RAVEN

2004 Annual Report
for fiscal year ended January 31

"One of America's
Best Small Companies"
—Forbes Magazine

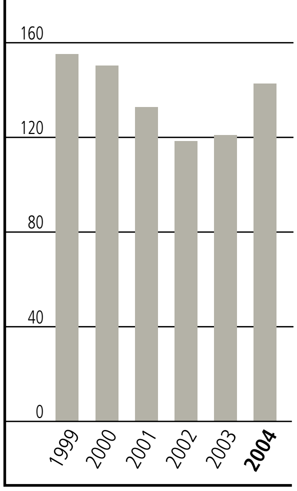
Financial Highlights

Dollars in thousands, except per-share data	2004	2003	change
	For the years ended January 31		
OPERATIONS			
Net sales	**$142,727**	$120,903	18.1%
Operating income	**21,626**	17,065	26.7%
Net income	**13,836**	11,185	23.7%
PER SHARE			
Net income – diluted	**$ 1.50**	$ 1.20	25.0%
Cash dividends	**0.34**	0.28	21.4%
Book value	**7.37**	6.42	14.8%
PERFORMANCE			
Operating income margin	**15.2%**	14.1%	7.8%
Return on net sales	**9.7%**	9.3%	4.3%
Return on average assets	**18.2%**	15.9%	14.5%
Return on beginning shareholders' equity	**23.8%**	21.5%	10.7%
Shares outstanding, year-end (in thousands)	**9,021**	9,066	–0.5%
Average number of employees	**770**	758	1.6%

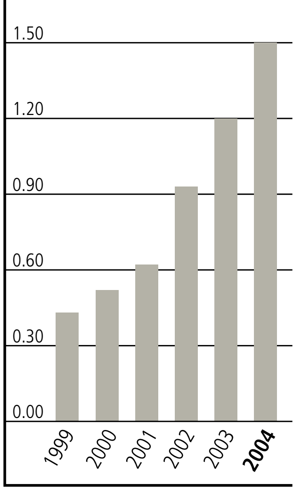
About the cover

Raven was named one of "America's 200 Best Small Companies" by *Forbes Magazine* based on our one- and five-year track record of solid financial performance (average return on equity, sales and earnings) and corporate board standing (ranked in the 93rd percentile). We are not strangers to this list as this was our fifth appearance since 1987. In 2003, we were in the "top 100," at No. 71. We plan on making this list again this year—aiming higher—as we target another year of sales and profit growth.

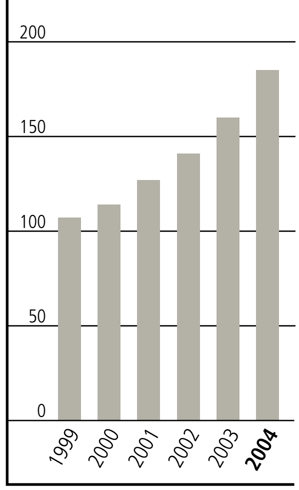
NET SALES
(dollars in millions)



EARNINGS PER SHARE
(dollars)



SALES PER EMPLOYEE
(dollars in thousands)



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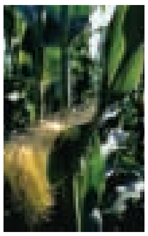
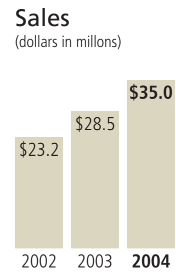
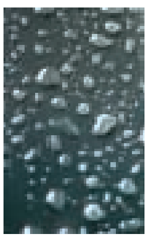
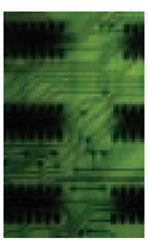
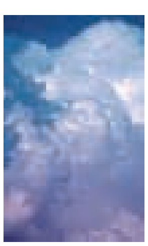
Business Profile

Founded in 1956, Raven today is an industrial manufacturer with four operating units. The company has divested lower-performing assets, simplified its product bases, and enhanced profitability (cash return on invested capital) and shareholder value–a strategy of "Improve, innovate, grow."

Operating Unit	Products	Markets	Competitive Strengths	
Flow Controls 	• Computerized control hardware and software for precision farming • Leading developer of GPS-based control systems • Precision application of pesticides, fertilizer and road de-icers	• Agriculture OEMs and sprayer manufacturers • Marine navigation	• Market leader for ag sprayer controls • Strong brand recognition and distribution network • New Precision Solutions™ product line	
Engineered Films 	• Rugged reinforced plastic sheeting	• Manufactured housing and RVs • Temporary grain covers for agriculture • Temporary building construction enclosures • Pond lining and containment for oil exploration	• Vertically integrated manufacturing capabilities • Broad product line • Superior target marketing • High productivity and low-cost structure	
	• High-altitude research balloons	• NASA • Universities	• Sole source in US for scientific balloons • Worldwide reputation for leadership	
Electronic Systems 	• Electronics Manufacturing Services (EMS)	• Primarily industrial OEMs in North America • Fortune 500 companies that contract their low-volume, high-mix production	• Advanced manufacturing, technology • Full-service provider, from engineering and manufacturing to customer service • ISO 9001	
Aerostar 	• Military cargo parachutes • Government service uniforms • Custom-shaped inflatables	• US military, homeland defense and foreign governments • Promotional and advertising markets, including Disney and Macy's	• Reputation for innovation and quality • Best technology	

To Our Shareholders, Employees and Customers

Left: **Ronald M. Moquist**
President & Chief Executive Officer

Right: **Thomas Iacarella**
Vice President & Chief Financial Officer

The past year was one of significant accomplishment. We met the challenge of improving, innovating and growing the company. As a result, each of our four business units delivered solid financial results. Even more importantly, we deepened our commitment to doing things "The Raven Way." For us, that means building a company that has lasting value—one with profitable growth based on maximizing cash flow return on investment, a strong balance sheet, and leaders who thrive in a culture of learning and accountability.

FISCAL YEAR RESULTS

Last year demonstrated our growing strength. We have created a diversified mix of leading industrial businesses that now have the ability to grow profitably even in tough economic times.

We emphasize three strategies: internal growth opportunities, operational excellence and innovation.

- New product introductions and continued gains in market share spurred an increase in revenue of 18% to $143 million.
- Net earnings grew to $13.8 million, up 24%.
- Investments in equipment, product development and marketing increased by $6 million in the past 18 months, setting the stage for future growth.
- We increased our commitment to Six Sigma, making it part of the fabric of our company. Five major quality-improvement projects were completed.
- Free cash flow, which we define as cash provided by operating activities less capital expenditures, was up 145% to $16.4 million.
- The quarterly dividend was increased twice during the year, up a total of 29%, our seventeenth consecutive annual increase. We also continued our share-repurchase program and bought back $3.1 million of our stock. Overall, $6.1 million was returned to Raven shareholders.
- Raven's share price reached an all-time high of $30.45 and closed the fiscal year at $28.21. In the last three years our share price has increased 364% while the S&P 500 index fell 17%.

A COMPANY OF LASTING VALUE

Over the last four years we have fundamentally changed Raven—exiting low-margin businesses that accounted for $70 million in revenue, focusing on a smaller customer base, investing heavily in core businesses and becoming a leaner, simpler organization.

We are no longer dependent on labor-intensive, low-margin, commodity-type products. The business model now in place is based on speed, flexibility and innovation. We have strong positions in niche markets that are capable of driving high-margin sales and capital-efficient growth. We can compete locally and against the toughest international competition.

PROFITABLE GROWTH STRATEGIES

To achieve our goals of 12% revenue growth and 15% net earnings growth per year on average, we will continue to emphasize three strategies: focusing on internal growth opportunities, driving operational excellence and investing in innovation.

Internal Growth
Our goal is not to get big fast; it is to get big profitably. That's not to diminish the importance of driving the topline revenue, but profit margins come before rapid sales growth. For the next three years the emphasis will be on internal growth. That's the centerpiece of our plan. Growth will be based on technology, new products, improved processes and focused marketing. And we can do it without a major acquisition. We prefer small, strategic acquisitions that bring new technology, products or geographic reach to Raven, especially in Flow Controls and Engineered Films.

Operational Excellence
We can only maintain strong margins through operational excellence. That means disciplined cost controls; a simple, focused organization; and continuous improvement through Six Sigma and Total Quality initiatives. These initiatives already have had a combined impact of several million dollars saved in the last three years. But equally important, they have raised the level of quality, flexibility and customer-response time. Raven employees have embraced these initiatives and understand how important they are to our future success. We realize that this is only a beginning and that the road to success demands a corporate culture that constantly challenges and improves everything we do and strives for the ultimate prize—zero waste.

The road to success demands a corporate culture that constantly challenges and improves everything we do and strives for the ultimate prize—zero waste.

Innovation
Don't expect any wild cost cutting, divestitures, big layoffs or pricey acquisitions to lead Raven into an uncertain future. More than ever, our future will be shaped by our ability to connect with customers and to innovate. Innovation at Raven is not just about developing great new products. It also includes new ways of selling, servicing and supporting the customer. Last year we:

- introduced the TrueLine® tractor steering-assist product in Flow Controls. Sales were minimal but the responses were encouraging and point to a growing market.
- completed the transformation of Aerostar from a commercial outerwear and hot-air sport balloon company to a military contractor, reversing an operating loss with a $2 million improvement in profitability.
- introduced new co-extruded products in Engineered Films, using the high-volume plastic film extruder installed in the fourth quarter, 2002.
- utilized Six Sigma to boost speed, flexibility, quality and profits in Electronic Systems.

While new products, operational improvements and the Aerostar turnaround were all important developments, the continued growth in profitability and returns on invested capital—under tough conditions—was impressive.

	FY2004	FY2003	FY2002	Previous 5-Year Average
Annual EPS Growth	25.0%	29.0%	50.0%	9.2%
Return on Equity	23.8%	21.5%	18.4%	12.5%
Return on Assets	18.2%	15.9%	13.3%	9.1%
Return on Sales	9.7%	9.3%	7.5%	4.8%

A STRONG BALANCE SHEET

Raven's solid business models are not dependent on cheap labor or commodity businesses to be successful.

Our balance sheet is rock solid, giving us a full range of strategic choices. With no debt and substantial cash resources, we have the flexibility to act decisively and take advantage of opportunities. Generating cash is one of our highest priorities. At Raven, we turn net income into cash, giving you confidence that both numbers are real.

We raised the dividend 14% in April, and 13% in October 2003. We continue to buy back our common stock but at a reduced rate of less than 2% of shares outstanding annually. Our strategy is to return excess cash to our shareholders.

We're improving the turnover in working capital. In the past year inventory turns improved by 48%, and accounts-receivable collections dropped from an average 48 days to 45 days. We can do even better.

SPECIAL DIVIDEND

On March 9, 2004, Raven's Board of Directors announced the 18th annual increase in the company's quarterly cash dividend to 11 cents per share, and at the same time declared a one-time special cash dividend of $1.25 per share, or approximately $11 million, to both enhance shareholder returns and redeploy the company's excess cash balances. These actions will substantially improve our returns on both equity and assets.

This will have no impact on current operations and does not in any way restrict our ability to fund growth initiatives, including strategic acquisitions. We will continue to have a strong balance sheet with significant borrowing capacity.

MARKET-LEADING BUSINESSES

Raven has some terrific businesses, plus solid business models that can outperform the competition and the market. To a great extent they are "China-proof." By that we mean we are not dependent on cheap labor or commodity businesses to be successful.

Flow Controls Division
Flow Controls is a market leader with a dynamic leadership team and it is positioned for long-term double-digit growth. Flow Controls introduced eight new products last year, the most in its history. Even more will be introduced this year. While this segment will have another strong year, it will not post the same rate of growth of the last three years. First-half Flow Controls sales and profits could be off because of the loss of a large special order we had last year. But the last six months of the fiscal year should be strong.

Engineered Films Division
Engineered Films continues to outpace the competition. We have a broad and deep product line and the best marketing in the industry. We will continue to invest heavily in new co-extruded plastic film products and advanced extrusion equipment to maintain our leadership position. The big negative we face is the volatility of polyethylene resin pricing, our major cost item.

Our reputation for integrity is Raven's most valuable asset.

Electronic Systems Division
We continue to make progress in our strategy to provide electronics manufacturing services to customers needing low-volume, high-mix production with significant engineering and customer-service support. This focused strategy somewhat limits Electronic System's ability to grow rapidly but it makes us less vulnerable to cheap foreign competition.

Aerostar, Inc.
We completed the transformation that began in 2000. Aerostar's focus is now on three new business platforms: military cargo parachutes, specialty uniforms for government agencies and large inflatables such as military decoys and tethered blimps. We have the potential for sustained profitable growth and there is plenty of room to improve.

Electronic Systems and Aerostar have had dramatic turnarounds and are now full partners in the growth and success of Raven. Both have developed profitable and sustainable business models and have the greatest growth potential, percentagewise, of any of our businesses.

THE BEST IS STILL AHEAD OF US

In June 2003, Raven was added to the Russell 3000 Index of U.S. securities. This should improve the liquidity of our common shares as the company's stock is added to more funds using the Russell Index. Ultimately, our liquidity depends on growing the company's sales and profits and our market capitalization.

We were pleased to be named to the *Forbes* list as one of the top 200 small companies in America. In fact, we were in the top 100, at No. 71. We can make this list again this year and improve that ranking. We have planned for another year of sales and profit growth, overcoming the challenge of a relatively flat first half.

Our reputation for integrity is Raven's most valuable asset. We have taken an active role in building investor trust through the clarity of our financial statements and the straightforward approach to investor communications. We present the financial information in this annual report proudly, knowing that investment decisions are made based on trust in the numbers.

I want to recognize the outstanding accomplishments of Ken TeKrony who will retire as Vice President and General Manager of Engineered Films on April 30. Ken is a 36-year employee who played an important role in the growth and success of Raven. He set high standards and consistently delivered.

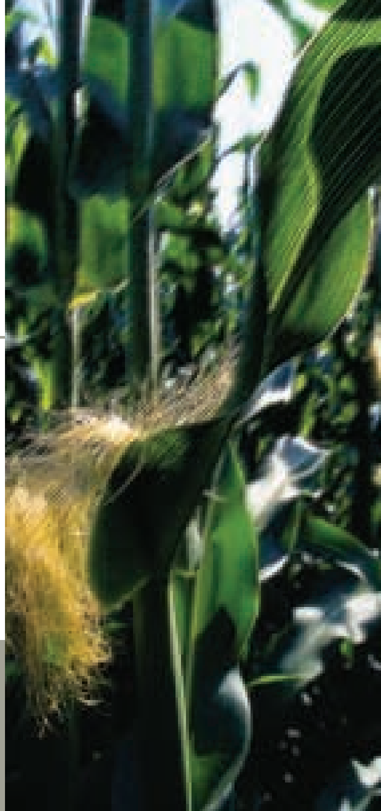
Finally, my sincere thanks to all Raven employees. You lead, you execute and you embrace change. You represent the best of what American manufacturers stand for.

R M Moquist

Ronald M. Moquist
President and CEO

March 29, 2004

An improving farm economy and new product acceptance led to record performance for Raven's Flow Controls Division.

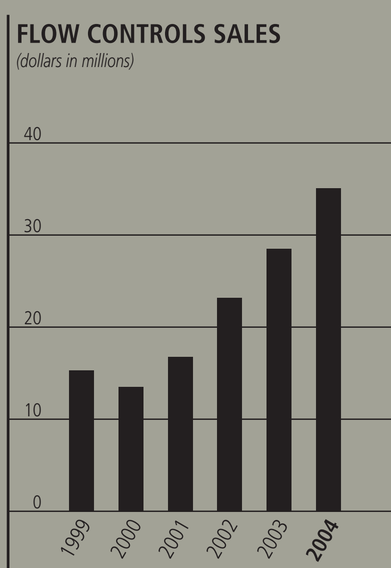


Flow Controls Division

An improving farm economy and acceptance of new products led Raven's Flow Controls Division (FCD) to record-high performance this past fiscal year. Sales rose 23% to $35 million while operating income climbed 20% to $8.3 million. Last year, we implemented the first phase of our precision ag marketing strategy. We established technical expertise in key markets to train and support re-sellers on steering, chemical application and other Raven technologies and introduced competitive pricing on navigation products, resulting in significant market-share improvement.

We also introduced design changes to several Precision Ag products resulting in improved ease of use and wider application as we established some 40 new dealers who are regional experts on agronomic practices. FCD also significantly expanded its reach in the application equipment market for planting operations, delivering to corn growers equipment that provides highly accurate pest control without using genetically modified seed.

We improved gross margins on core product lines by reducing material costs through design changes. The Division also completed the acquisition of Fluent Systems, LLC, an innovator in monitoring systems and wireless technology, and plans to expand this knowledge base throughout our entire product line.



Prospects

Looking to this new year, FCD intends to further expand international sales—which were up 31% last year—by setting up additional foreign sales representatives. The Division will address the challenge of overcoming a $6 million shortfall in special order chemical-injection sales by developing new business through chemical companies. In terms of product development, we intend to introduce a new GPS receiver this year as well as a low-cost steering system. We also plan to significantly improve ease of use across all product lines.

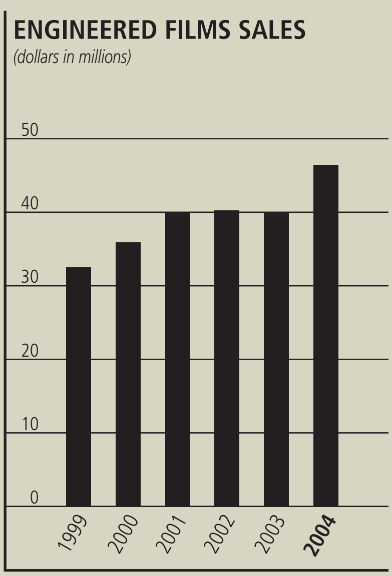
Sales in all plastic sheeting markets, including oil drilling, were up in fiscal 2004.

Engineered Films Division

Engineered Films Division (EFD) sales rose 16% to $46 million in the year just concluded from $40 million in the previous 12 months. Operating income was up 2% at $11.7 million with the impact of higher sales substantially offset by higher raw material prices. Natural gas, the primary feedstock of polyethylene resin, continues to rise and squeeze profit margins.

Sales in all plastic sheeting markets were up during the year, with sales for pit lining and industrial applications leading the way. Plastic sheeting introduced the previous year for use as a vapor barrier under concrete floors continued demonstrating good acceptance. Sales of sheeting for use as temporary covers for agriculture feed grains and silage provided additional growth. EFD's new extrusion line made possible increased sales of agriculture films along with a good portion of the rise in sales of pit liners to the oil exploration market. This new equipment operated at approximately one-third of its capacity during its first full year—in line with our original plan.

Sales of scientific balloons showed an overall decline. However, sales of large scientific balloons to NASA, our primary balloon customer, remained strong and increased over the previous year. Shortfalls resulted from decreased sales to foreign balloon customers as well as reduced orders for development of the next generation of scientific balloons, the Ultra Long Duration Balloon (ULDB).



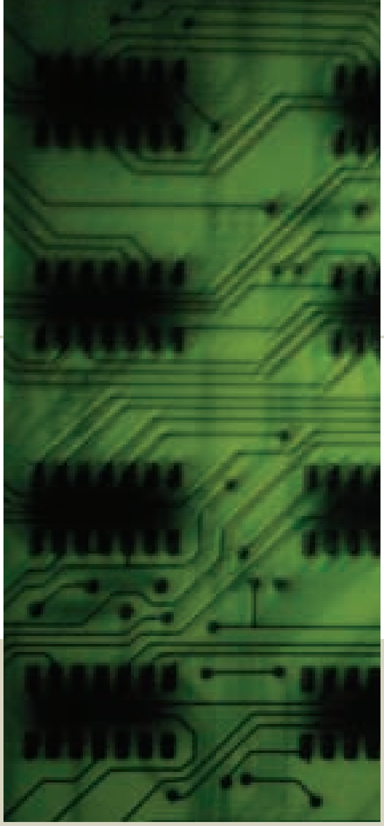
Prospects

We expect growth in all plastic sheeting markets this new fiscal year. The increases will vary by market with most of the sales gains taking place in the agriculture and pit-lining areas as we utilize more of our available capacity. We also expect significant growth in the industrial market as we more fully utilize the capabilities of our co-extrusion line. EFD is currently looking into new capacity to meet demand for more complex co-extruded films.

Higher sales activity is also expected in the scientific balloon area as foreign balloon sales climb back to more historic levels and the ULDB program is revitalized with new urgency. We expect that the market for scientific balloons to NASA will remain at the levels of the past few years.

Expansion into new markets, including avionics, helped push Electronic Systems sales up 15%.

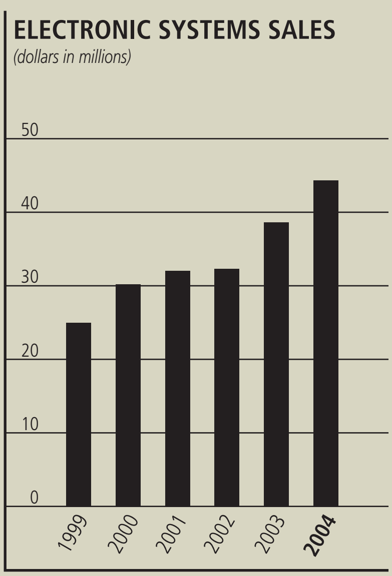
Electronic Systems Division



Despite the depressed level of sales for electronics manufacturing service providers, our Electronic Systems Division (ESD) achieved topline growth of 15%, reaching $44 million in fiscal 2004. This was accomplished primarily through growing existing businesses with long-term customers and a full year of production with clients who were added during the previous year. ESD operating profits climbed 44%, hitting $5.8 million vs. $4.0 million the year before.

We have concentrated on a defensible niche of high-mix, low-volume production with strong engineering and customer service support. Ongoing cost improvements and improved production efficiencies have allowed us to improve profitability while serving a large-company customer base.

ESD continues to be a leader in the implementation of our Six Sigma methodology. One major project in engineering (regarding the lifecycle of part numbers) was completed during the year. This project is expected to reduce inventory levels, improve the efficiency of the product-revision process and lower inventory-obsolescence risk. Ongoing efficiencies from previous projects have resulted in savings of more than $2 million over the past three years.



Prospects

Major activities for this year include efforts using Six Sigma to evaluate design and quotation cycle times. Efforts will continue on reducing manufacturing cycle time and increasing throughput yield. ESD is continuing to maintain a selective base of customers by adding one to two new clients annually. We will continue our focus on building customer partnerships and providing value-added services in test, design, manufacturability-analysis and component-obsolescence tracking.

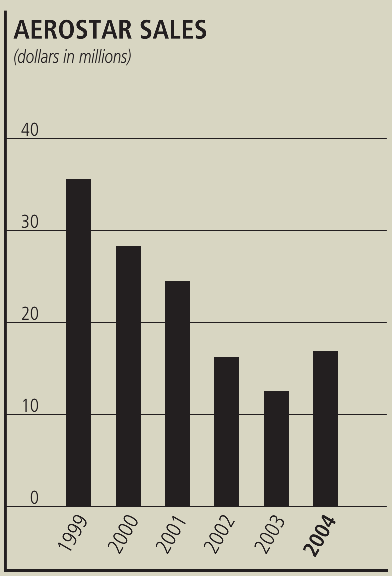
Which airplane is an inflatable? Aerostar's highly realistic inflatable decoys also mimic thermal images and radar signatures of actual military equipment.

Aerostar

Restructuring and new product directions begun two years ago resulted in major performance improvements. Sales rose to $17 million, up 35% from the previous year. Operating income including $182,000 of gains on asset sales, jumped to $2.0 million, reversing the operating loss from one year earlier. This substantial improvement is due to strong operating performance in the production of military cargo parachutes as well as higher than expected sales in government and military protective apparel.

Aerostar completed deliveries of its $7.6 million parachute contract with better than expected margins. This was in large part due to successful implementation of automation and production techniques not previously utilized in the parachute manufacturing industry. This success combined the core skills of Aerostar's technical engineering and quality assurance and the production efficiency and automation talents of Raven's sewing operations. Aerostar received an additional option contract of $7.7 million in military parachutes as well as a smaller contract for other parachute services.

Our inflatable military decoys generated significant interest and sales this year. These highly realistic products include the visual and radar fidelity of real equipment along with specialized systems designed to mimic the thermal image signature of actual units.



Prospects

As Aerostar phased out of traditional outerwear, new opportunities became available involving biological and chemical protective gear for the military. Many of these items were produced in support of U.S. forces heading to Operation Iraqi Freedom. New protective gear is being developed this year in conjunction with W.L. Gore, utilizing its emerging technology.

Much of Aerostar's current capacity is already booked for the coming year. Significant to its long-term strength, Aerostar will focus on securing follow-on contracts in parachutes and protective wear that will build upon the strong base it has already established.

Eleven-Year Financial Summary

Dollars in thousands, except per-share data	For the years ended January 31, **2004**	2003	2002
OPERATIONS FOR THE YEAR			
Net sales			
Ongoing operations	**$142,727**	$119,589	$112,018
Sold businesses[(a)]	**—**	1,314	6,497
Total	**142,727**	120,903	118,515
Gross profit	**33,759**	27,515	23,851
Operating income			
Ongoing operations	**21,981**	16,861	13,788
Sold businesses[(a)]	**(355)**	204	(613)
Total	**21,626**	17,065	13,175
Income before income taxes	**21,716**	17,254	13,565
Net income	**$ 13,836**	$ 11,185	$ 8,847
Net income % of sales	**9.7%**	9.3%	7.5%
Net income % of beginning equity	**23.8%**	21.5%	18.4%
Cash dividends	**$ 3,075**	$ 2,563	$ 2,371
FINANCIAL POSITION			
Current assets	**$ 55,710**	$ 49,351	$ 45,308
Current liabilities	**11,895**	13,167	13,810
Working capital	**$ 43,815**	$ 36,184	$ 31,498
Current ratio	**4.68**	3.75	3.28
Property, plant and equipment	**$ 15,950**	$ 16,455	$ 14,059
Total assets	**79,508**	72,816	67,836
Long-term debt, less current portion	**57**	151	280
Shareholders' equity	**$ 66,471**	$ 58,236	$ 52,032
Long-term debt / total capitalization	**0.1%**	0.3%	0.5%
Inventory turnover (CGS / year-end inventory)	**6.5**	4.4	5.0
CASH FLOWS PROVIDED BY (USED IN)			
Operating activities	**$ 19,732**	$ 12,735	$ 18,496
Investing activities	**(4,352)**	(9,166)	(13,152)
Financing activities	**(6,155)**	(5,830)	(8,539)
Increase (decrease) in cash	**9,225**	(2,261)	(3,195)
COMMON STOCK DATA			
Net income per-share — basic	**$ 1.53**	$ 1.22	$ 0.95
Net income per-share — diluted	**1.50**	1.20	0.93
Cash dividends per-share	**0.34**	0.28	0.25
Book value per-share	**7.37**	6.42	5.65
Stock price range during year			
High	**$ 30.45**	$ 18.40	$ 11.75
Low	**15.12**	8.75	6.04
Close	**$ 28.21**	$ 15.81	$ 11.28
Shares outstanding, year-end (in thousands)	**9,021**	9,066	9,212
Number of shareholders, year-end	**3,560**	2,781	2,387
OTHER DATA			
Price / earnings ratio	**18.8**	13.2	12.1
Average number of employees	**770**	758	838
Sales per employee	**$ 185**	$ 160	$ 141
Backlog	**$ 47,120**	$ 42,826	$ 33,834

All per-share, shares outstanding and market price data reflect the January 2003 two-for-one stock split and the July 2001 three-for-two stock split. All other figures are as reported.

Price / earnings ratio is determined as closing stock price divided by net income per share-diluted.

(a) During the second quarter of fiscal 2003, the company sold its Beta Raven Industrial Controls Division. In fiscal 2001, 2000 and 1996, the company sold its Plastic Tank, Glasstite and Astoria businesses, respectively.

(b) Includes $2.6 million of business repositioning charges, net of gains on plant sales, primarily in Electronic Systems Division and Aerostar.

For the years ended January 31,

2001[g]	2000[g]	1999[g]	1998[g]	1997[g]	1996[g]	1995[g]	1994[g]
$113,360	$107,862	$108,408	$104,489	$101,869	$ 84,379	$ 87,458	$ 88,608
19,498	42,523	46,798	47,679	39,576	38,010	35,889	34,279
132,858	150,385	155,206	152,168	141,445	122,389	123,347	122,887
21,123	24,217	24,441	24,929	25,287	22,660	23,968	23,574
7,417[b]	7,971	8,220	9,555	9,321	7,692	10,470	8,054
3,331[c]	2,606[d]	1,453	1,007	2,650	1,869	466[f]	2,386
10,748	10,577	9,673	10,562	11,971	9,561	10,936	10,440
10,924	10,503	9,649	12,540[e]	11,915	9,566	9,372	10,638
$ 6,411[b][c]	$ 6,762[d]	$ 6,182	$ 8,062	$ 7,688	$ 6,197	$ 6,088[f]	$ 6,954
4.8%	4.5%	4.0%	5.3%	5.4%	5.1%	4.9%	5.7%
11.8%	10.9%	10.0%	14.2%	15.6%	13.6%	14.8%	19.6%
$ 2,399	$ 2,895	$ 2,944	$ 2,709	$ 2,367	$ 2,130	$ 1,843	$ 1,545
$ 51,817	$ 55,371	$ 60,279	$ 57,285	$ 56,696	$ 45,695	$ 43,795	$ 45,037
13,935	14,702	15,128	17,816	20,016	14,771	15,078	16,088
$ 37,882	$ 40,669	$ 45,151	$ 39,469	$ 36,680	$ 30,924	$ 28,717	$ 28,949
3.72	3.77	3.98	3.22	2.83	3.09	2.90	2.80
$ 11,647	$ 15,068	$ 19,563	$ 19,817	$ 18,142	$ 18,069	$ 18,570	$ 13,371
65,656	74,047	83,657	82,066	80,662	67,553	65,636	60,597
2,013	3,024	4,572	1,128	3,181	2,816	4,179	2,539
$ 47,989	$ 54,519	$ 62,293	$ 61,563	$ 56,729	$ 49,151	$ 45,526	$ 41,100
4.0%	5.3%	6.8%	1.8%	5.3%	5.4%	8.4%	5.8%
5.9	5.2	4.9	4.8	4.5	4.1	4.4	4.4
$ 9,441	$ 10,375	$ 8,326	$ 9,274	$ 7,088	$ 9,687	$ 7,452	$ 11,257
9,752	6,323	(3,127)	(4,979)	(5,090)	(4,158)	(10,000)	(5,908)
(14,227)	(16,326)	(2,714)	(4,884)	(2,363)	(4,029)	406	(2,042)
4,966	372	2,485	(589)	(365)	1,500	(2,142)	3,307
$ 0.62	$ 0.52	$ 0.43	$ 0.55	$ 0.54	$ 0.44	$ 0.43	$ 0.49
0.62	0.52	0.43	0.55	0.54	0.43	0.42	0.48
0.23	0.22	0.21	0.19	0.17	0.15	0.13	0.11
5.06	4.64	4.42	4.25	3.91	3.47	3.20	2.92
$ 6.95	$ 6.08	$ 7.58	$ 8.58	$ 7.83	$ 6.92	$ 8.17	$ 7.83
3.75	4.50	5.08	6.54	5.33	5.17	6.00	6.00
$ 6.08	$ 4.79	$ 5.33	$ 7.54	$ 7.50	$ 6.42	$ 6.25	$ 6.67
9,478	11,748	14,082	14,472	14,508	14,148	14,205	14,082
2,460	2,749	3,014	3,221	3,011	3,190	3,031	3,173
9.8	9.2	12.4	13.7	13.9	14.9	14.9	13.9
1,043	1,320	1,445	1,511	1,387	1,368	1,414	1,435
$ 127	$ 114	$ 107	$ 101	$ 102	$ 89	$ 87	$ 86
$ 38,239	$ 44,935	$ 47,431	$ 47,154	$ 38,102	$ 32,539	$ 29,661	$ 36,403

(c) Includes the $3.1 million pretax gain ($1.4 million net of tax) on the sale of the company's Plastic Tank Division.

(d) Includes the $1.2 million pretax gain ($764,000 net of tax) on the sale of assets of the company's Glasstite subsidiary.

(e) Includes the $1.8 million pretax gain ($1.2 million net of tax) on sale of an investment in an affiliate.

(f) Includes $1.8 million of business repositioning charges at the company's Beta Raven Industrial Controls Division.

(g) Amounts for these years are unaudited.

Business Segments

Dollars in thousands	2004	2003	2002	2001[i]	2000[i]	1999[i]
	For the years ended January 31					
FLOW CONTROLS DIVISION						
Sales	**$ 35,059**	$ 28,496	$ 23,178	$ 16,758	$ 13,520	$ 15,311
Operating income	**8,254**	6,897	5,509[b]	3,985	2,873	2,810
Assets	**19,304**	21,483	20,313	9,578	7,096	8,553
Capital expenditures	**341**	729	677	327	202	501
Depreciation & amortization	**1,004**	948	443	353	351	329
ENGINEERED FILMS DIVISION						
Sales	**$ 46,408**	$ 39,975	$ 40,280	$ 40,004	$ 35,889	$ 32,514
Operating income	**11,701**	11,447	9,886	8,810	7,464	5,836
Assets	**18,108**	18,507	14,847	13,031	13,472	13,177
Capital expenditures	**1,707**	4,111	3,182	674	792	566
Depreciation & amortization	**1,664**	1,495	1,085	1,033	1,075	1,136
ELECTRONIC SYSTEMS DIVISION						
Sales	**$ 44,307**	$ 38,589	$ 32,289	$ 32,039	$ 30,176	$ 24,958
Operating income (loss)	**5,797**	4,022	2,264	(542)[d]	1,632	2,322
Assets	**14,975**	14,528	13,910	15,359	18,846	15,591
Capital expenditures	**841**	395	774	1,492	1,168	1,399
Depreciation & amortization	**850**	978	1,101	1,089	1,032	959
AEROSTAR						
Sales	**$ 16,953**	$ 12,529	$ 16,271	$ 24,559	$ 28,277	$ 35,625
Operating income (loss)	**1,954[a]**	(405)	1,278[c]	1,583	2,092	2,724
Assets	**5,589**	5,769	5,994	7,361	11,307	14,446
Capital expenditures	**135**	539	252	122	117	308
Depreciation & amortization	**383**	354	263	280	372	464
SOLD BUSINESSES[g]						
Sales	**$ —**	$ 1,314	$ 6,497	$ 19,498	$ 42,523	$ 46,798
Operating income (loss)	**(355)**	204	(613)	3,331[e]	2,606[f]	1,453
Assets	**—**	—	1,102	4,805	13,475	22,048
Capital expenditures	**—**	7	52	246	1,172	1,585
Depreciation & amortization	**—**	20	76	718	1,831	2,004
REPORTABLE SEGMENTS TOTAL						
Sales	**$142,727**	$120,903	$118,515	$132,858	$150,385	$155,206
Operating income	**27,351[a]**	22,165	18,324[b,c]	17,167[d,e]	16,667[f]	15,145
Assets	**57,976**	60,287	56,166	50,134	64,196	73,815
Capital expenditures	**3,024**	5,781	4,937	2,861	3,451	4,359
Depreciation & amortization	**3,901**	3,795	2,968	3,473	4,661	4,892
CORPORATE & OTHER[h]						
Operating (loss)	**$ (5,725)**	$ (5,100)	$ (5,149)	$ (6,419)	$ (6,090)	$ (5,472)
Assets	**21,532**	12,529	11,670	15,522	9,851	9,842
Capital expenditures	**306**	252	157	229	188	247
Depreciation & amortization	**244**	171	177	194	223	241
TOTAL COMPANY						
Sales	**$142,727**	$120,903	$118,515	$132,858	$150,385	$155,206
Operating income	**21,626[a]**	17,065	13,175[b,c]	10,748[d,e]	10,577[f]	9,673
Assets	**79,508**	72,816	67,836	65,656	74,047	83,657
Capital expenditures	**3,330**	6,033	5,094	3,090	3,639	4,606
Depreciation & amortization	**4,145**	3,966	3,145	3,667	4,884	5,133

(a) Includes $182,000 of pretax gain on plant sale.
(b) Includes a $550,000 in-process research and development charge, related to the Starlink acquisition.
(c) Includes $414,000 of pretax gains on plant sales.
(d) Includes $1.8 million of business repositioning charges in the Electronic Systems Division and $2.6 million for the total company.
(e) Includes a $3.1 million pretax gain on the sale of the company's Plastic Tank Division.
(f) Includes a $1.2 million pretax gain on the sale of the company's Glasstite business.
(g) Operating income for sold businesses includes administrative expenses directly attributable to the sold businesses.
(h) Operating loss consists of administrative expenses -- assets are principally cash, investments, deferred taxes and notes receivable.
(i) Amounts for 2001, 2000 and 1999 are unaudited.

Financial Review and Analysis

RESULTS OF OPERATIONS

The following table presents comparative financial performance for the past three years:

	For the years ended January 31								
	2004			2003			2002		
Dollars in thousands, except per-share data		% Sales	% Change		% Sales	% Change		% Sales	% Change
Net sales	**$142,727**	**100.0**	**+18.1**	$120,903	100.0	+ 2.0	$118,515	100.0	−10.8
Gross profit	**33,759**	**23.7**	**+22.7**	27,515	22.8	+15.4	23,851	20.1	+12.9
Operating expenses	**11,960**	**8.4**	**+12.5**	10,629	8.8	− 3.7	11,043	9.3	−20.5
Loss (gain) on sale of businesses and assets	**173**			(179)			(367)		
Operating income	**21,626**	**15.2**	**+26.7**	17,065	14.1	+29.5	13,175	11.1	+22.6
Income before income taxes	**21,716**	**15.2**	**+25.9**	17,254	14.3	+27.2	13,565	11.4	+24.2
Income taxes	**7,880**	**5.5**	**+29.8**	6,069	5.0	+28.6	4,718	4.0	+ 4.5
Net income	**$ 13,836**	**9.7**	**+23.7**	$ 11,185	9.3	+26.4	$ 8,847	7.5	+38.0
Net income per-share — diluted	**$ 1.50**		**+25.0**	$ 1.20		+29.0	$ 0.93		+50.0
Effective income tax rate	**36.3%**		**+ 3.1**	35.2%		+ 1.1	34.8%		−15.8

EXECUTIVE SUMMARY

Consolidated Operating Results

Company performance reached new highs in fiscal 2004, surpassing fiscal 2003's record-setting results with $13.8 million in net income and $1.50 of earnings per diluted share. This represents growth in net income and diluted earnings per share of $2.6 million and $0.30, respectively. All the divisions performed better than the prior fiscal year, both at the sales and operating income levels. Sales increased as a result of new product introductions and market share gains. Results for fiscal 2003 were also a record, with net income increasing $2.3 million, to $11.2 million, or $1.20 per diluted share.

During fiscal 2004, the board of directors elected to increase dividends twice, from 7 cents per share to 8 cents effective for the first- and second-quarter payments, and to 9 cents in August for the third and fourth quarters. On March 9, 2004, the quarterly dividend was increased again, to 11 cents per share, helping to meet the 30% dividend payout target the company had previously set. A special dividend of $1.25 per share was also declared, payable in May 2004, which will total approximately $11 million. In fiscal 2003, the company split the stock two-for-one, and increased dividends from 6.5 cents to 7.0 cents per share. Capital expenditures totaled over $3.0 million for fiscal 2004, after spending $6.0 million in fiscal 2003, principally for construction of an extrusion line and additional warehouse space for the Engineered Films segment. Fiscal 2005 capital expenditures are anticipated to exceed $10 million, with over half of that directed towards new extrusion technology and warehouse capacity for Engineered Films.

Management has planned for fiscal 2005 to be another year of double-digit sales and profit growth, with earnings for the first half relatively flat. The flat earnings are anticipated because the Flow Controls segment will not see a repeat of the special chemical-injection systems sale that totaled $6.0 million in the first half of fiscal 2004.

The following discussion highlights the consolidated operating results. Results at the divisional and subsidiary level are more fully explained in the segment discussions that follow. In addition, the company has undertaken divestitures and repositioning activities in the past three fiscal years which are more fully explained under "Divestitures and Repositioning Activities."

Fiscal 2004 versus fiscal 2003

The company's net sales of $142.7 million topped fiscal 2003 net sales of $120.9 million by $21.8 million. This 18.1% increase is a result of all the divisions achieving sales growth over fiscal 2003. Operating income grew 26.7% to $21.6 million as a result of increased gross profits in all the divisions. Flow Controls boasted a $6.6 million sales increase to $35.1 million on increased special-order chemical injection system sales and new product sales and its operating income reached $8.3 million. Engineered Films sales of $46.4 million were up 16.1% over fiscal 2003, but material pricing pressures kept operating income relatively flat at $11.7 million. Electronic Systems increased sales 14.8% to $44.3 million while growing operating income to $5.8 million, or 44.1%, from a selective customer base generating new and expanded orders. Aerostar effected a strong turnaround, increasing sales from $12.5 million to $17.0 million, and moving from an operating loss position in fiscal 2003 to operating income of $2.0 million in fiscal 2004, largely due to a US Army cargo parachute contract. Fiscal 2003 results also included $1.3 million in net sales and $204,000 of operating income related to operations of Sold Businesses. Fiscal 2004 results include no sales and an operating loss of $355,000 for ongoing environmental and legal liabilities associated with previously sold businesses.

Fiscal 2003 versus fiscal 2002

Net sales of $120.9 million and operating income of $17.1 million represented 2.0% and 29.5% growth over fiscal 2002. Flow Controls had a solid year with a $5.3 million increase in net sales and $1.4 million growth in operating income, principally as a result of the Starlink acquisition. Engineered Films' sales were flat at $40.0 million, but strong gross profits resulted in a 15.8% increase in operating income to $11.4 million. Electronic Systems had the largest increase in sales, up $6.3 million to $38.6 million while operating income climbed 77.7% to $4.0 million, due in part to the System Integrators acquisition and operating efficiencies. Aerostar's net sales were negatively impacted by the withdrawal from the cold-weather outerwear business, declining $3.7 million to $12.5 million, which, along with dropping gross profits, resulted in an operating loss of $405,000 compared to income of $1.3 million for fiscal 2002. Sold businesses' net sales dropped $5.2 million to $1.3 million and contributed $204,000 of operating income.

FISCAL 2004 PERFORMANCE MEASURES

The company's net income was 9.7% of net sales for fiscal 2004. In terms of average assets, net income was 18.2%. This highlights the company's effective use of its assets to generate income. Finally, as a percent of beginning equity for fiscal 2004, net income was 23.8%, underscoring the value generated for shareholders.

	2004	2003	2002	2001	2000	1999
Net income as % of						
Net sales	**9.7%**	9.3%	7.5%	4.8%	4.5%	4.0%
Average assets . . .	**18.2%**	15.9%	13.3%	9.2%	8.6%	7.4%
Beginning equity . .	**23.8%**	21.5%	18.4%	11.8%	10.9%	10.0%

DIVESTITURES AND OTHER REPOSITIONING ACTIVITIES

Over the past three years, the company has closed and downsized business units that did not provide proper returns on investment. While the company will continue to review the utilization of invested capital, management believes this activity was substantially completed in fiscal 2003.

Fiscal 2004 Activities

Fiscal 2004 divestiture activities were limited to the sale, by the company's Aerostar subsidiary, of a sewing plant closed in fiscal 2003. The sale of that plant and its related equipment resulted in cash proceeds of $196,000 and a pretax gain of $182,000. This gain was offset by a $355,000 loss from increased liabilities for environmental or legal issues related to previously sold businesses, as estimated by the company and its advisors.

Fiscal 2003 Activities

During fiscal 2003, the former Beta Raven Industrial Controls Division was sold. A pretax gain of $104,000 and $577,000 of cash proceeds were realized on the completion of the disposal of that subsidiary. An Aerostar sewing plant was closed during the third quarter as well. The remainder of the pretax net gain of $179,000 related to the collection of a previously discounted note receivable, net of increased anticipated costs from ongoing environmental and legal liabilities from previously sold businesses.

Fiscal 2002 Activities

In fiscal 2002, the company recorded a net pretax gain of $367,000 related to the sale of its former Sportswear Division warehouse and the closure of its remaining Plastic Tank Division operations in Tacoma, Washington. The company also incurred $249,000 of pretax charges to reposition the Industrial Controls Division of Beta Raven, including the closing of its Alabama plant. This charge was included in cost of goods sold in the Sold Businesses segment.

Sold Businesses

Fiscal 2003 net sales from Sold Businesses of $1.3 million were entirely composed of Beta Raven Industrial Controls Division operations. Operating income totaled $204,000 which included $179,000 of gains on asset sales. Net sales from Sold Businesses in fiscal 2002 were $6.5 million with $3.0 million from Beta Raven and $3.5 million from the Plastic Tank Division. Operating losses were $613,000 with $47,000 of losses on asset sales.

RESULTS OF OPERATIONS

SALES AND OPERATING INCOME BY SEGMENT

	2004		2003		2002	
Dollars in thousands	amount	% change	amount	% change	amount	% change
SALES						
Flow Controls	**$ 35,059**	**+23.0**	$ 28,496	+22.9	$ 23,178	+38.3
Engineered Films	**46,408**	**+16.1**	39,975	− 0.8	40,280	+ 0.7
Electronic Systems	**44,307**	**+ 14.8**	38,589	+19.5	32,289	+ 0.8
Aerostar	**16,953**	**+35.3**	12,529	−23.0	16,271	−33.7
Total ongoing	**142,727**	**+19.3**	119,589	+ 6.8	112,018	− 1.2
Sold businesses	**—**		1,314	−79.8	6,497	−66.7
Total	**$142,727**	**+18.1**	$120,903	+ 2.0	$118,515	−10.8

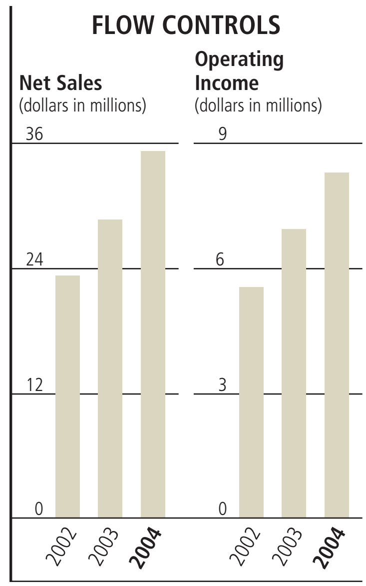
	2004		2003		2002	
Dollars in thousands	amount	% sales	amount	% sales	amount	% sales
OPERATING INCOME (LOSS)						
Flow Controls	**$ 8,254**	**23.5**	$ 6,897	24.2	$ 5,509	23.8
Engineered Films	**11,701**	**25.2**	11,447	28.6	9,886	24.5
Electronic Systems	**5,797**	**13.1**	4,022	10.4	2,264	7.0
Aerostar	**1,954**	**11.5**	(405)	(3.2)	1,278	7.9
Corporate expenses	**(5,725)**		(5,100)		(5,149)	
Total ongoing	**21,981**	**15.4**	16,861	14.1	13,788	12.3
Sold businesses	**(355)**		204		(613)	
Total	**$ 21,626**	**15.2**	$ 17,065	14.1	$ 13,175	11.1

FLOW CONTROLS

The Flow Controls Division (FCD) provides electronic speed and Global Positioning System (GPS)-based, location-compensated application-control products for the agriculture, marine navigation and other niche markets.

Fiscal 2004 versus fiscal 2003

Net sales of $35.1 million grew 23.0% from fiscal 2003 net sales of $28.5 million. Shipments of $6.0 million under a special order for chemical injection systems during the first half of fiscal 2004 were $2.8 million higher than fiscal 2003 shipments. The division's precision agriculture distribution plan, comprised of new product introductions, improvements on existing products and an expanded customer base, helped drive the remaining growth. Operating income of $8.3 million surpassed fiscal 2003 operating income by $1.4 million. Higher sales levels in turn produced increased gross profits, but were partially offset by a $678,000, or 39.5%, increase in selling expenses. As a percentage of net sales, gross profits were 30.4% as compared to 29.8% for fiscal 2003. Selling expenses rose sharply from personnel and advertising costs associated with the new precision agriculture distribution plan.



Additionally, fiscal 2003 bad debt expense was favorable due to the collection of a receivable for which an allowance had previously been established.

Fiscal 2003 versus fiscal 2002

Fiscal 2003 net sales growth of $5.3 million over fiscal 2002 net sales was propelled mainly by the Starlink acquisition and new product sales. The increase also resulted in higher gross profits, which grew $1.4 million, and combined with a slight decrease in expenses, resulted in operating income of $6.9 million. Selling expenses increased with additional advertising, travel and consulting costs, mostly offset by a credit for bad debt expense due to collection. Gross profits as a percentage of net sales for fiscal 2003 were 29.8%. The fiscal 2002 gross profit percentage was 30.5%, negatively impacted 2.4 percentage points due to a $550,000 write-off of acquired research and development costs. The margin decline from fiscal 2002 to fiscal 2003 is due to higher fixed costs which increased as a result of the Starlink acquisition, whose operations concentrate heavily on research and development.

Prospects

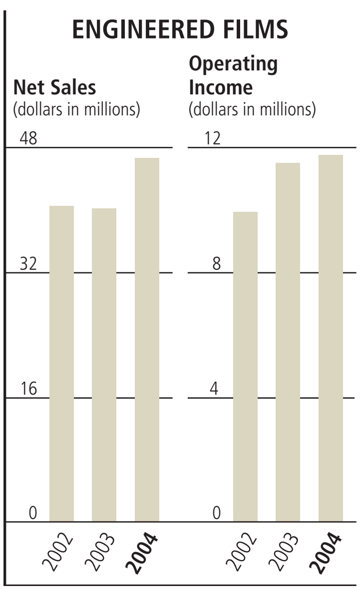
The division will continue to emphasize its precision agriculture distribution and marketing plans. FCD is committed to continued focus on improving current products, developing new solutions, and broadening the dealer network. Gaining more market share in the precision agriculture arena will be challenging as competition continues to increase and may cause pricing and margin pressures. The lack of a new chemical injection system special order leaves a substantial gap to fill, and will be particularly evident in the first half of fiscal 2005. The improving farm economy in the United States, and continued success of our precision agriculture initiative, may be sufficient to overcome this first-half shortfall by the end of fiscal 2005. The division remains strong and a key component of the company's overall success.

ENGINEERED FILMS

The Engineered Films Division (EFD) produces rugged reinforced plastic sheeting for industrial, construction, manufactured housing and agriculture applications and high altitude balloons for public and commercial research.

Fiscal 2004 versus fiscal 2003

The division's net sales exceeded fiscal 2003 net sales by $6.4 million to reach $46.4 million. The current fiscal year saw an upturn in pit-lining, industrial-market sales, and vapor-barrier sales. A new extrusion line added late in fiscal 2003 is operating according to plan, at approximately one-third capacity, and the expanded product offerings account for a large percentage of the overall sales increase.



Research balloon sales dropped $1.1 million (22.7%) while construction sales remained steady and agriculture sales increased. Despite the sales growth, gross profits increased only 3.9%. Combined with a $237,000, or 11.9%, increase in selling expenses, operating income increased only $254,000. Selling expenses grew as a result of additional sales personnel as the division works to expand its new product sales and market penetration. As a percentage of net sales, gross profits declined from 33.7% to 30.1%. This reflects the fluctuation in raw material costs between the years, although the division adjusts selling prices whenever possible to pass along the increases.

Fiscal 2003 versus fiscal 2002

EFD's fiscal 2003 net sales of $40.0 million were $305,000 below fiscal 2002 net sales. The markets for pit lining were depressed by reduced oil and gas exploration, while landfill and manufactured housing demand were also below fiscal 2002. Research balloon sales increased 8.8%, and combined with continued strength in the industrial and construction markets, helped to offset some of the shortfall. Operating income of $11.4 million grew $1.6 million over fiscal 2002, a result of low raw material costs that helped drive up gross profits. As a percentage of sales, gross profits increased from 29.1% to 33.7% on lower costs. Partially offsetting that growth was a 13.1% increase in selling expenses, or $231,000, due to higher personnel costs and product improvement expenses.

Prospects

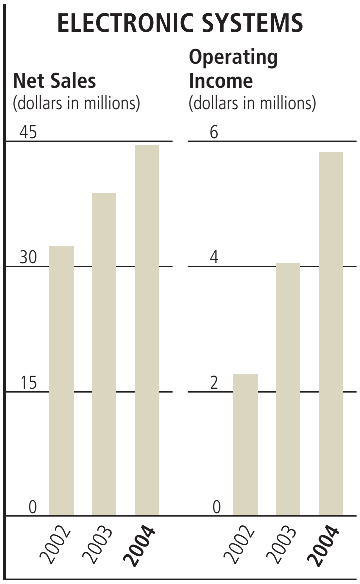
EFD continues to develop new products to fully utilize its extrusion capacity. New products typically carry lower gross profit margins during their introduction into the marketplace; however, margins should rise as the products mature and capacity is utilized. Volatility in resin prices can also impact gross profit rates. The division expects to see sales increase in the 10% range with operating income rising along with revenues. Management continues to invest in this division with new extrusion technology and warehouse capacity, still in the planning stage, scheduled to come on-line late in fiscal 2005 or early in fiscal 2006.

ELECTRONIC SYSTEMS

The Electronic Systems Division (ESD) is a total-solutions provider of electronics manufacturing services, primarily to North American original equipment manufacturers.

Fiscal 2004 versus fiscal 2003

Division net sales rose 14.8%, or $5.7 million, to $44.3 million over fiscal 2003 net sales. Increased demand for our customers' products fueled the increase. The division strives to maintain a small but profitable, efficient and selective customer base, and works with these customers to obtain order renewals and new orders as older orders end. Operating income increased $1.8 million over fiscal 2003 operating income of $4.0 million. Gross profit growth was the main contributor, as selling expenses remained relatively flat. Gross profit margins improved from 12.4% in fiscal 2003 to 14.8% in 2004. ESD's fourth quarter gross profit rate of 13.8% reflected start-up costs related to new customers. The improvement for the full year is a result of production efficiencies and better capacity utilization.



Fiscal 2003 versus fiscal 2002

ESD increased sales 19.5% over fiscal 2002 to reach $38.6 million. Much of the growth is attributable to customers retained from the System Integrators acquisition of December 2001, and sales from the former Beta Raven electronics manufacturing services operations folded into ESD during fiscal 2002. Government contract sales were lower than fiscal 2002, partially offsetting the growth. Operating income for the division reached $4.0 million versus operating income of $2.3 million for fiscal 2002. The growth is attributable to an increase in gross profits, countered by a $126,000 (20.2%) increase in selling expenses. Selling expenses increased from higher personnel costs. Bad debt expense in fiscal 2002 was favorably impacted by a $92,000 bad debt that was recovered. As a percentage of net sales, gross profits improved from 8.7% to 12.4%. Higher sales, continued focus on improving efficiencies, better utilization rates and a better customer base drove the increase.

Prospects

The division has built solid relationships with its customer base that should continue to provide growth opportunities throughout fiscal 2005. Overall, the division looks for sales growth in excess of 10% for fiscal 2005, with increases coming from existing accounts and the addition of one or two new customers. Better utilization of capacity and efficiency improvements are expected to increase operating income at a faster pace.

AEROSTAR

The Aerostar segment manufactures military cargo parachutes, government service uniforms and custom-shaped inflatable products.

Fiscal 2004 versus fiscal 2003

Aerostar had a strong turnaround in fiscal 2004, pulling net sales up 35.3% over fiscal 2003 results, to $17.0 million. Shipments under the US Army cargo parachute contract secured in fiscal 2003 increased $6.0 million, offsetting the loss in sales from discontinued outerwear lines and lower advertising-inflatables sales. Operating income of $2.0 million displayed a similarly strong turnaround as compared to a $405,000 loss in fiscal 2003, driven by gross profit increases and selling expense decreases. The restructuring that the subsidiary has undergone in the past three fiscal years has resulted in the elimination of cold-weather outerwear business and a diminished focus on hot-air balloon sales.

Operating income includes a $182,000 gain on the sale of a sewing plant closed in fiscal 2003. Gross profits increased as a percentage of sales from 4.5% to 15.0%, largely on the strength of the cargo parachute contract and improved margins on other sewn and sealed products. Fiscal 2003 profits were also depressed by $306,000 of inventory obsolescence charges on hot air balloon and apparel operations and start-up costs incurred for parachute manufacturing.

Fiscal 2003 versus fiscal 2002

Fiscal 2003 net sales dropped $3.7 million from the fiscal 2002 net sales level of $16.3 million. The withdrawal from the cold-weather outerwear market was responsible for most of the decline. Hot-air balloon sales were lower and inflatable display purchases were depressed by lower advertising spending by customers. Operating losses reached $405,000, down from an operating income level of $1.3 million in fiscal 2002. A decrease in gross profits drove most of the decline, along with the inclusion in fiscal 2002 operating income of a $414,000 gain on the sale of a building. As a percentage of sales, gross profits declined to 4.5% compared to 11.9% for fiscal 2002. Besides the lower sales levels, inventory obsolescence charges, parachute contract start-up costs and increased product liability costs negatively impacted gross profits.

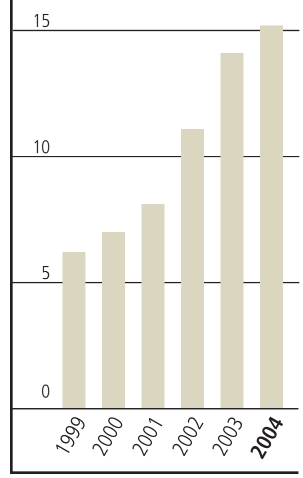
Prospects

Aerostar has positioned itself for further growth in fiscal 2005. Its current backlog position indicates sales growth in the 10% range. Additional sales growth should improve plant utilization and productivity, driving operating income even higher. New orders secured for parachutes and inflatable military decoys provide a basis for continuing optimism as Aerostar solidifies its product strategy.

EXPENSES, INCOME TAXES AND OTHER

Corporate expenses increased 12.3% over fiscal 2003 to $5.7 million for fiscal 2004. Personnel costs accounted for nearly half of the growth, a result of additional staff and increased compensation and insurance expenses. As a percentage of sales, expenses declined slightly. Expenses were relatively flat in fiscal 2003 as compared to fiscal 2002, declining $49,000. Interest expense increased slightly from $63,000 in fiscal 2003 to $70,000 for fiscal 2004. The company's main expense was interest on capital leases and deferred acquisition payments from the Starlink and System Integrators acquisitions as no borrowings were made in fiscal 2004. In addition, interest expense was incurred on payments related to a previously accrued tax dispute settlement. Between fiscal 2002 and fiscal 2003, interest expense declined $66,000 due to reduced debt levels from the prepayment of notes. Other income declined from $519,000 for fiscal 2002 to $252,000 and $160,000 in fiscal 2003 and 2004, respectively. The main component of other income is interest income which has suffered from low interest rates despite increased cash and investments, particularly between fiscal 2002 and 2003. Fiscal 2004's effective income tax rate of 36.3% was higher than the 35.2% effective rate for fiscal 2003 due to state income taxes and higher nondeductible expenses. The impact of graduated rates also declined due to the higher taxable income. Similar factors impacted the growth from 34.8% in fiscal 2002 to 35.2% in fiscal 2003.

NET OPERATING MARGIN
(in percent)



LIQUIDITY AND CAPITAL RESOURCES

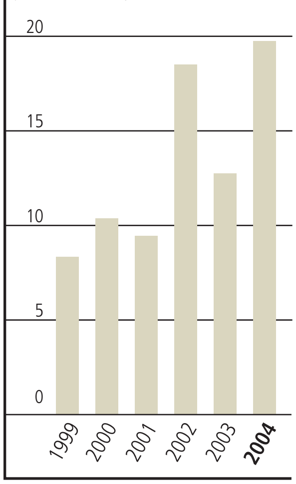
The following table summarizes cash provided by (used in) the company's business activities for the past three fiscal years:

Dollars in thousands	**2004**	2003	2002
Operating activities	**$19,732**	$12,735	$18,496
Investing activities	**(4,352)**	(9,166)	(13,152)
Financing activities	**(6,155)**	(5,830)	(8,539)

OPERATING ACTIVITIES AND CASH POSITION

Cash flow from operations totaled $19.7 million, a $7.0 million increase over inflows in fiscal 2003. The rise in net income and cash generated from inventory reductions were the main drivers. Flow Controls inventory levels in particular were higher at January 31, 2003, in anticipation of shipments for special order chemical-injection systems shipped in the first half of fiscal 2004. Engineered Films inventories at January 31, 2003, were also higher to take advantage of favorable raw material costs. Accounts receivable increased from January 31, 2003, balances, particularly within Electronic Systems from fourth-quarter shipments and higher sales levels in Engineered Films. Accounts payable shifted from a net cash inflow in fiscal 2003 to a cash use of $1.6 million for fiscal 2004 due to the decline in inventory and through efforts to take advantage of discounts. Fiscal 2003 operating cash flows were $12.7 million as compared to cash flows of $18.5 million for fiscal 2002. Net income was higher, but the growth was offset by a decrease in cash flows from inventory and accounts receivable. Included in fiscal 2002 cash flows was the liquidation of accounts receivable and inventory from the closed Plastic Tank Division. In addition, fiscal 2003 inventory levels were higher in preparation for the chemical-injection systems order and to take advantage of lower material costs.

CASH FLOWS FROM OPERATIONS
(dollars in millions)



Cash, cash equivalents and short-term investments totaled $18.4 million at January 31, 2004. This is double the balance of $9.2 million on January 31, 2003, which itself was 22.7% higher than the $7.5 million at January 31, 2002. Increased earnings, minimal capital expenditures and lower inventory levels have generated the growth in available cash. The company expects that cash and short-term investments, combined with continued positive operating cash flows, will continue to be sufficient to fund day-to-day operations and approximately $11 million of special dividends in May 2004.

INVESTING ACTIVITIES

The company used $4.4 million of cash for investing activities in fiscal 2004 versus $9.2 million for fiscal 2003. The company acquired Fluent Systems, LLC for $1.0 million and purchased a formerly leased Engineered Films segment facility for $1.0 million in fiscal 2004. The remaining expenditures represent ongoing capital improvements, partially reduced by proceeds from the sale of an Aerostar sewing plant. Cash used for investing activities in fiscal 2003 decreased $4.0 million as compared to cash used of $13.2 million in fiscal 2002. While no business acquisitions were completed during fiscal 2003 as in fiscal 2002 when Starlink and System Integrators were purchased, the Engineered Films Division completed construction of a $4.4 million extrusion line and additional warehouse space. Short-term investments of $4.0 million were purchased in 2003 with excess cash.

FINANCING ACTIVITIES

Cash used in financing activities of $6.2 million was relatively flat compared to $5.8 million expended in fiscal 2003. The company's main financing activities continue to be the payment of dividends and the repurchase of company stock. Fiscal 2002 financing activities included $3.0 million in prepayment of a long-term note. The dividend was increased 21.4% over fiscal 2003, and purchases of 144,175 shares at an average price of $21.28 were made during the year. In fiscal 2003, 251,230 shares were repurchased at an average price of $13.23, while 346,618 shares at an average price of $8.22 were repurchased in fiscal 2002. On March 9, 2004, the company announced that in addition to a 22% increase in the regular quarterly dividend (from 9 cents to 11 cents per share) a special one-time dividend of $1.25 per share will be paid May 20, 2004. Based on current shares outstanding, the one-time dividend will total approximately $11 million. The company anticipates paying this dividend with existing cash and short-term investments.

No short-term borrowings were made in fiscal 2004. The remaining debt of the company consists of capital leases assumed in the acquisition of Starlink and System Integrators which are scheduled to be repaid by fiscal 2006.

Contractual obligations consist of capital leases and non-cancelable operating leases for facilities and equipment, deferred acquisition payments related to the Starlink, System Integrators and Fluent Systems acquisitions and unconditional purchase obligations primarily for raw materials. The letters of credit have been issued for worker's compensation insurance obligations that remain from the period of self-insurance (February 1, 2001, and prior). In the event the bank chooses not to renew the line of credit, the letters of credit would cease and alternative methods of support for the insurance obligations would be necessary that would be more expensive and require additional cash outlays. The company believes the chances of such an event are remote. A summary of the obligations and commitments at January 31, 2004, for the next five years is presented in the following table.

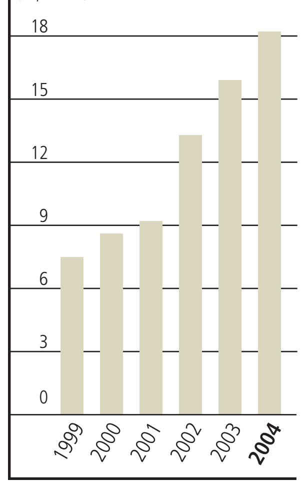
Dollars in thousands	Total	FY 2005	FY 2006-FY 2007	FY 2008-FY 2009
Contractual Obligations:				
Line of credit[a]	$ —	$ —	$ —	$ —
Capital leases	142	81	61	—
Deferred acquisition obligations	409	409	—	—
Operating leases	688	220	331	137
Unconditional purchase obligations	17,464	17,464	—	—
	18,703	18,174	392	137
Other Commercial Commitments:				
Letters of credit	1,682	1,682	—	—
	$20,385	$19,856	$392	$137

(a) $7.0 million line bears interest at 4.00% and expires July 2004.

CAPITAL REQUIREMENTS

The company maintains an excellent financial condition and capacity for growth. Management continues to look for opportunities to expand its core businesses through acquisitions or internal growth. The company has the capacity to assume additional financing and will do so if the appropriate strategic opportunity presents itself. Capital expenditures for fiscal 2005 are budgeted to exceed $10 million. Over half of these expenditures will be to support the Engineered Films Division with new extrusion technology and warehouse capacity. Stock repurchases are anticipated to continue as a means to return additional cash to shareholders and increase the leverage of the company's balance sheet. As noted in the financing section, a one-time dividend of approximately $11 million will also be paid in May 2004. The cash generated from operations and the availability under existing credit facilities is anticipated to be sufficient to fund these initiatives.

RETURN ON AVERAGE ASSETS
(in percent)



CRITICAL ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS

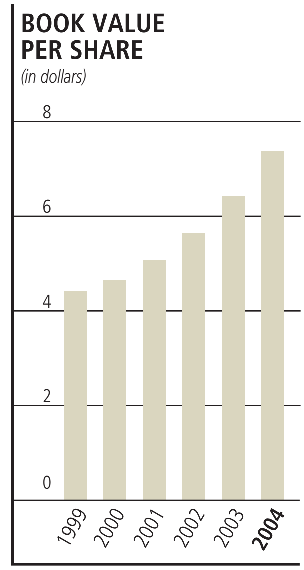
CRITICAL ACCOUNTING POLICIES

Critical accounting policies for the company are those policies that require the application of judgment when valuing assets and liabilities on the company's balance sheet. The company, other than utilizing operating leases, does not enter into off balance sheet financing or derivatives.

The company's most difficult accounting decision is determining inventory value at the lower of cost or market. Typically, when a product reaches the end of its life cycle, inventory value declines slowly or the product has alternative uses. Management uses its computerized manufacturing resources planning data to help determine if inventory is slow moving or has become obsolete due to an engineering change. The company closely reviews items that have balances in excess of the prior year's requirements or that have been dropped from production requirements. Despite these reviews, technological or strategic decisions, made by management or the company's customers, may result in unexpected excess material. In the Electronic Systems Division, the company typically has recourse to customers for obsolete or excess material. Under terms of the contract, the customers may have to take delivery of the material or compensate the company accordingly. In every operating unit of the company, management must manage obsolete inventory risk. The accounting judgment ultimately made is an evaluation of the success that division management will have in controlling inventory risk and mitigating the impact of obsolescence when it does occur.

Determining the level of the allowance for doubtful accounts, warranty and self-insurance accruals represent management's best estimate of future events. Historical levels of activity or assistance from advisors may be used in certain circumstances, but knowledge of the current financial climate or the impact of a new product on these accruals always tempers evaluation of the historical data.

The company periodically assesses goodwill and other intangible assets for impairment, at the segment level, using fair value measurement techniques. Estimates of fair value are primarily determined using discounted cash flows, market comparisons and recent transactions. These valuation methodologies use significant estimates and assumptions, which include projected future cash flows, including timing and the risks inherent in future cash flows, perpetual growth rates and determination of appropriate market comparables.



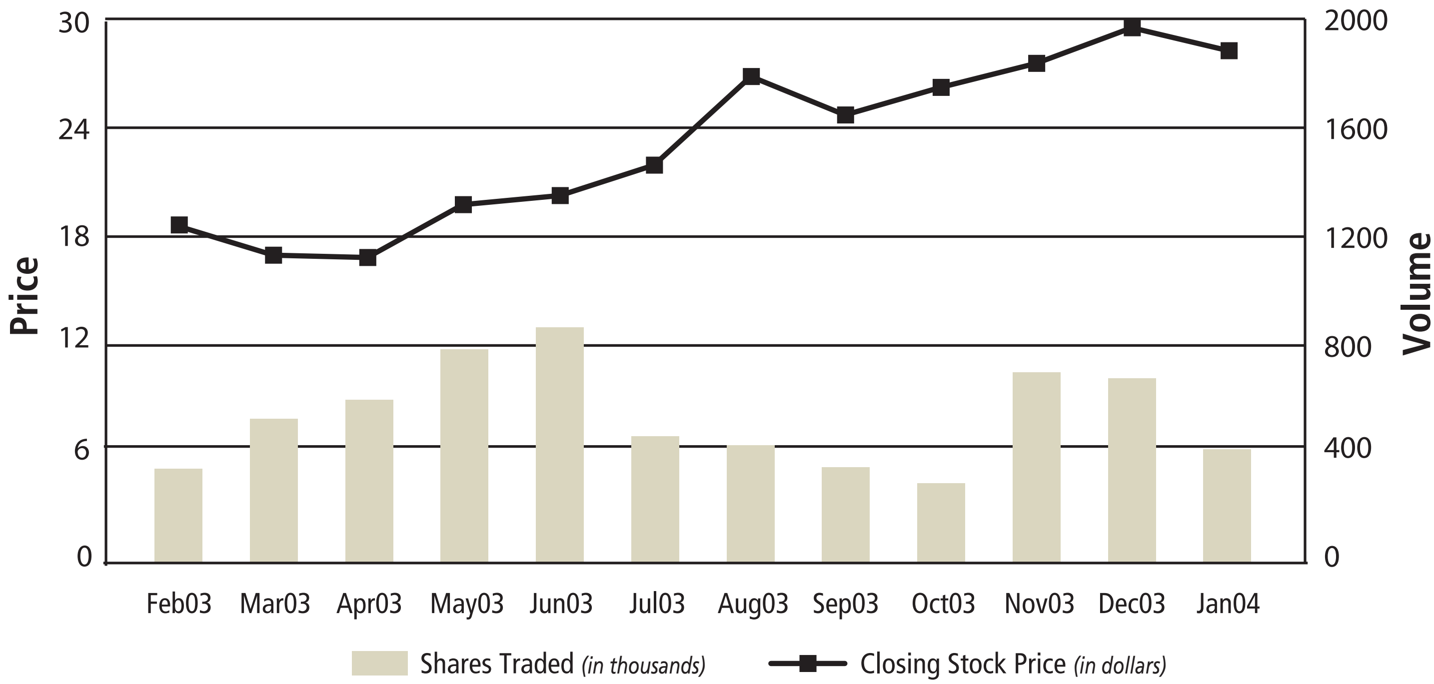
NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board has released several Staff Positions, Interpretations and revised Standards in the latter portion of fiscal 2004. The company has reviewed the issues covered by these pronouncements, and has determined their impacts to be minimal, and in most cases, not applicable to the company.

CHANGES IN SECURITIES LAWS AND REGULATIONS

The Sarbanes-Oxley Act of 2002 (the "Act") that became law in July 2002 requires changes in some of the company's corporate governance and securities disclosure or compliance practices. The company is presently preparing for its required compliance on January 31, 2005, with Section 404 of the Act, and management's assertions concerning financial reporting controls. This process is time-consuming and costly and involves significant interpretation of proposed requirements. The company believes that while it will be challenging, it will ultimately comply with the requirements.

Monthly Closing Stock Price and Volume



Quarterly Information (Unaudited)

Dollars in thousands, except per-share data	Net Sales	Gross Profit	Operating Income	Pretax Income	Net Income	Net Income Per Share[a][b] Basic	Net Income Per Share[a][b] Diluted	Common Stock Market Price[b] High	Common Stock Market Price[b] Low	Cash Dividends Per Share[b]
FISCAL 2004										
First Quarter	**$ 36,942**	**$ 9,437**	**$ 6,544**	**$ 6,556**	**$ 4,183**	**$0.46**	**$0.45**	**$19.00**	**$15.12**	**$0.080**
Second Quarter	**36,110**	**7,811**	**4,937**	**4,976**	**3,163**	**0.35**	**0.34**	**22.00**	**15.80**	**0.080**
Third Quarter	**36,081**	**9,219**	**6,121**	**6,126**	**3,902**	**0.43**	**0.42**	**27.46**	**21.24**	**0.090**
Fourth Quarter	**33,594**	**7,292**	**4,024**	**4,058**	**2,588**	**0.29**	**0.28**	**30.45**	**23.77**	**0.090**
Total Year	**$142,727**	**$33,759**	**$21,626**	**$21,716**	**$13,836**	**$1.53**	**$1.50**	**$30.45**	**$15.12**	**$0.340**
FISCAL 2003										
First Quarter	$ 30,974	$ 8,150	$ 5,304	$ 5,320	$ 3,458	$ 0.38	$ 0.37	$ 12.18	$ 8.75	$ 0.070
Second Quarter	29,692	5,996	3,532	3,569	2,320	0.25	0.25	14.43	10.75	0.070
Third Quarter	31,423	7,332	4,872	4,939	3,210	0.35	0.34	14.00	11.65	0.070
Fourth Quarter	28,814	6,037	3,357	3,426	2,197	0.24	0.24	18.40	13.40	0.070
Total Year	$ 120,903	$ 27,515	$ 17,065	$ 17,254	$ 11,185	$ 1.22	$ 1.20	$ 18.40	$ 8.75	$ 0.280
FISCAL 2002										
First Quarter	$ 30,972	$ 6,239	$ 3,294	$ 3,415	$ 2,209	$ 0.23	$ 0.23	$ 6.42	$ 6.04	$ 0.060
Second Quarter	28,157	5,299	3,020	3,157	2,043	0.22	0.22	9.09	6.34	0.065
Third Quarter	28,780	6,391	3,762	3,879	2,510	0.27	0.27	9.06	7.23	0.065
Fourth Quarter	30,606	5,922	3,099	3,114	2,085	0.23	0.22	11.75	8.55	0.065
Total Year	$ 118,515	$ 23,851	$ 13,175	$ 13,565	$ 8,847	$ 0.95	$ 0.93	$ 11.75	$ 6.04	$ 0.255

(a) Net income per share is computed discretely by quarter and may not add to the full year.
(b) All per-share and market price data reflect the January 2003 two-for-one stock split and the July 2001 three-for-two stock split.

Consolidated Balance Sheets

Dollars in thousands, except per-share data	As of January 31 **2004**	2003	2002
ASSETS			
Current assets			
Cash and cash equivalents	**$14,442**	$ 5,217	$ 7,478
Short-term investments	**4,000**	4,000	—
Accounts receivable, net	**18,454**	16,468	16,427
Inventories, net	**16,763**	21,366	19,082
Deferred income taxes	**1,313**	1,493	1,927
Prepaid expenses and other current assets	**738**	807	394
Total current assets	**55,710**	49,351	45,308
Property, plant and equipment, net	**15,950**	16,455	14,059
Goodwill	**6,776**	5,933	5,863
Other assets, net	**1,072**	1,077	2,606
Total assets	**$79,508**	$72,816	$67,836
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of long-term debt	**$ 72**	$ 119	$ 127
Accounts payable	**3,666**	5,291	4,801
Accrued liabilities	**7,784**	7,157	8,179
Customer advances	**373**	600	703
Total current liabilities	**11,895**	13,167	13,810
Long-term debt, less current portion	**57**	151	280
Other liabilities, primarily compensation and benefits	**1,085**	1,262	1,714
Commitments and contingencies			
Shareholders' equity	**66,471**	58,236	52,032
Common shares, par value $1.00 per share Authorized — 100,000,000 Outstanding — 2004: 9,020,544; 2003: 9,066,362; 2002: 9,211,138 (4,605,569 pre-split)			
Total liabilities and shareholders' equity	**$79,508**	$72,816	$67,836

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Income

Dollars in thousands, except per-share data	For the years ended January 31 **2004**	2003	2002
Net sales	**$142,727**	$120,903	$118,515
Cost of goods sold	**108,968**	93,388	94,664
Gross profit	**33,759**	27,515	23,851
Selling, general and administrative expenses	**11,960**	10,629	11,043
Loss (gain) on sales of businesses and assets, net	**173**	(179)	(367)
Operating income	**21,626**	17,065	13,175
Interest expense	**70**	63	129
Other income, net	**(160)**	(252)	(519)
Income before income taxes	**21,716**	17,254	13,565
Income taxes	**7,880**	6,069	4,718
Net income	**$ 13,836**	$ 11,185	$ 8,847
Net income per common share			
— basic	**$ 1.53**	$ 1.22	$ 0.95
— diluted	**$ 1.50**	$ 1.20	$ 0.93

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Income

Dollars in thousands, except per-share data	Common Stock	Paid-in Capital	Treasury stock Shares	Treasury stock Cost	Retained Earnings	Total
Balance January 31, 2001	$ 5,223	$3,459	(2,063,807)	$ (28,941)	$ 68,248	$ 47,989
Net and comprehensive income	—	—	—	—	8,847	8,847
Cash dividends ($.255 per share)[a]	—	—	—	—	(2,371)	(2,371)
Three-for-two stock split	2,612	(2,614)	(1,031,903)	—	—	(2)
Purchase of stock	—	—	(173,309)	(2,848)	—	(2,848)
Purchase and retirement of stock	(70)	(1,134)	—	—	—	(1,204)
Employees' stock options exercised	110	1,378	—	—	—	1,488
Tax benefit from exercise of stock options	—	133	—	—	—	133
Balance January 31, 2002	7,875	1,222	(3,269,019)	(31,789)	74,724	52,032
SFAS 123 adoption adjustment	—	478	—	—	—	478
Net and comprehensive income	—	—	—	—	11,185	11,185
Cash dividends ($.280 per share)[a]	—	—	—	—	(2,563)	(2,563)
Two-for-one stock split	7,875	(1,682)	(3,269,019)	—	(6,193)	—
Purchase of stock	—	—	(251,230)	(3,324)	—	(3,324)
Purchase and retirement of stock	(70)	(835)	—	—	—	(905)
Employees' stock options exercised	176	917	—	—	—	1,093
Stock compensation expense	—	174	—	—	—	174
Tax benefit from exercise of stock options	—	66	—	—	—	66
Balance January 31, 2003	15,856	340	(6,789,268)	(35,113)	77,153	58,236
Net and comprehensive income	—	—	—	—	13,836	13,836
Cash dividends ($.340 per share)	—	—	—	—	(3,075)	(3,075)
Purchase of stock	—	—	(144,175)	(3,068)	—	(3,068)
Purchase and retirement of stock	(39)	(804)	—	—	—	(843)
Employees' stock options exercised	137	435	—	—	—	572
Stock compensation expense	—	282	—	—	—	282
Tax benefit from exercise of stock options	—	531	—	—	—	531
Balance January 31, 2004	**$15,954**	**$784**	**(6,933,443)**	**$(38,181)**	**$87,914**	**$66,471**

(a) Reflects the July 2001 three-for-two stock split and January 2003 two-for-one stock split.

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

Dollars in thousands	For the years ended January 31 **2004**	2003	2002
Cash flows from operating activities			
Net income	**$13,836**	$11,185	$ 8,847
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**3,674**	3,541	2,975
Amortization	**471**	425	170
Acquired in-process research and development charge	**—**	—	550
Provision for losses on accounts receivable, net of recoveries	**67**	(100)	126
(Gain) loss on sales of businesses and assets	**173**	(179)	(367)
Deferred income taxes	**254**	1,157	586
Stock compensation expense	**282**	174	76
Change in operating assets and liabilities, net of effects from the acquisition and sale of businesses	**850**	(3,470)	5,453
Other operating activities, net	**125**	2	80
Net cash provided by operating activities	**19,732**	12,735	18,496
Cash flows from investing activities			
Capital expenditures	**(3,330)**	(6,033)	(5,094)
Purchase of short-term investments	**(4,000)**	(5,000)	—
Sale of short-term investments	**4,000**	1,000	—
Acquisition of businesses	**(1,038)**	(57)	(8,735)
Sales of businesses and assets, net of cash sold	**257**	927	677
Other investing activities, net	**(241)**	(3)	—
Net cash used in investing activities	**(4,352)**	(9,166)	(13,152)
Cash flows from financing activities			
Proceeds from borrowing under line of credit	**—**	1,025	1,470
Repayment on borrowing under line of credit	**—**	(1,025)	(1,470)
Long-term debt principal payments	**(141)**	(131)	(3,602)
Net proceeds from exercise of stock options	**129**	188	284
Dividends paid	**(3,075)**	(2,563)	(2,371)
Purchase of treasury stock	**(3,068)**	(3,324)	(2,848)
Other financing activities, net	**—**	—	(2)
Net cash used in financing activities	**(6,155)**	(5,830)	(8,539)
Net increase (decrease) in cash and cash equivalents	**9,225**	(2,261)	(3,195)
Cash and cash equivalents at beginning of year	**5,217**	7,478	10,673
Cash and cash equivalents at end of year	**$14,442**	$ 5,217	$ 7,478

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Raven Industries, Inc. and its wholly owned subsidiaries (the "company"). The company is an industrial manufacturer providing a variety of products to customers within the industrial, agricultural, construction and military/aerospace markets primarily in North America. The company operates three divisions (Flow Controls, Engineered Films and Electronic Systems) in addition to a wholly owned subsidiary, Aerostar International, Inc. (Aerostar). All significant intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of the company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

CASH AND CASH EQUIVALENTS

The company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalent balances are principally concentrated in checking and savings accounts with Wells Fargo Bank N.A.

SHORT-TERM INVESTMENTS

The investments consist of fully insured certificates of deposit with varying maturities, all less than 12 months from the balance sheet date. Rates on the deposits at January 31, 2004, range from 1.3% to 1.6%.

INVENTORY VALUATION

Inventories are stated at the lower of cost or market, with cost determined on the first-in, first-out basis. Market value encompasses consideration of all business factors including price, contract terms and usefulness.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost and are depreciated over the estimated useful lives of the assets using accelerated methods. The estimated useful lives used for computing depreciation are as follows:

Buildings and improvements	7 to 39 years
Machinery and equipment	3 to 7 years

Maintenance and repairs are charged to expense in the year incurred and renewals and betterments are capitalized. The cost and related accumulated depreciation of assets sold or disposed of are removed from the accounts and the resulting gain or loss is reflected in operations.

INTANGIBLE ASSETS

Intangible assets, primarily comprised of technologies acquired through acquisition, are recorded at cost net of accumulated amortization. Amortization is computed on a straight-line basis over estimated useful lives ranging from 3 to 20 years. The straight-line method of amortization reflects an appropriate allocation of the cost of the intangible assets to earnings in each reporting period.

GOODWILL

Goodwill related to acquisitions completed prior to June 30, 2001, was previously amortized over lives ranging from 15 to 20 years. As required by Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," amortization ceased on February 1, 2002, and no goodwill resulting from acquisitions after June 30, 2001, has been amortized. Goodwill is instead evaluated in terms of its fair value at least annually and any impairment recognized at that time.

LONG-LIVED ASSETS

The company periodically assesses the recoverability of long-lived and intangible assets using fair value measurement techniques, where fair value is calculated based upon anticipated future earnings and undiscounted operating cash flows. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset.

INSURANCE OBLIGATIONS
The company employs deductible insurance policies covering worker's compensation and general liability costs. Costs are accrued related to the risk retained under these policies based on claims filed and estimates for claims incurred but not reported. In addition, accruals are maintained to cover the company's partial self-insurance status for worker's compensation prior to February 1, 2001.

CONTINGENCIES
The company is involved as a defendant in lawsuits, claims or disputes arising in the normal course of business. An estimate of the loss on these matters is charged to operations when it is probable that an asset has been impaired or a liability has been incurred, and the amount of the loss can be reasonably estimated. The settlement of such claims cannot be determined at this time; however, management believes that any liability resulting from these claims will be substantially mitigated by insurance coverage. Accordingly, management does not believe that the ultimate outcome of these matters will be significant to its results of operations, financial position or cash flows.

REVENUE RECOGNITION
The company recognizes revenue and records revenues upon shipment of products. The company sells directly to customers or distributors who incur the expense and commitment for any post-sale obligations beyond stated warranty terms. Any returns, allowances or warranty charges are recognized after shipment of a product. The company does not typically require collateral from its customers. Shipping and handling costs are classified as a cost of goods sold component.

RESEARCH AND DEVELOPMENT
Research and development expenditures of $1.7 million in fiscal 2004, $1.3 million in fiscal 2003, and $1.4 million in fiscal 2002 were charged to cost of goods sold in the year incurred. Expenditures are principally composed of labor and material costs. Fiscal 2002 expenditures include the $550,000 acquired research and development charge related to the acquisition of Starlink.

STOCK-BASED COMPENSATION
In fiscal 2003, the company began recording compensation expense related to its stock-based compensation plan using the fair value method permitted by SFAS No. 123, "Accounting for Stock-Based Compensation" under the modified prospective method outlined by SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." Fiscal 2002's compensation expense was measured under the intrinsic value method.

INCOME TAXES
Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities and reserves. Judgmental reserves are maintained for income tax audits and other tax issues. Deferred income taxes reflect temporary differences between assets and liabilities reported on the company's balance sheet and their tax bases. These differences are measured using enacted tax laws and statutory tax rates applicable to the periods when the temporary differences will impact taxable income. Deferred tax assets are reduced by a valuation allowance to reflect realizable value, when necessary.

STOCK SPLITS
The company completed a two-for-one stock split effected in the form of a 100% stock dividend on January 15, 2003. Previously, the company completed a three-for-two stock split effected in the form of a 50% stock dividend on July 13, 2001. All per-share information reflects the effect of these stock splits.

NEW ACCOUNTING STANDARDS
The Financial Accounting Standards Board has released several Staff Positions, Interpretations and revised Standards in the latter portion of fiscal 2004. The company has reviewed the issues covered by these pronouncements, and has determined their impacts to be minimal, and in most cases, not applicable to the company.

Note 2. Selected Balance Sheet Information

Following are the components of selected balance sheet items:

	As of January 31		
Dollars in thousands	**2004**	2003	2002
Accounts receivable, net:			
Trade accounts	**$18,719**	$16,708	$16,737
Allowance for doubtful accounts	**(265)**	(240)	(310)
	$18,454	$16,468	$16,427
Inventories, net:			
Finished goods	**$ 2,500**	$ 5,290	$ 4,509
In process	**2,120**	2,275	1,732
Materials	**12,143**	13,801	12,841
	$16,763	$21,366	$19,082
Property, plant and equipment, net:			
Land	**$ 1,110**	$ 1,091	$ 1,091
Building and improvements	**13,049**	12,154	10,614
Machinery and equipment	**32,479**	32,248	29,219
Accumulated depreciation	**(30,688)**	(29,038)	(26,865)
	$15,950	$16,455	$14,059
Other assets, net:			
Amortizable assets:			
Purchased technology	**$ 1,250**	$ 1,080	$ 1,080
Other intangibles	**1,136**	884	1,116
Accumulated amortization	**(1,494)**	(1,027)	(705)
	892	937	1,491
Deferred income taxes	**—**	6	696
Deposits	**96**	96	112
Other, net	**84**	38	307
	$ 1,072	$ 1,077	$ 2,606
Accrued liabilities:			
Salaries and benefits	**$ 1,875**	$ 1,766	$ 2,109
Vacation	**1,638**	1,627	1,731
401(k) contributions	**906**	782	825
Self-insurance obligations	**524**	1,045	1,627
Income taxes	**267**	276	144
Profit sharing	**544**	406	284
Deferred acquisition payments	**389**	—	—
Other	**1,641**	1,255	1,459
	$ 7,784	$ 7,157	$ 8,179

Note 3. Supplemental Cash Flow Information

	For the years ended January 31		
Dollars in thousands	**2004**	2003	2002
Changes in operating assets and liabilities, net of effects from the purchase and sale of businesses:			
Accounts receivable	**$(2,072)**	$ (304)	$4,510
Inventories	**4,603**	(2,671)	1,506
Prepaid expenses and other assets	**(16)**	15	386
Accounts payable	**(1,625)**	560	681
Accrued and other liabilities	**187**	(1,153)	(1,299)
Customer advances	**(227)**	83	(331)
	$ 850	$(3,470)	$5,453
Cash paid during the year for:			
Interest	**$ 50**	$ 44	$ 149
Income taxes	**7,014**	4,852	3,923

Note 4. Acquisitions

On December 19, 2003, the company acquired substantially all of the assets of Fluent Systems, LLC for $1.0 million in cash and a payment deferred until December 2004, which was valued at $60,000. This start-up company has developed a wireless liquid level monitoring system used with anhydrous ammonia tanks. Of the purchase price, $79,000 was assigned to property, plant and equipment, $195,000 was assigned to intangible assets, $19,000 to current liabilities assumed and $843,000 to goodwill, which is fully deductible for tax purposes. The operation was assigned to the Flow Controls segment.

The company acquired the operating assets and assumed certain liabilities of Starlink, Incorporated and System Integrators, Inc. on December 5, 2001. Starlink provides GPS-based guidance systems for the agriculture and marine markets. The purchase price of Starlink was $7.9 million, including $7.5 million of cash and a $287,000 payment deferred until December 2004. System Integrators is an electronics manufacturing services (EMS) provider and has been combined into the company's Electronic Systems Division. The adjusted purchase price was $1.2 million including a $61,000 deferred payment due December 2004.

The results of operations for acquired businesses have been included in the consolidated financial statements since the date of acquisition. Pro forma earnings are not presented due to the immateriality of the acquisitions to the consolidated operations.

Note 5. Divestitures and Other Repositioning Activities

Fiscal 2004 divestiture activities were limited to the sale by the company's Aerostar subsidiary of a sewing plant closed in fiscal 2003. The sale of that plant and its related equipment resulted in cash proceeds of $196,000 and a pretax gain of $182,000. This gain was offset by a $355,000 loss from increased liabilities for environmental or legal issues related to previously sold operations, as estimated by the company and its advisors. At January 31, 2004, the company had an undiscounted accrual remaining of $228,000 for environmental monitoring and clean-up costs.

During fiscal 2003, the former Beta Raven Industrial Controls Division was sold. A pretax gain of $104,000 and $577,000 of cash proceeds were realized on the completion of the disposal of that subsidiary. An Aerostar sewing plant was closed during the third quarter as well. The remainder of the pretax net gain of $179,000 related to the collection of a previously discounted note receivable, net of increased anticipated costs from ongoing liabilities from previously sold businesses.

In fiscal 2002, the company recorded a net pretax gain of $367,000 related to the sale of its former Sportswear Division warehouse and the closure of its remaining Plastic Tank Division operations in Tacoma, Washington. The company also incurred $249,000 of pretax charges to reposition the Industrial Controls Division of Beta Raven, including the closing of its Alabama plant. This charge was included in cost of goods sold in the Sold Businesses segment.

Note 6. Goodwill and Other Intangibles

Goodwill and other intangibles are accounted for under SFAS No. 142 as adopted February 1, 2002 (first day of fiscal 2003) for all previously acquired or internally developed intangibles and goodwill, and as of June 30, 2001 for any acquisitions completed after that date. Under the Statement, amortization of goodwill and any indefinite-lived intangibles ceased, and are instead tested at least annually, on a fair value basis, for impairment.

Excluding goodwill amortization expense and related taxes, net income and net income per share would have been as follows:

	For the years ended January 31		
Dollars in thousands except per-share amounts	**2004**	2003	2002
Net Income:			
As reported	**$13,836**	$11,185	$8,847
Goodwill amortization, net of taxes	**—**	—	61
As adjusted	**$13,836**	$11,185	$8,908
Basic net income per-share:			
As reported	**$ 1.53**	$ 1.22	$ 0.95
Goodwill amortization, net of taxes	**—**	—	0.01
As adjusted	**$ 1.53**	$ 1.22	$ 0.96
Diluted net income per-share:			
As reported	**$ 1.50**	$ 1.20	$ 0.93
Goodwill amortization, net of taxes	**—**	—	0.01
As adjusted	**$ 1.50**	$ 1.20	$ 0.94

The changes in the carrying amount of goodwill by reporting segment are shown below:

Dollars in thousands	Flow Controls	Engineered Films	Electronic Systems	Total
Balance at January 31, 2001	$ —	$642	$ —	$ 642
Goodwill acquired during year	4,947	—	356	5,303
Amortization	—	(82)	—	(82)
Balance at January 31, 2002	4,947	560	356	5,863
Purchase price adjustments	(7)	—	77	70
Balance at January 31, 2003	4,940	560	433	5,933
Goodwill acquired during year	843	—	—	843
Balance at January 31, 2004	$5,783	$560	$433	$6,776

Estimated future amortization expense based on the current carrying value of amortizable intangible assets for fiscal periods 2005 through 2009 is $445,000, $145,000, $128,000, $73,000, and $34,000, respectively.

Note 7. Employee Retirement Benefits

The company has a 401(k) plan covering substantially all employees and contributed 3% of qualified payroll. The company's contribution expense was $817,000, $715,000 and $727,000 for fiscal 2004, 2003 and 2002, respectively.

In addition, the company provides postretirement medical and other benefits to senior executive officers and senior managers. The company accounts for these benefits in accordance with SFAS No. 106, "Accounting for Postretirement Benefits Other Than Pensions." There are no assets held for the plans and any obligations are covered through the company's operating cash and investments. The liability and expense reflected in the balance sheet and income statement are as follows:

	For the years ended January 31		
Dollars in thousands	**2004**	2003	2002
Beginning balance	**$1,102**	$ 969	$ 654
Employer expense	**316**	306	482
Retiree benefits paid	**(206)**	(173)	(167)
Ending balance	**1,212**	1,102	969
Current portion	**(200)**	(150)	(150)
Long-term portion	**$1,012**	$ 952	$ 819
Discount rate	**7.0%**	8.0%	8.0%
Wage inflation rate	**4.0%**	4.0%	4.0%
Medical inflation rate	**7.0%**	7.0%	6.0%

The accumulated benefit obligation based upon the rates noted in the table above was approximately $2.4 million, $2.2 million and $2.3 million at January 31, 2004, 2003 and 2002, respectively. No material fluctuations in retiree benefits are expected in future years.

Note 8. Warranties

Accruals necessary for product warranties are estimated based upon historical warranty costs and average time elapsed between purchase and returns for each division. Any warranty issues that are unusual in nature are accrued individually. Changes in the warranty reserve were as follows:

	For the years ended January 31		
Dollars in thousands	**2004**	2003	2002
Beginning balance	**$ 156**	$ 248	$ 199
Accrual for warranties	**863**	584	525
Settlements made (in cash or in kind)	**(756)**	(576)	(476)
Sale of businesses	**—**	(100)	—
Ending balance	**$ 263**	$ 156	$ 248

Note 9. Income Taxes

The reconciliation of income tax computed at the federal statutory rate to the company's effective income tax rate is as follows:

	For the years ended January 31		
	2004	2003	2002
Tax at U.S. federal statutory rate	**35.0%**	35.0%	35.0%
State and local income taxes, net of U.S. federal benefit	**0.9**	0.4	0.2
Nondeductible stock option expense	**0.3**	0.3	—
Impact of graduated rates	**—**	(0.6)	(0.7)
Other, net	**0.1**	0.1	0.3
	36.3%	35.2%	34.8%

Significant components of the company's income tax provision are as follows:

	For the years ended January 31		
Dollars in thousands	**2004**	2003	2002
Income taxes:			
Currently payable	**$7,626**	$4,912	$4,132
Deferred	**254**	1,157	586
	$7,880	$6,069	$4,718

Significant components of the company's deferred tax assets and liabilities are as follows:

	As of January 31		
Dollars in thousands	**2004**	2003	2002
Current deferred tax assets:			
Accounts receivable	**$ 93**	$ 84	$ 109
Inventory valuation	**182**	194	271
Accrued vacation	**532**	508	525
Insurance obligations	**183**	369	549
Other accrued liabilities	**323**	338	473
	1,313	1,493	1,927
Non-current deferred tax assets (liabilities):			
Accrued compensation and benefits	**354**	333	417
Depreciation and amortization	**(502)**	(380)	244
Other	**75**	53	35
	(73)	6	696
Net deferred tax asset	**$1,240**	$1,499	$2,623

Note 10. Financing Arrangements

Raven has an uncollateralized credit agreement providing a line of credit of $7.0 million which expires in July 2004. Letters of credit totaling $1.7 million have been issued under the line, primarily to support self-insured worker's compensation bonding requirements. No borrowings were outstanding as of January 31, 2004, 2003 or 2002, and $5.3 million was available at January 31, 2004. The credit agreement contains certain restrictive covenants that, among other things, require maintenance of certain levels of net worth and working capital. Borrowings on the credit line bore interest as of January 31, 2004, 2003 and 2002, at 4.00%, 4.25% and 4.75%, respectively. The weighted-average interest rates for borrowing under the short-term credit lines in fiscal 2003 and 2002 were 4.6% and 6.3%. There were no borrowings under the credit line in fiscal 2004.

Wells Fargo Bank N.A. provides the company's line of credit. One member of the company's board of directors is also on the board of directors of Wells Fargo & Co., the parent company of Wells Fargo Bank N.A.

In connection with its fiscal 2002 acquisitions, the company assumed $412,000 of capital lease obligations. The capital lease obligations expire through 2006, with annual payments of $72,000 and $57,000 due in fiscal 2005 and 2006. The company believes the fair value of its long-term debt approximates its carrying value based on quoted market prices for similar debt.

The company leases certain transportation, equipment and facilities under operating leases. Total rent and lease expense was $355,000, $446,000 and $575,000 in fiscal 2004, 2003 and 2002, respectively. Future minimum lease payments under non-cancelable operating leases for fiscal periods 2005 to 2008 are $220,000, $177,000, $154,000, and $137,000 with all leases scheduled to expire by fiscal 2008.

Note 11. Stock Options

Senior officers and key employees of the company have been granted options to purchase stock under the company's 2000 Stock Option and Compensation Plan ("Plan"). The Plan, administered by the board of directors, allows for a fixed cash bonus when options are exercised and may grant either incentive or non-qualified options with terms not to exceed ten years. There are 364,400 shares of the Company's common stock reserved for issue under the plan at January 31, 2004. Options are granted with exercise prices not less than market value at the date of grant. These stock options vest over a four-year period and expire after five years. Options granted after fiscal 1999 do not include a fixed cash bonus.

Prior to fiscal year 2003, the company accounted for the Plan under the recognition and measurement provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," which utilized the intrinsic value method to recognize compensation expense. Compensation expense related to the Plan's cash bonus feature was $76,000 in fiscal 2002. Effective February 1, 2002, the company adopted the fair value recognition provisions of SFAS No. 123 "Accounting for Stock-Based Compensation." Under the modified prospective method of adoption selected by the company pursuant to the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," compensation cost recognized in fiscal year 2003 is the same as that which would have been recognized had the recognition provisions of SFAS No. 123 been applied from its original effective date. Results for the prior years have not been restated. The following table illustrates the effect on net income and net income per share if the fair value based method had been applied to all outstanding and unvested awards in each period.

Dollars in thousands, except per-share amounts	For the years ended January 31 2004	2003	2002
Net income	**$13,836**	$11,185	$8,847
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	**—**	—	50
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**—**	—	(95)
Pro forma net income	**$13,836**	$11,185	$8,802
Net income per share:			
Basic — as reported	**$ 1.53**	$ 1.22	$ 0.95
Basic — pro forma	**$ 1.53**	$ 1.22	$ 0.95
Diluted — as reported	**$ 1.50**	$ 1.20	$ 0.93
Diluted — pro forma	**$ 1.50**	$ 1.20	$ 0.93

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 1.3-4.8%; expected volatility of 26-36%; risk-free interest rate of 3.0-6.2%; and expected lives of 4.5 years. The weighted average grant date fair value of each option granted was $8.22, $3.77 and $2.17 in fiscal 2004, 2003 and 2002, respectively. Compenstion expense is recognized ratably over the four-year vesting period. Expense for fiscal years 2004 and 2003 was $282,000 and $174,000, respectively.

Information regarding option activity follows:

	For the years ended January 31 2004		2003		2002	
	options	weighted average exercise price	options	weighted average exercise price	options	weighted average exercise price
Outstanding at beginning of year	**436,056**	**$ 7.43**	551,304	$ 6.09	701,250	$5.98
Granted	**64,500**	**27.00**	76,400	14.00	88,400	8.75
Exercised	**(137,218)**	**5.21**	(176,946)	6.18	(219,672)	6.77
Forfeited	**(1,500)**	**5.29**	(14,702)	6.27	(18,674)	6.23
Outstanding at end of year	**361,838**	**$11.77**	436,056	$ 7.43	551,304	$6.09
Options exercisable at year-end	**163,304**	**$ 7.13**	207,073	$ 5.55	282,322	$5.83

The following table contains information about stock options outstanding at January 31, 2004:

Exercise Price	Remaining Contractual Life (Years)	Number Outstanding	Number Exercisable
$ 4.75	0.75	28,050	28,050
5.33	1.75	108,838	74,129
8.75	2.75	84,050	42,025
14.00	3.75	76,400	19,100
27.00	4.75	64,500	—
		361,838	163,304

Note 12. Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted-average common shares outstanding. Common shares outstanding represent common shares issued less shares purchased and held in treasury. Share and per-share data in the net income per-share computation have been restated to reflect the January 15, 2003 two-for-one stock split and the July 13, 2001 three-for-two stock split. Diluted net income per-share is computed by dividing net income by the weighted-average common and common equivalent shares outstanding, which includes the shares issuable upon exercise of employee stock options, net of shares assumed purchased with the option proceeds. Certain outstanding options were excluded from the diluted net income per-share calculations because their exercise prices were greater than the average market price of the company's common stock during those periods. For fiscal 2004, 2003 and 2002, 16,125, 19,100 and 22,100 options, respectively, were excluded from the diluted net income per-share calculation. Details of the computation are presented below.

Dollars in thousands, except per-share amounts	For the years ended January 31 2004	2003	2002
Net income	**$ 13,836**	$ 11,185	$ 8,847
Weighted-average common shares outstanding	**9,040,856**	9,151,465	9,310,590
Dilutive impact of stock options	**203,934**	196,360	181,004
Weighted-average common and common-equivalent shares outstanding	**9,244,790**	9,347,825	9,491,594
Net income per common share:			
— basic	**$ 1.53**	$ 1.22	$ 0.95
— diluted	**$ 1.50**	$ 1.20	$ 0.93

Note 13. Business Segments and Major Customer Information

The company's reportable segments are defined by their common technologies, production processes and inventories. These segments reflect the organization of the company into three Raven divisions, each with a Divisional Vice President, and one subsidiary. In the second quarter of fiscal 2002, the electronics manufacturing services operation of Beta Raven was combined with the Electronic Systems segment. The Industrial Controls Division of Beta Raven, sold in fiscal 2003, is included under the caption "Sold Businesses."

The company measures the performance of its segments based on their operating income exclusive of administrative and general expenses. The accounting policies of the operating segment are the same as those described in Note 1, Summary of Significant Accounting Policies. Other income, interest expense and income taxes are not allocated to individual operating segments, and assets not identifiable to an individual segment are included as corporate assets. Segment information is reported consistent with the company's management reporting structure as required by SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information." In fiscal 2003, one customer in the Electronic Systems segment accounted for $12.9 million, or 10.7%, of the company's consolidated sales, although no customer accounted for more than 10% of accounts receivable. No customers accounted for more than 10% of the company's consolidated sales or accounts receivable in any of the other years presented.

The company had sales of $9.2 million for the year ended January 31, 2004, to countries outside the United States, primarily to Canada. Sales were included in the Flow Controls, Engineered Films, Electronic Systems and Aerostar segments totaling $3.5 million, $1.1 million, $4.1 million and $492,000, respectively.

Market and segment information is presented on pages 1 and 16 of this annual report.

Note 14. Subsequent Event

The company announced on March 9, 2004, that it would pay a special one-time dividend of $1.25 per share on May 20, 2004. Based on current shares outstanding, the one-time dividend will total approximately $11 million.

Note 15. Quarterly Information (Unaudited)

The company's quarterly information is presented on page 26.

Report of Independent Auditors

To the Board of Directors and Shareholders of Raven Industries, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of shareholders' equity and comprehensive income and of cash flows present fairly, in all material respects, the financial position of Raven Industries, Inc. as of January 31, 2004, 2003 and 2002, and the results of its operations and its cash flow for each of the three years in the period ended January 31, 2004, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Raven Industries, Inc.'s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Minneapolis, Minnesota

March 8, 2004

Board of Directors

Anthony W. Bour

President & Chief Executive Officer, Showplace Wood Products, Inc., Sioux Falls, SD; Director since: 1995

David A. Christensen

Former President & Chief Executive Officer, Raven Industries, Inc., Sioux Falls, SD; Director since: 1971

Thomas S. Everist

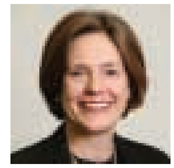
President, The Everist Company, Sioux Falls, SD; Director since: 1996

Mark E. Griffin

President & Chief Executive Officer, Lewis Drugs, Inc., Sioux Falls, SD; Director since: 1987

Conrad J. Hoigaard

Chairman of the Board, Raven Industries, Inc.; *Chairman of the Board,* Hoigaard's Inc., Minneapolis, MN; Director since: 1976



Cynthia H. Milligan

Dean, College of Business Administration, University of Nebraska, Lincoln, Lincoln, NE; Director since: 2001

Ronald M. Moquist

President & Chief Executive Officer, Raven Industries, Inc., Sioux Falls, SD; Director since: 1999

The Raven Board held four regular meetings and one special meeting in Fiscal Year 2004.
In April 2003, it increased the quarterly dividend for the 17th year.

Audit Committee

Thomas S. Everist, *Chair*
Anthony W. Bour
Cynthia H. Milligan

The Audit Committee held two meetings to review the activities and independence of Raven's external auditors. It also reviewed the auditor's findings regarding Raven's financial reporting process, related internal and disclosure controls and compliance with applicable law.

Personnel and Compensation Committee

David A. Christensen, *Chair*
Mark E. Griffin
Conrad J. Hoigaard

The Personnel and Compensation Committee held two meetings to review and approve executive compensation plans, policies and practices, and key succession plans.

Governance Committee

Cynthia H. Milligan, *Chair*
Anthony W. Bour
David A. Christensen
Thomas S. Everist
Mark E. Griffin
Conrad J. Hoigaard

The Governance Committee held two meetings to review corporate by-laws, corporate governance standards, and assess the Board's effectiveness. This Committee is responsible for the Board nomination process.

Senior Executive Officers

Ronald M. Moquist	*President & Chief Executive Officer,* Age: 58, Service 28 years
Thomas Iacarella	*Vice President & Chief Financial Officer,* Age: 50, Service 12 years

Senior Management

David R. Bair	*Division Vice President & General Manager–Electronic Systems Division,* Age: 47, Service 5 years
Barbara K. Ohme	*Vice President–Administration,* Age: 56, Service 16 years
Daniel A. Rykhus	*Division Vice President & General Manager–Flow Controls Division,* Age: 39, Service 14 years
Kenneth L. TeKrony	*Division Vice President & General Manager–Engineered Films Division*, Age: 60, Service 36 years
Mark L. West	*President–Aerostar International, Inc.*, Age: 50, Service 22 years

I would like more information on
Raven Industries, Inc.

Please send me the following:

- ☐ News releases
- ☐ 2004 Form 10-K
- ☐ Latest quarterly report
- ☐ Information on your Dividend Reinvestment Plan

☐ Please add me to the Raven mailing list.

(please print)

Name and Title ______________________________

Company ______________________________

Address ______________________________

City ____________ State ____________ Zip+4 ____________

Phone (   ) ____________ Fax (   ) ____________

Broker Identity Card:
Raven Industries, Inc.

Dear Shareholder:

Keeping you and your stockbroker informed of our corporate activities is the best way for us to make sure that both of you are current on our financial condition.

So that we are able to keep you informed, please provide the required information. This will enable us to maintain an accurate mailing list.

My name is ______________________________

My address is ______________________________

My broker is ______________________________

His/Her company is ______________________________

Located in (city) ____________ Fax (   ) ____________

I have been a shareholder of Raven since ______________________________

☐ Please add me to the Raven mailing list.

BUSINESS REPLY CARD

FIRST-CLASS MAIL PERMIT NO 583 SIOUX FALLS SD

POSTAGE WILL BE PAID BY ADDRESSEE

RAVEN INDUSTRIES
INVESTOR RELATIONS
PO BOX 5107
SIOUX FALLS SD 57117-9878

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY CARD

FIRST-CLASS MAIL PERMIT NO 583 SIOUX FALLS SD

POSTAGE WILL BE PAID BY ADDRESSEE

RAVEN INDUSTRIES
INVESTOR RELATIONS
PO BOX 5107
SIOUX FALLS SD 57117-9878

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

Investor Information

Independent Auditors

PricewaterhouseCoopers LLP
Minneapolis, MN

Stock Transfer Agent & Registrar

Wells Fargo Bank, N.A.
161 N. Concord Exchange
P.O. Box 64854
S. St. Paul, MN 55164-0854
Phone: 1-800-468-9716

Form 10-K

Upon written request, Raven Industries, Inc.'s form 10-K for the fiscal year ended January 31, 2004, which has been filed with the Securities and Exchange Commission, is available free of charge.

Direct inquires to:
Raven Industries, Inc.
Attention: Investor Relations
P.O. Box 5107
Sioux Falls, SD 57117-5107

Phone: 605-336-2750

Raven Website

www.ravenind.com

Stock Quotations

Listed on the Nasdaq Stock Market—RAVN

Annual Meeting

May 26, 2004, 9:00 a.m.
Ramkota Inn
Hwy 38 & I-29
Sioux Falls, SD

Raven Industries, Inc. is an Equal Employment Opportunity Employer with an approved affirmative action plan.

Dividend Reinvestment Plan

Raven Industries, Inc. sponsors a Dividend Reinvestment Plan whereby shareholders can purchase additional Raven common stock without the payment of any brokerage commission or fees. For more information on how you can take advantage of this plan, contact your broker, our stock transfer agent or write: Investor Relations; P.O. Box 5107, Sioux Falls, SD 57117-5107

SIC Codes:

3672, 3081, 3829

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act provides a "safe harbor" for forward-looking statements. Certain information included in this Annual Report and other materials filed or to be filed by the company with the Securities and Exchange Commission (as well as information included in statements made or to be made by the company) contains statements that are forward-looking. Although the company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, there is no assurance that such expectations will be achieved. Such assumptions involve important risks and uncertainties that could significantly affect results in the future. These risks and uncertainties include, but are not limited to, those relating to weather conditions, which could affect certain of the company's primary markets, such as agriculture and construction, or changes in competition, material availability, technology or relationships with the company's largest customers, any of which could adversely impact any of the company's product lines. The foregoing list is not exhaustive and the company disclaims any obligation to subsequently revise any forward-looking statements to reflect events or circumstances after the date of such statements.

Design: Creative Design Board, Chicago, IL

RAVEN

Raven Industries
P.O. Box 5107
Sioux Falls, SD 57117-5107