE CONTROL LABEL



REGISTRANT'S NAME

Velcro Industries NV

\*CURRENT ADDRESS

\_\_\_\_\_  
\_\_\_\_\_

\*\*FORMER NAME

\_\_\_\_\_

\*\*NEW ADDRESS

\_\_\_\_\_  
\_\_\_\_\_

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FISCAL YEAR

9-30-04

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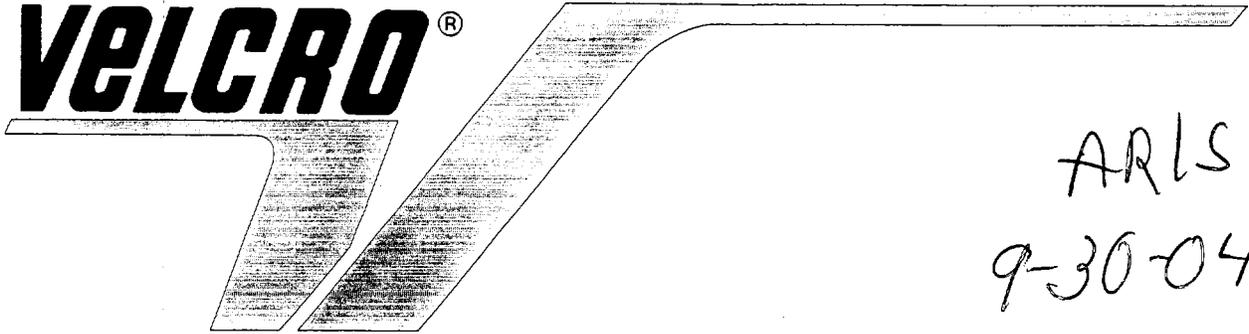
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OFFICE OF INTERNATIONAL  
CORPORATE FINANCE



ARLS  
9-30-04

**VELCRO INDUSTRIES N. V.**

**ANNUAL REPORT 2004**

# VELCRO INDUSTRIES N.V. ANNUAL REPORT 2004

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## 2004 HIGHLIGHTS

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| Year ended September 30 (in US dollars) | 2004        | 2003        |
|---|-------------|-------------|
| Sales                                   | 273,498,000 | 261,242,000 |
| Operating Earnings                      | 29,875,000  | 34,080,000  |
| Investment Income                       | 9,930,000   | 2,448,000   |
| Earnings Before Income Taxes            | 39,528,000  | 35,563,000  |
| Net Earnings                            | 27,552,000  | 23,197,000  |
| Per Share                               | .92         | .77         |
| Parent Shareholders' Equity             | 299,978,000 | 273,150,000 |
| Per Share                               | 9.99        | 9.09        |

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# REPORT TO SHAREHOLDERS

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## 2004 SALES AND FINANCIAL RESULTS

Sales for the year were \$273,498,000, which was an increase of 5% over 2003. Sales for the fourth quarter were \$71,930,000, a 10% increase over the corresponding period for 2003. Operating earnings for the year were \$29,875,000, a decrease of 12% from 2003. Operating earnings for the fourth quarter were \$10,418,000, an increase of 13% over the comparable period last year.

Sales increases were achieved in all of our geographic regions, with the most significant sales growth in the fourth quarter. This sales growth reflects strong demand for our core products, as well as market interest in new and innovative applications. The decline in operating earnings during the first half of 2004 was the result of several factors, including unfavorable currency fluctuations, expenses related to manufacturing realignments and other non-recurring expenses.

Investment income, which includes realized gains and losses on the investment portfolio, totaled \$9,930,000 for 2004, up from \$2,448,000 in 2003. This significant increase in investment income for the year was the direct result of realignments in the investment portfolio, which resulted in large realized capital gains on sales of equity securities. For the fourth quarter, investment income was \$1,062,000, compared to investment income of \$428,000 for the comparable period in 2003.

Net earnings for the year were \$27,552,000, a 19% increase over last year and equivalent to \$.92 per share. For the fourth quarter, net earnings were \$6,445,000, an increase of 11% over the corresponding period for 2003, and equivalent to \$.22 per share.

## OPERATIONS

During 2004, the Company continued its restructuring programs to improve operational efficiencies and better position itself to meet ever increasing competitive pressures. These programs included the relocation of several manufacturing functions to more cost effective facilities, discontinuance of certain low profit margin business and the restructuring and strengthening of the sales and marketing organization. The improvements in operating earnings during the last half of 2004 reflect some of the benefits of these restructuring programs.

During the year, the Company purchased the remaining 10.5% minority interest in its Chinese subsidiary, Zhangjiagang Velcro Fastening Systems Co., Ltd., which subsequently changed its name to Velcro (China) Fastening Systems Company Limited.

The Company continues to review capacity expansion opportunities to better serve the global demands for our products. We also remain committed to controlling costs and expenses, while improving our products and processes and developing new products and applications.

## DIVIDENDS

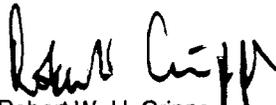
We continue our policy to review dividend distribution to shareholders at the close of each fiscal year, based on the performance of the Company and the internal needs for funds for the development of the business. In accordance with this policy, your Board of Directors has elected to declare a dividend of \$0.30 per common share payable on January 6, 2005 to shareholders of record as of December 6, 2004.

## OUTLOOK

With oil prices at high levels, a slowing in consumer demand, and other adverse economic conditions and political unrest, significant uncertainties exist concerning the timing of the long awaited global economic recovery. However, despite these uncertainties, the Company is optimistic concerning its business prospects for 2005 and beyond. This optimism stems from the progress the Company has made to increase market share, improve operational efficiencies, reduce costs and expenses and expand its products and applications.

The Board of Directors acknowledges that the Company's success is a reflection of the dedication and efforts of all of its employees. In recognition of these efforts, we express our sincere gratitude.

For the Board of Directors

  
Robert W. H. Cripps  
Chairman

  
A. John Holton  
Deputy Chairman

November 18, 2004

# CONSOLIDATED BALANCE SHEET

AT SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

|   | <u>2004</u>    | <u>2003</u>    |
|---|----------------|----------------|
|   | US\$'000       | US\$'000       |
| Refer to  |                |                |
| Note  |                |                |
| <b>CURRENT ASSETS:</b>                              |                |                |
| Cash  | 9,719          | 15,900         |
| Cash equivalents                                    | 10,951         | 4,500          |
| Accounts receivable - trade                         | 41,135         | 37,478         |
| 2 Inventories                                       | 46,509         | 43,663         |
| Other receivables and prepaid expenses              | 3,633          | 3,879          |
|   | <u>111,947</u> | <u>105,420</u> |
| <b>CURRENT LIABILITIES:</b>                         |                |                |
| Bank loans  | 3,623          | 7,926          |
| Current portion of long-term liabilities            | -              | 587            |
| Accounts payable - trade                            | 16,688         | 16,201         |
| Other payables and accrued expenses                 | 15,944         | 15,280         |
| 3 Income taxes payable                              | 8,070          | 6,790          |
|   | <u>44,325</u>  | <u>46,784</u>  |
| <b>NET CURRENT ASSETS</b>                           | <u>67,622</u>  | <u>58,636</u>  |
| <b>NON CURRENT ASSETS:</b>                          |                |                |
| 4 Property, plant and equipment, net                | 97,551         | 102,671        |
| 5 Intangible assets, net                            | 125            | 413            |
| 6 Marketable securities                             | 141,438        | 129,714        |
| 3 Deferred tax assets                               | 869            | 1,084          |
| 9 Prepaid pension cost                              | 5,529          | 6,646          |
|   | <u>245,512</u> | <u>240,528</u> |
| <b>NON CURRENT LIABILITIES:</b>                     |                |                |
| 7 Notes payable                                     | 11,000         | 23,000         |
| Other liabilities                                   | 1,117          | 1,418          |
| 3 Deferred tax liabilities                          | 1,039          | 1,212          |
|   | <u>13,156</u>  | <u>25,630</u>  |
| <b>NET ASSETS</b>                                   | <u>299,978</u> | <u>273,534</u> |
| <b>EQUITY ACCOUNTS:</b>                             |                |                |
| Capital stock                                       | 20,389         | 20,389         |
| Capital in excess of par value                      | 2,901          | 2,901          |
| Retained earnings                                   | 254,464        | 235,924        |
| Revaluation reserve - marketable securities         | 21,087         | 17,066         |
| Cumulative translation adjustment                   | 8,202          | 3,935          |
|   | <u>307,043</u> | <u>280,215</u> |
| LESS: Treasury shares                               | 7,065          | 7,065          |
| <b>PARENT SHAREHOLDERS' EQUITY</b>                  | 299,978        | 273,150        |
| 16 <b>MINORITY INTEREST IN SUBSIDIARY COMPANIES</b> | -              | 384            |
| <b>TOTAL EQUITY</b>                                 | <u>299,978</u> | <u>273,534</u> |

The notes to the consolidated financial statements are an integral part hereof.

# CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

|   | <u>2004</u>              | <u>2003</u>              |
|---|--------------------------|--------------------------|
|   | US\$'000                 | US\$'000                 |
| Refer to  |                          |                          |
| Note  |                          |                          |
| Sales   | 273,498                  | 261,242                  |
| Cost of Sales                                       | <u>186,229</u>           | <u>174,160</u>           |
| Gross Profit  | 87,269                   | 87,082                   |
| Selling Expenses                                    | 28,274                   | 26,508                   |
| Administrative Expenses                             | <u>29,120</u>            | <u>26,494</u>            |
| Operating Earnings                                  | 29,875                   | 34,080                   |
| Royalties and Other Income                          | 478                      | 402                      |
| Interest Expense                                    | (755)                    | (1,367)                  |
| Interest Income                                     | 2,448                    | 2,085                    |
| Other Investment Income                             | <u>7,482</u>             | <u>363</u>               |
| Earnings before Income Taxes                        | 39,528                   | 35,563                   |
| 3 Income Tax Expense                                | <u>11,984</u>            | <u>12,350</u>            |
| Earnings after Income Taxes                         | 27,544                   | 23,213                   |
| Income (Losses) Applicable to Minority Shareholders | <u>(8)</u>               | <u>16</u>                |
| NET EARNINGS  | <u><u>27,552</u></u>     | <u><u>23,197</u></u>     |
| <br>  |                          |                          |
| BASIC AND DILUTED EARNINGS PER SHARE (in US\$1)     | <u>.92</u>               | <u>.77</u>               |
| DIVIDENDS PER SHARE (in US\$1)                      | <u>.30</u>               | <u>.30</u>               |
| <br>  |                          |                          |
| AVERAGE NUMBER OF SHARES OUTSTANDING                | <u><u>30,040,490</u></u> | <u><u>30,040,490</u></u> |

The notes to the consolidated financial statements are an integral part hereof.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

|   | <u>2004</u>     | <u>2003</u>     |
|---|-----------------|-----------------|
|   | US\$'000        | US\$'000        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                 |                 |
| Earnings before income taxes                                  | 39,528          | 35,563          |
| Adjustments for:  |                 |                 |
| Depreciation  | 17,801          | 18,500          |
| Amortization of intangible assets                             | 458             | 398             |
| Losses on disposals of property, plant and equipment          | 141             | 323             |
| Pension expense   | 1,819           | 2,109           |
| Effect of exchange rate changes                               | 1,670           | 1,527           |
| Investment income   | (9,930)         | (2,448)         |
| Interest expense  | 755             | 1,367           |
| Income on purchase of minority interest                       | (46)            | -               |
| Operating profit before working capital changes               | <u>52,196</u>   | <u>57,339</u>   |
| Increase in accounts receivable - trade                       | (3,657)         | (284)           |
| Decrease (increase) in other receivables and prepaid expenses | 246             | (635)           |
| Increase in inventories                                       | (2,846)         | (4,610)         |
| Increase in accounts payable - trade                          | 487             | 567             |
| Increase (decrease) in other liabilities and accrued expenses | <u>374</u>      | <u>(1,013)</u>  |
| Cash generated from operations                                | 46,800          | 51,364          |
| Pension contributions   | (702)           | (5,895)         |
| Interest paid   | (766)           | (1,486)         |
| Income and withholding taxes paid                             | <u>(10,424)</u> | <u>(8,913)</u>  |
| Net cash from operating activities                            | <u>34,908</u>   | <u>35,070</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                 |                 |
| Net investment in marketable securities                       | (433)           | (6,891)         |
| Purchases of property, plant and equipment                    | (10,333)        | (8,709)         |
| Proceeds from sales of property, plant and equipment          | 78              | 845             |
| Purchase of intellectual property                             | (140)           | -               |
| Purchase of minority interest                                 | (330)           | -               |
| Interest received   | 2,448           | 2,085           |
| Dividends received  | 212             | 261             |
| Income and withholding taxes paid                             | <u>(238)</u>    | <u>(198)</u>    |
| Net cash from investment activities                           | <u>(8,736)</u>  | <u>(12,607)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                 |                 |
| Decrease in borrowings  | (16,890)        | (8,489)         |
| Dividends paid  | <u>(9,012)</u>  | <u>(9,012)</u>  |
| Net cash from financing activities                            | <u>(25,902)</u> | <u>(17,501)</u> |
| Net increase in cash and cash equivalents                     | 270             | 4,962           |
| Cash and cash equivalents at beginning of period              | <u>20,400</u>   | <u>15,438</u>   |
| Cash and cash equivalents at end of period                    | <u>20,670</u>   | <u>20,400</u>   |

The notes to the consolidated financial statements are an integral part hereof.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ACCOUNTS.

FOR THE YEAR ENDED SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

|  | Capital<br>Stock | Treasury<br>Stock | Capital in<br>Excess of<br>Par Value | Retained<br>Earnings | Revaluation<br>Reserve | Cumulative<br>Translation<br>Adjustment | Total          |
|--|------------------|-------------------|--------------------------------------|----------------------|------------------------|---|----------------|
|  | US\$'000         | US\$'000          | US\$'000                             | US\$'000             | US\$'000               | US\$'000                                | US\$'000       |
| Balance at October 1, 2002                             | 20,389           | (7,065)           | 2,901                                | 221,739              | 1,228                  | (3,572)                                 | 235,620        |
| Activity during 2003:                                  |                  |                   |                                      |                      |                        |   |                |
| Net earnings   |                  |                   |                                      | 23,197               |                        |   | 23,197         |
| Net increase in fair value of<br>marketable securities |                  |                   |                                      |                      | 16,923                 |   | 16,923         |
| Net gains on sales of<br>marketable securities         |                  |                   |                                      |                      | (1,085)                |   | (1,085)        |
| Foreign exchange<br>translation differences            |                  |                   |                                      |                      |                        | 7,507                                   | 7,507          |
| Dividends paid   |                  |                   |                                      | (9,012)              |                        |   | (9,012)        |
| Balance at September 30, 2003                          | 20,389           | (7,065)           | 2,901                                | 235,924              | 17,066                 | 3,935                                   | 273,150        |
| Activity during 2004:                                  |                  |                   |                                      |                      |                        |   |                |
| Net earnings   |                  |                   |                                      | 27,552               |                        |   | 27,552         |
| Net increase in fair value of<br>marketable securities |                  |                   |                                      |                      | 11,537                 |   | 11,537         |
| Net gains on sales of<br>marketable securities         |                  |                   |                                      |                      | (7,516)                |   | (7,516)        |
| Foreign exchange<br>translation differences            |                  |                   |                                      |                      |                        | 4,267                                   | 4,267          |
| Dividends paid   |                  |                   |                                      | (9,012)              |                        |   | (9,012)        |
| Balance at September 30, 2004                          | <u>20,389</u>    | <u>(7,065)</u>    | <u>2,901</u>                         | <u>254,464</u>       | <u>21,087</u>          | <u>8,202</u>                            | <u>299,978</u> |

The following is a reconciliation of Common Shares outstanding

|                               | Number of Shares  |                |                   |
|-------------------------------|-------------------|----------------|-------------------|
|                               | Issued            | Treasury       | Outstanding       |
| Balance at October 1, 2002    | 30,798,441        | 757,951        | 30,040,490        |
| Activity during 2003:         | --                | --             | --                |
| Balance at September 30, 2003 | 30,798,441        | 757,951        | 30,040,490        |
| Activity during 2004:         | --                | --             | --                |
| Balance at September 30, 2004 | <u>30,798,441</u> | <u>757,951</u> | <u>30,040,490</u> |

The notes to the consolidated financial statements are an integral part hereof.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

## General

Velcro Industries N.V. is incorporated and domiciled in Curaçao, Netherlands Antilles as a Naamloze Vennootschap (Public Limited Liability Company). The Company acts as the holding company of the Velcro companies, which are primarily involved in the manufacturing and sales of VELCRO® and TEXACRO® brand fasteners, ULTRA-MATE® brand hook fasteners, and ONE-WRAP® brand straps throughout the world.

### 1. Summary of Accounting Policies

#### a. Accounting Standards

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Committee (IASC) and adopted by the International Accounting Standards Board.

#### b. Consolidation

The consolidation includes the accounts of Velcro Industries N.V. and its majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Minority interests in the equity and their interests in the income of the Subsidiary Companies are shown as separate items in the consolidated financial statements. Companies being consolidated are disclosed on page 19 titled DIRECTORS, OFFICERS AND COMPANIES.

#### c. Foreign Currency

Based on the Company's worldwide activities, the reporting currency is US Dollars. Assets and liabilities denominated in other currencies have been translated using exchange rates prevailing at September 30, and income and expenses using the average exchange rate prevailing throughout the year.

Currency translation gains and losses on foreign subsidiaries have been recorded directly in the Equity Accounts as cumulative translation adjustments and will only be included in income when they are realized.

Transactions in currencies other than US Dollars are converted at the rate of exchange prevailing at the transaction date. At the balance sheet date, foreign currency monetary assets and liabilities are converted at the rate of exchange prevailing at that date. Resulting exchange differences are recognized in income for the year.

#### d. Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and short term money market instruments.

#### e. Intangibles

Goodwill, which is the excess of cost over the net asset value of subsidiaries acquired, is recorded as an asset and amortized over a maximum period of five years. The balance of goodwill is reviewed at least annually, to determine if there is an indication of impairment.

The acquisition costs of other intangible assets, such as patents, licenses, trademarks and other intangibles are recorded as an asset and amortized over a maximum period of five years. These balances are reviewed at least annually, to determine if there is an indication of impairment.

Expenditures on research activities are charged to income as incurred.

Expenditures on development activities are capitalized if the new or substantially improved product or process is technically and commercially feasible and there are sufficient resources to complete the development. Capitalized development expenditures are stated at cost and amortized over a maximum period of five years. The balance is reviewed at least annually, to determine if there is an indication of impairment. Other development expenditures are charged to income as incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

## f. Property, Plant and Equipment

Property, plant and equipment are stated at cost less depreciation computed primarily by the straight line method based upon the estimated useful life of the assets and taking into account any permanent declines in the value of the assets. These asset values are reviewed at least annually, to determine if there is an indication of impairment. In countries where accelerated depreciation is permitted for tax purposes, the tax deferral is charged to income.

When property, plant or equipment are retired or sold, their cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in income.

The rates used for calculating depreciation are:

|                                |                   |
|--------------------------------|-------------------|
| Buildings and improvements     | 2.5%              |
| Machinery and equipment        | 14% to 20%        |
| Office furniture and equipment | 20%               |
| Leasehold improvements         | term of the lease |

Property, plant and equipment held for sale are stated at the lower of carrying amount or fair value less cost to sell, and are no longer depreciated. Property, plant and equipment are classified as held for sale if the carrying amount of the asset will be recovered principally through a sale transaction rather than through continuing use. These assets are separately disclosed.

## g. Marketable Securities

The marketable securities in the Company's investment portfolio are classified as available-for-sale assets. These assets are initially recorded at cost, as of the trade date, and remeasured at fair value as of each reporting date. Gains and losses on the remeasurement to fair value are recognized as an equity adjustment. When marketable securities are sold, the cumulative gain or loss previously recognized in equity is included in income for the period. Fair values are determined from published price quotations of active securities markets. These assets are held for the long-term needs of the business and are presented as non-current assets. These asset values are reviewed at least annually, to determine if there is objective evidence of impairment. In the event of impairment, the cumulative unrecognized loss is removed from equity and charged to income for the period.

## h. Inventories

Raw materials, work in process and finished goods are valued at the lower of cost, on a first-in first-out basis, or estimated net realizable value. Work in process and finished goods include all direct expenditures to prepare inventory for sale including attributable overhead.

## i. Employee Benefits

Certain Subsidiary Companies have defined contribution retirement plans for the majority of their employees. These benefits are provided through separate funding arrangements. Contributions are charged against income as they are made.

Certain Subsidiary Companies have defined benefit retirement plans for the majority of their employees. These benefits are provided through separate funding arrangements. The recognized amount in the balance sheet is determined as the present value of the defined benefit obligation adjusted for the unrecognized actuarial gains and losses and less any past service costs not yet recognized and the fair value of any plan assets. The recognition of actuarial gains and losses is determined separately for each defined benefit plan. To the extent that any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized. The present value of the defined benefit obligations and the related service costs are calculated by a qualified actuary using the projected unit credit method. The amount charged to the income statement consists of current service cost, interest cost, the expected return on assets and amortization of actuarial gains and losses.

## j. Other Assets and Liabilities

The assets and liabilities not mentioned above are stated at face value less such provisions as deemed appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

## **k. Treasury Shares**

Treasury shares are valued at cost.

## **l. Revenue Recognition**

In relation to the sale of goods, revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding the entitlement to the consideration, associated costs or the possible return of goods.

Interest income, royalty income and other income are recognized on an accrual basis when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably.

## **m. Taxes**

Tax expense is calculated on earnings before income taxes, adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, arising from items recognized in different periods for income tax and accounting purposes, are carried in the balance sheet as deferred tax assets or liabilities. Such deferred tax balances are calculated using the liability method taking into account the estimated tax that will be paid or recovered when the timing differences reverse.

Deferred tax assets not related to tax loss carryforwards are only recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets arising from tax losses yet to be recovered are only recognized to the extent that it is probable that future taxable profits will be available to allow the benefit of the tax loss to be realized.

Taxes on income earned by subsidiaries in various countries have been accrued and are being paid in accordance with the laws of each country. As it is not anticipated that the Company will liquidate undistributed earnings of Subsidiary Companies, no provisions have been made for withholding and income taxes on such dividends which may be paid in the future by Subsidiary Companies.

Income tax is recognized in the income statement except to the extent that it relates to an item recognized directly within shareholders' equity, in which case the related tax effect is also recognized within shareholders' equity.

The Company has netted its deferred tax assets and liabilities for each tax jurisdiction.

## **n. Segment Reporting**

The Company reports its primary segment information based on its two business segments, the manufacturing and sales segment and investments. Investments encompass the performance of the Company's investment portfolio. Secondary segment information is reported by geographic region.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment. Segment results are determined before any adjustments for minority interest.

Segment assets and liabilities comprise those assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Capital expenditures represent the total costs incurred during the period to acquire or construct property, plant and equipment.

## **o. Operating Leases**

Payments made under operating leases are recognized as expenses on a straight line basis over the term of the lease.

## **p. Interest Costs**

Interest costs are charged to income in the period incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

## q. Impairment

The carrying amounts of assets, other than inventories, pension assets and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

## r. Provisions

A provision is recognized in the balance sheet when a legal or constructive obligation exists as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

## s. Risk Management

Exposure to credit, interest rate, market and currency risk arises in the normal course of the Company's business. The Company monitors these risks on a continuing basis. The Company generally does not enter into hedging arrangements.

## t. Use of Estimates and Assumptions

When preparing the financial statements, management makes estimates and assumptions. Actual results may differ from these estimates and assumptions.

## 2. Inventories

|                 | <u>2004</u>   | <u>2003</u>   |
|-----------------|---------------|---------------|
|                 | US\$'000      | US\$'000      |
| Raw materials   | 14,151        | 13,049        |
| Work in process | 10,435        | 10,653        |
| Finished goods  | <u>21,923</u> | <u>19,961</u> |
|                 | <u>46,509</u> | <u>43,663</u> |

## 3. Taxes

Subsidiaries of the Company have accumulated tax losses of approximately US\$276,000 which are available to offset future taxable income of those subsidiaries. Tax losses are recognized as a deferred tax asset, unless there is uncertainty regarding the probability that future taxable profits will be available to utilize the losses.

The accumulated tax losses expire as follows:

| Year of expiration              | <u>US\$'000</u> |               |
|---------------------------------|-----------------|---------------|
| 2008                            | <u>276</u>      |               |
|                                 | <u>2004</u>     | <u>2003</u>   |
|                                 | US\$'000        | US\$'000      |
| Major components of tax expense |                 |               |
| Current tax expense             | 11,977          | 10,366        |
| Deferred tax expense            | 197             | 2,510         |
| Deferred tax income             | <u>(190)</u>    | <u>(526)</u>  |
| Income tax expense              | <u>11,984</u>   | <u>12,350</u> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

The Company's consolidated applicable tax rate represents the weighted average of the statutory corporate income tax rates, which range between 0% and 40% in the tax jurisdictions in which the Company and its Subsidiaries operate. The weighted average rates for 2004 and 2003 were 24% and 25%, respectively. The following is a reconciliation of income taxes calculated at the consolidated applicable tax rate with income tax expense.

|   | <u>2004</u>   | <u>2003</u>   |
|---|---------------|---------------|
|   | US\$'000      | US\$'000      |
| Earnings before income taxes  | 39,528        | 35,563        |
| Tax at the applicable tax rate:   | 9,578         | 8,960         |
| Withholding taxes   | 2,456         | 3,639         |
| Release of prior year tax accruals  | (399)         | (287)         |
| Effect of not recording deferred tax assets on operating losses of subsidiaries | 16            | 20            |
| Other local taxes   | 151           | ---           |
| Other   | 182           | 18            |
|   | <u>11,984</u> | <u>12,350</u> |

Temporary differences which give rise to deferred tax assets and liabilities are as follows:

|  | <u>2004</u>  | <u>2003</u>  |
|--|--------------|--------------|
|  | US\$'000     | US\$'000     |
| Deferred tax assets:                         |              |              |
| Pension plans                                | 77           | 77           |
| Employee benefits & insurance                | 1,126        | 1,143        |
| Differences for tax treatment of inventory   | 1,232        | 1,502        |
| Differences in depreciation for tax purposes | 1,279        | 1,408        |
| Other  | 436          | 512          |
|  | <u>4,150</u> | <u>4,642</u> |
| Deferred tax liabilities:                    |              |              |
| Differences in depreciation for tax purposes | 2,175        | 2,146        |
| Pension plans                                | 2,145        | 2,624        |
|  | <u>4,320</u> | <u>4,770</u> |
| Net deferred tax liabilities                 | <u>(170)</u> | <u>(128)</u> |
| Reconciliation to Balance Sheet:             |              |              |
| Deferred tax assets                          | 869          | 1,084        |
| Deferred tax liabilities                     | 1,039        | 1,212        |
| Net deferred tax liabilities                 | <u>(170)</u> | <u>(128)</u> |

#### 4. Property, Plant and Equipment

|                               | <u>Buildings &amp; Improvements</u> | <u>Machinery &amp; Equipment</u> | <u>Office Furniture &amp; Equipment</u> | <u>Leasehold Improvements</u> | <u>Land</u>  | <u>Under Construction</u> | <u>Total</u>   |
|-------------------------------|-------------------------------------|----------------------------------|---|-------------------------------|--------------|---------------------------|----------------|
|                               | US\$'000                            | US\$'000                         | US\$'000                                | US\$'000                      | US\$'000     | US\$'000                  | US\$'000       |
| <b>Cost</b>                   |                                     |                                  |   |                               |              |                           |                |
| Balance at October 1, 2003    | 65,606                              | 140,288                          | 12,339                                  | 216                           | 4,650        | ---                       | 223,099        |
| Effect of movements in        |                                     |                                  |   |                               |              |                           |                |
| foreign exchange              | 1,587                               | 2,545                            | 321                                     | 9                             | 23           | ---                       | 4,485          |
| Acquisitions                  | 1,891                               | 5,869                            | 1,278                                   | 2                             | ---          | 1,293                     | 10,333         |
| Disposals                     | (139)                               | (2,203)                          | (344)                                   | (30)                          | ---          | ---                       | (2,716)        |
| Balance at September 30, 2004 | <u>68,945</u>                       | <u>146,499</u>                   | <u>13,594</u>                           | <u>197</u>                    | <u>4,673</u> | <u>1,293</u>              | <u>235,201</u> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

|  | <u>Buildings<br/>&amp;<br/>Improvements</u><br>US\$'000 | <u>Machinery<br/>&amp;<br/>Equipment</u><br>US\$'000 | <u>Office<br/>Furniture &amp;<br/>Equipment</u><br>US\$'000 | <u>Leasehold<br/>Improvements</u><br>US\$'000 | <u>Land</u><br>US\$'000 | <u>Under<br/>Construction</u><br>US\$'000 | <u>Total</u><br>US\$'000 |
|--|---|--|---|---|-------------------------|---|--------------------------|
| <b>Accumulated Depreciation</b>            |   |  |   |   |                         |   |                          |
| Balance at October 1, 2003                 | 16,485  | 94,610   | 9,188   | 145   | ---                     | ---                                       | 120,428                  |
| Effect of movements in<br>foreign exchange | 373   | 1,293  | 250   | 2   | ---                     | ---                                       | 1,918                    |
| Depreciation charge for the year           | 2,409   | 13,635   | 1,723   | 34  | ---                     | ---                                       | 17,801                   |
| Disposals                                  | ---   | (2,158)  | (309)   | (30)  | ---                     | ---                                       | (2,497)                  |
| Balance at September 30, 2004              | <u>19,267</u>   | <u>107,380</u>                                       | <u>10,852</u>   | <u>151</u>                                    | ---                     | ---                                       | <u>137,650</u>           |
|  | <u>Buildings<br/>&amp;<br/>Improvements</u><br>US\$'000 | <u>Machinery<br/>&amp;<br/>Equipment</u><br>US\$'000 | <u>Office<br/>Furniture &amp;<br/>Equipment</u><br>US\$'000 | <u>Leasehold<br/>Improvements</u><br>US\$'000 | <u>Land</u><br>US\$'000 | <u>Under<br/>Construction</u><br>US\$'000 | <u>Total</u><br>US\$'000 |
| <b>Carrying amount</b>                     |   |  |   |   |                         |   |                          |
| At October 1, 2003                         | <u>49,121</u>   | <u>45,678</u>  | <u>3,151</u>  | <u>71</u>                                     | <u>4,650</u>            | ---                                       | <u>102,671</u>           |
| At September 30, 2004                      | <u>49,678</u>   | <u>39,119</u>  | <u>2,742</u>  | <u>46</u>                                     | <u>4,673</u>            | <u>1,293</u>                              | <u>97,551</u>            |
| <b>Depreciation Charge</b>                 |   |  |   |   |                         |   |                          |

The depreciation charge for the year is included in the income statement as follows:

|                         | <u>2004</u><br>US\$'000 | <u>2003</u><br>US\$'000 |
|-------------------------|-------------------------|-------------------------|
| Cost of sales           | 16,273                  | 17,005                  |
| Selling expenses        | 1,026                   | 920                     |
| Administrative expenses | 502                     | 575                     |
|                         | <u>17,801</u>           | <u>18,500</u>           |

## Assets retired from active use

At September 30, 2004, the Company was carrying US\$1,063,000 (US\$1,159,000 in 2003) of buildings retired from active use pending their sale.

## 5. Intangible Assets

|                                 | <u>Goodwill</u><br>US\$'000 | <u>Patents</u><br>US\$'000 | <u>Total</u><br>US\$'000 |
|---------------------------------|-----------------------------|----------------------------|--------------------------|
| <b>Cost</b>                     |                             |                            |                          |
| Balance at October 1, 2003      | 2,068                       | ---                        | 2,068                    |
| Activity during 2004:           |                             |                            |                          |
| Acquisition                     | ---                         | 140                        | 140                      |
| Foreign exchange effect         | 180                         | ---                        | 180                      |
| Balance at September 30, 2004   | <u>2,248</u>                | <u>140</u>                 | <u>2,388</u>             |
| <b>Accumulated Amortization</b> |                             |                            |                          |
| Balance at October 1, 2003      | (1,655)                     | ---                        | (1,655)                  |
| Activity during 2004:           |                             |                            |                          |
| Amortization charge             | (443)                       | (15)                       | (458)                    |
| Foreign exchange effect         | (150)                       | ---                        | (150)                    |
| Balance at September 30, 2004   | <u>(2,248)</u>              | <u>(15)</u>                | <u>(2,263)</u>           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

|                            | <u>Goodwill</u><br>US\$'000 | <u>Patents</u><br>US\$'000 | <u>Total</u><br>US\$'000 |
|----------------------------|-----------------------------|----------------------------|--------------------------|
| <b>Carrying Amount</b>     |                             |                            |                          |
| At October 1, 2003         | <u>413</u>                  | <u>---</u>                 | <u>413</u>               |
| At September 30, 2004      | <u>---</u>                  | <u>125</u>                 | <u>125</u>               |
| <b>Amortization Charge</b> |                             |                            |                          |

The amortization charge for the year is included in administrative expenses in the income statement.

## 6. Marketable Securities

The investment portfolio is comprised of the following marketable securities at September 30.

|                                  | <u>2004</u>             |                                 | <u>2003</u>             |                                 |
|----------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|
|                                  | <u>Cost</u><br>US\$'000 | <u>Market Value</u><br>US\$'000 | <u>Cost</u><br>US\$'000 | <u>Market Value</u><br>US\$'000 |
| Bonds maturing within five years | 26,371                  | 27,046                          | 37,583                  | 39,249                          |
| Bonds maturing over five years   | 2,488                   | 2,521                           | 1,076                   | 1,357                           |
| Common and preferred stock       | 81,492                  | 101,906                         | 73,989                  | 89,108                          |
| Other funds                      | <u>10,000</u>           | <u>9,965</u>                    | <u>---</u>              | <u>---</u>                      |
|                                  | <u>120,351</u>          | <u>141,438</u>                  | <u>112,648</u>          | <u>129,714</u>                  |

The table below presents realized gains (losses) in marketable securities at September 30.

|                            | <u>2004</u>              |                           |                        | <u>2003</u>              |                           |                        |
|----------------------------|--------------------------|---------------------------|------------------------|--------------------------|---------------------------|------------------------|
|                            | <u>Gains</u><br>US\$'000 | <u>Losses</u><br>US\$'000 | <u>Net</u><br>US\$'000 | <u>Gains</u><br>US\$'000 | <u>Losses</u><br>US\$'000 | <u>Net</u><br>US\$'000 |
| Bonds                      | 517                      | (3)                       | 514                    | 364                      | (10)                      | 354                    |
| Common and preferred stock | <u>8,757</u>             | <u>(1,755)</u>            | <u>7,002</u>           | <u>4,225</u>             | <u>(3,494)</u>            | <u>731</u>             |
|                            | <u>9,274</u>             | <u>(1,758)</u>            | <u>7,516</u>           | <u>4,589</u>             | <u>(3,504)</u>            | <u>1,085</u>           |

These realized gains and losses were included in other investment income.

Write downs for impairment of marketable securities were \$246,000 and \$983,000 in 2004 and 2003, respectively. These write downs were included in other investment income.

## 7. Long-Term Liabilities

The notes payable primarily represent annually renewable borrowing arrangements, with financial institutions, bearing interest at short-term rates and have average interest rates of 2.2% and 2.0% at September 30, 2004 and 2003, respectively. The fair value is not expected to differ significantly from the carrying amount. All of the notes are due within 5 years.

## 8. Commitments and Contingent Liabilities

The Company and its subsidiaries have commitments for the following minimum lease payments under non-cancellable operating leases:

|                            | <u>2004</u><br>US\$'000 | <u>2003</u><br>US\$'000 |
|----------------------------|-------------------------|-------------------------|
| Not later than one year    | 1,229                   | 1,011                   |
| Between one and five years | <u>2,338</u>            | <u>2,634</u>            |
|                            | <u>3,567</u>            | <u>3,645</u>            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

Total rental expense for all operating leases was US\$1,258,000 in 2004 and US\$1,505,000 in 2003.

At September 30, 2004, certain Subsidiary Companies had commitments totaling approximately US\$1,524,000 for the purchase or construction of property, plant and equipment.

## 9. Employee Benefits

Certain Subsidiary companies have contributory and non-contributory retirement plans which cover substantially all of their employees. The combined expenses for these plans were approximately US\$2,463,000 and US\$2,822,000 for the years ended September 30, 2004 and 2003, respectively. The assets of the plans are held in separate trust administered funds.

For the defined benefit plans, actuarial valuations are obtained from independent actuaries. The following are the results of the most recent valuations which were carried out at September 30, 2004:

At year end, the defined benefit obligation can be specified as follows:

|                                    | <u>2004</u>     | <u>2003</u>     |
|------------------------------------|-----------------|-----------------|
|                                    | US\$'000        | US\$'000        |
| Present value of funded obligation | 41,313          | 35,836          |
| Fair value of plan assets          | (35,333)        | (32,155)        |
| Unrecognized actuarial losses      | <u>(11,509)</u> | <u>(10,327)</u> |
| Net asset at year end              | <u>(5,529)</u>  | <u>(6,646)</u>  |

Movements in the net liability recognized in the balance sheet are as follows:

|  | <u>2004</u>    | <u>2003</u>    |
|--|----------------|----------------|
|  | US\$'000       | US\$'000       |
| Net asset at the beginning of the year | (6,646)        | (2,860)        |
| Pension expense                        | 1,819          | 2,109          |
| Contributions                          | <u>(702)</u>   | <u>(5,895)</u> |
| Net asset at year end                  | <u>(5,529)</u> | <u>(6,646)</u> |

The amounts recognized in the income statement are as follows:

|   | <u>2004</u>  | <u>2003</u>  |
|---|--------------|--------------|
|   | US\$'000     | US\$'000     |
| Current service costs   | 1,674        | 1,412        |
| Interest on obligations   | 2,315        | 2,036        |
| Expected return on plan assets  | (2,760)      | (1,955)      |
| Amortization of transition assets   | (37)         | (11)         |
| Amortization of prior service costs   | 36           | 26           |
| Amortization of unrecognized actuarial losses                                       | <u>591</u>   | <u>601</u>   |
| Pension Expense (included in Cost of Sales and Selling and Administrative Expenses) | <u>1,819</u> | <u>2,109</u> |
| Actual return on plan assets  | <u>3,152</u> | <u>2,954</u> |

Weighted average assumptions:

|  | <u>2004</u> | <u>2003</u> |
|--|-------------|-------------|
| Long term expected return on plan assets | 8.3%        | 8.5%        |
| Compensation increases                   | 4.0%        | 4.0%        |
| Discount rate                            | 6.25%       | 6.5%        |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

## 10. Remuneration of Directors and Officers of Velcro Industries N.V.

|                                       | 2004<br>US\$'000 | 2003<br>US\$'000 |
|---------------------------------------|------------------|------------------|
| Directors fees                        | 266              | 265              |
| Remuneration of directors or officers | 4,944            | 2,672            |

In addition to the remuneration shown above, there has been charged a total of US\$20,000 for 2004 and 2003 in respect to fees for professional services by firms in which directors are members, directors or partners.

## 11. Segment Information

For management purposes, the Company is organized on a world-wide basis into two business segments, manufacturing and sales and investments. Segment assets do not include income taxes payable and deferred tax assets and liabilities. Business segment information is summarized as follows:

|                               | Manufacturing & Sales |                  | Investments      |                  | Total            |                  |
|-------------------------------|-----------------------|------------------|------------------|------------------|------------------|------------------|
|                               | 2004<br>US\$'000      | 2003<br>US\$'000 | 2004<br>US\$'000 | 2003<br>US\$'000 | 2004<br>US\$'000 | 2003<br>US\$'000 |
| Segment revenue:              |                       |                  |                  |                  |                  |                  |
| External sales                | 273,498               | 261,242          |                  |                  | 273,498          | 261,242          |
| Investment income             |                       |                  | 9,930            | 2,448            | 9,930            | 2,448            |
| Segment results               | 30,773                | 34,907           | 9,510            | 2,023            | 40,283           | 36,930           |
| Interest expense              |                       |                  |                  |                  | (755)            | (1,367)          |
| Income tax expense            |                       |                  |                  |                  | (11,984)         | (12,350)         |
| Minority interest             |                       |                  |                  |                  | 8                | (16)             |
| Net earnings                  |                       |                  |                  |                  | <u>27,552</u>    | <u>23,197</u>    |
| Other information:            |                       |                  |                  |                  |                  |                  |
| Segment assets                | 203,764               | 206,531          | 152,826          | 138,333          | 356,590          | 344,864          |
| Segment liabilities           | 48,269                | 64,342           | 103              | 70               | 48,372           | 64,412           |
| Capital expenditures          | 10,333                | 8,709            |                  |                  | 10,333           | 8,709            |
| Depreciation and amortization | 18,259                | 18,898           |                  |                  | 18,259           | 18,898           |

In addition to the above information on business segments, the following amounts represent geographical information for the manufacturing and sales segment of the Company. Manufacturing and sales offices are operated in each of these geographical regions.

|                      | Americas         |                  | Europe           |                  | Other            |                  | Total            |                  |
|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                      | 2004<br>US\$'000 | 2003<br>US\$'000 | 2004<br>US\$'000 | 2003<br>US\$'000 | 2004<br>US\$'000 | 2003<br>US\$'000 | 2004<br>US\$'000 | 2003<br>US\$'000 |
| External sales       | 196,200          | 189,879          | 61,114           | 56,980           | 16,184           | 14,383           | 273,498          | 261,242          |
| Segment assets       | 130,627          | 130,102          | 56,787           | 61,774           | 16,350           | 14,655           | 203,764          | 206,531          |
| Capital expenditures | 6,424            | 5,169            | 2,781            | 3,143            | 1,128            | 397              | 10,333           | 8,709            |

Inter-segment transfer pricing is based on cost plus an appropriate margin.

The Company's investment portfolio is comprised of marketable securities. Investments are held by the Bermudian subsidiary.

## 12. Research and Development

Research and development expenditures totaled US\$3,205,000 in 2004 and US\$2,350,000 in 2003. These expenses were included in Cost of Sales.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

## 13. Wages and Employees

Wages and salaries totaled US\$74,550,000 and US\$66,699,000 for 2004 and 2003, respectively. The average number of employees was 2,865 during 2004 and 2,858 during 2003.

## 14. Related Parties

Velcro Industries N.V. is majority (82%) owned by Cohere Limited. One of the directors of the Company is also a director of Cohere Limited.

## 15. Litigation

Certain subsidiaries are plaintiffs and defendants in actions involving various matters, the outcomes of which in management's opinion will not have a material effect on the financial condition of the Company.

## 16. Minority Interest

During the second quarter of 2004, the Chinese government approved the Company's purchase of the 10.5% minority interest in its subsidiary, Zhangjiagang Velcro Fastening Systems Co., Ltd. The purchase price for the minority interest was US\$330,000. The difference between the purchase price and the fair value of the minority interest was recorded as income during the period.

During the fourth quarter of 2004, Zhangjiagang Velcro Fastening Systems Co., Ltd. changed its name to Velcro (China) Fastening Systems Company Limited.

## 17. Declared Dividends

On November 18, 2004, the Board of Directors declared a dividend of US\$0.30 per common share payable on January 6, 2005 to shareholders of record as of December 6, 2004.

### Issued by the Board of Directors on November 18, 2004:

Colin R. Beaven  
Dominique Burnier  
Edward J.S. Cripps  
Robert W.H. Cripps  
Derek R Gray  
A. John Holton  
Rodney C. Howkins  
Pauwla van Sambeek-Ronde  
Roy Walker

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AT SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

## INDEPENDENT AUDITORS' REPORT

### Introduction

We have audited the accompanying consolidated balance sheet of Velcro Industries N.V. and its subsidiaries ("the Company") as of September 30, 2004 and the related consolidated statements of income, changes in equity and cash flows, for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as of September 30, 2004 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Amstelveen, November 18, 2004

KPMG Accountants N.V.

## FIVE YEAR FINANCIAL HIGHLIGHTS

### VELCRO INDUSTRIES N.V. AND SUBSIDIARY COMPANIES

| Year Ended September 30 (in US\$'000)               | 2004       | 2003       | 2002       | 2001       | 2000       |
|---|------------|------------|------------|------------|------------|
| Sales   | 273,498    | 261,242    | 252,531    | 253,672    | 277,588    |
| Operating Earnings                                  | 29,875     | 34,080     | 34,244     | 27,652     | 46,173     |
| Royalties and Other Income                          | 478        | 402        | 483        | 640        | 671        |
| Interest Expense                                    | (755)      | (1,367)    | (2,134)    | (3,487)    | (3,836)    |
| Investment Income                                   | 9,930      | 2,448      | 1,972      | 7,327      | 11,902     |
| Earnings before Income Taxes                        | 39,528     | 35,563     | 34,565     | 32,132     | 54,910     |
| Income Tax Expense                                  | 11,984     | 12,350     | 12,320     | 9,055      | 15,560     |
| Income (Losses) Applicable to Minority Shareholders | (8)        | 16         | 2          | 52         | 46         |
| Net Earnings  | 27,552     | 23,197     | 22,243     | 23,025     | 39,304     |
| Average Number of Shares Outstanding                | 30,040,490 | 30,040,490 | 30,040,490 | 30,040,490 | 30,040,490 |
| Earnings Per Share                                  | .92        | .77        | .74        | .77        | 1.31       |
| Annual Dividend per Share (in US\$1)                | .30        | .30        | .15        | .26        | --*        |

\* As a result of the adoption of International Accounting Standard (IAS) 10 (revised) during 2000, dividends declared after the balance sheet date are no longer recorded as a liability as of the balance sheet date.

## 2004 TRADING ACTIVITY

OCTOBER 1, 2003 THROUGH SEPTEMBER 30, 2004

VELCRO INDUSTRIES N.V.

|                                      | <u>High</u> | <u>Low</u> | <u>Close</u> |
|--------------------------------------|-------------|------------|--------------|
| NASDAQ Stock Market<br>Common Shares | US\$14.25   | US\$10.69  | US\$11.50    |

# DIRECTORS, OFFICERS AND COMPANIES

**VELCRO INDUSTRIES N.V.**  
Curaçao, Netherlands Antilles

## **Directors**

- # Colin R. Beaven
- # Dominique Burnier
- \* Edward J. S. Cripps
- \* Robert W. H. Cripps  
Derek R Gray
- \* A. John Holton
- \* Rodney C. Howkins
- # Pauwla van Sambeek-Ronde
- # Roy Walker

## **Officers**

- Robert W. H. Cripps  
Chairman
- A. John Holton  
Deputy Chairman and  
Chief Executive Officer
- Peter A. Pelletier  
Secretary and Treasurer
- Pauwla van Sambeek-Ronde  
Joint Secretary
- \* Member of the Executive Committee
- # Member of the Audit Committee

## **TRANSFER AGENTS AND REGISTRAR**

- Computershare Trust Company  
of Canada  
Montreal, Canada
- Mellon Investor Services, LLC  
Ridgefield Park, NJ, USA

## **SUBSIDIARIES** (All Wholly Owned)

### **ASIA AND AUSTRALIA**

- VELCRO HONG KONG LIMITED  
Hong Kong  
Raymond To  
General Manager
- VELCRO AUSTRALIA PTY. LTD.  
Melbourne, Australia  
Peter A. Batten  
General Manager
- VELCRO (CHINA) FASTENING  
SYSTEMS COMPANY LIMITED  
(formerly ZHANGJIAGANG VELCRO  
FASTENING SYSTEMS CO., LTD.)  
Jiangsu, China

Raymond To  
Chairman

### **EUROPE**

- VELCRO EUROPE S.A.  
Argentona, Spain  
Wil de Hollander  
Director
- VELCRO INDUSTRIES FRANCE S.A.  
Paris, France  
Pascal Moisan  
Sales Manager
- VELCRO GMBH  
Stuttgart, Germany  
Knut Ofen  
Sales Manager
- VELCRO ITALIA S.R.L.  
Arcore, Italy  
Vincenzo Ricci  
Sales Manager

VELCRO LTD.  
Middlewich, United Kingdom

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