



---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 OR 15(d) of**  
**The Securities Exchange Act of 1934**

January 29, 2008  
Date of Report

**AVERY DENNISON CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation)

**1 -7685**

(Commission  
File Number)

**95-1492269**

(IRS Employer  
Identification No.)

**150 North Orange Grove Boulevard**  
**Pasadena, California**

(Address of principal executive offices)

**91103**

(Zip Code)

Registrant's telephone number, including area code **(626) 304-2000**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 
-

## **TABLE OF CONTENTS**

[Item 2.02 Results of Operations and Financial Condition](#)

[Item 9.01 Financial Statements and Exhibits](#)

[SIGNATURES](#)

[EXHIBIT LIST](#)

[EXHIBIT 99.1](#)

[EXHIBIT 99.2](#)

---

## Table of Contents

### **Section 2 — Financial Information**

#### **Item 2.02 Results of Operations and Financial Condition.**

Avery Dennison Corporation's news release dated January 29, 2008, regarding its preliminary, unaudited financial results for the fourth quarter of 2007, along with earnings guidance for the 2008 fiscal year, is attached hereto as Exhibit 99.1. This information is being furnished (not filed) under this Form 8-K. Additionally, the Company will discuss its preliminary financial results during a webcast and teleconference call today at 2:00 p.m. (EDT). To access the webcast and teleconference call, please go to the Company's Web site at <http://www.investors.averydennison.com>.

Avery Dennison Corporation's presentation dated January 29, 2008, regarding its preliminary financial review and analysis for the fourth quarter of 2007, along with earnings guidance for 2008 fiscal year, is attached hereto as Exhibit 99.2. This information is being furnished (not filed) under this Form 8-K. Additionally, this information is available on the Company's Web site at <http://www.investors.averydennison.com>.

### **Section 9 — Financial Statements and Exhibits**

#### **Item 9.01 Financial Statements and Exhibits.**

##### (c) Exhibits

- 99.1 On January 29, 2008, Avery Dennison Corporation issued a news release announcing its preliminary, unaudited financial results for the fourth quarter ending December 29, 2007, along with earnings guidance for the 2008 fiscal year.
- 99.2 On January 29, 2008, Avery Dennison Corporation provided a presentation regarding its preliminary financial review and analysis for the fourth quarter ending December 29, 2007, along with earnings guidance for the 2008 fiscal year.

#### **SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS**

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: Certain statements contained in this report on Form 8-K and in Exhibit 99.1 and Exhibit 99.2 are “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements and financial or other business targets are subject to certain risks and uncertainties. Actual results and trends may differ materially from historical or expected results depending on a variety of factors, including but not limited to risks and uncertainties relating to investment in development activities and new production facilities; fluctuations in cost and availability of raw materials; ability of the Company to achieve and sustain targeted cost reductions, including synergies expected from the integration of the Paxar business in the time and at the cost anticipated; ability of the Company to generate sustained productivity improvement; successful integration of acquisitions; successful implementation of new manufacturing technologies and installation of manufacturing equipment; the financial condition and inventory strategies of customers; customer and supplier concentrations; changes in customer order patterns; loss of significant contract(s) or customer(s); timely development and market acceptance of new products; fluctuations in demand affecting sales to customers; impact of competitive products and pricing; selling prices; business mix shift; credit risks; ability of the Company to obtain adequate financing arrangements; fluctuations in interest rates; fluctuations in pension, insurance and employee benefit costs; impact of legal proceedings, including the Australian Competition and Consumer Commission investigation into industry competitive practices, and any related proceedings or lawsuits pertaining to this investigation or to the subject matter thereof or of the concluded investigations by the U.S. Department of Justice (“DOJ”), the European Commission, and the Canadian Department of Justice (including purported class actions seeking treble damages for alleged unlawful competitive practices, which were filed after the announcement of the DOJ investigation), as well as the impact of potential violations of the U.S. Foreign Corrupt Practices Act based on issues in China; changes in governmental regulations; changes in political conditions; fluctuations in foreign currency exchange rates and other risks associated with foreign operations; worldwide and local economic conditions; impact of epidemiological events on the economy and the Company's customers and suppliers; acts of war, terrorism, natural disasters; and other factors.

---

## [Table of Contents](#)

The Company believes that the most significant risk factors that could affect its ability to achieve its stated financial expectations in the near-term include (1) the impact of economic conditions on underlying demand for the Company's products; (2) the degree to which higher raw material and energy-related costs can be passed on to customers through selling price increases, without a significant loss of volume; (3) the impact of competitors' actions, including pricing, expansion in key markets, and product offerings; (4) potential adverse developments in legal proceedings and/or investigations regarding competitive activities, including possible fines, penalties, judgments or settlements; and (5) the ability of the Company to achieve and sustain targeted cost reductions, including expected synergies associated with the Paxar acquisition.

For a more detailed discussion of these and other factors, see Part I, Item 1A. "Risk Factors" and Part II, Item 7. "Management's Discussion and Analysis of Results of Operations and Financial Condition" in the Company's Form 10-K, filed on February 28, 2007. The forward-looking statements included in this Form 8-K are made only as of the date of this Form 8-K, and the Company undertakes no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

The financial information presented in the news release, included as an Exhibit to this Current Report, represents preliminary, unaudited financial results.

---

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**AVERY DENNISON CORPORATION**

Date: January 29, 2008

By: /s/ Daniel R. O'Bryant  
Name: Daniel R. O'Bryant  
Title: Executive Vice President, Finance  
and Chief Financial Officer

---

EXHIBIT LIST

<u>Exhibit No.</u>	<u>Description</u>
99.1	News release dated January 29, 2008.
99.2	Presentation dated January 29, 2008.

## AVERY DENNISON REPORTS 4th QUARTER AND YEAR-END 2007 EARNINGS

- Reported net income per share of \$0.81 for the fourth quarter, down from \$1.04 per share last year, due to integration costs and interest expense related to the \$1.3 billion acquisition of Paxar and other restructuring charges
  - Ø Adjusted earnings per share of \$1.08, excluding the impact of restructuring and asset impairment charges and transition costs related to the Paxar integration.
- Net sales increased approximately 21 percent to \$1.71 billion
  - Ø Sales before the impact of the Paxar acquisition and foreign currency translation declined approximately 1 percent
- On track to achieve estimated \$115 to \$125 million of annual cost synergies from Paxar integration by end of 2009

PASADENA, Calif. — January 29, 2008 — Avery Dennison Corporation (NYSE:AVY) today reported net income of \$79.4 million or \$0.81 per share, compared with \$104.7 million or \$1.04 per share in the prior year. Results included restructuring and asset impairment charges, transition costs associated with the integration of Paxar, and other items, totaling \$0.27 and \$0.05 in the fourth quarters of 2007 and 2006, respectively. (See Attachment A-3: "Preliminary Reconciliation of GAAP to Non-GAAP Measures".)

Net sales from continuing operations for the fourth quarter were \$1.71 billion, up approximately 21 percent from \$1.41 billion for the same quarter last year. Sales before the impact of the Paxar acquisition and foreign currency translation were down approximately 1 percent from the prior year.

The Company reported net income of \$303.5 million or \$3.07 per share for the full year 2007, compared with \$373.2 million or \$3.72 per share in the prior year. Results included restructuring and asset impairment charges, transition costs associated with the integration of Paxar, and other items, totaling \$0.84 per share in 2007 and \$0.12 per share in the prior year. Net sales were \$6.31 billion in 2007, compared to \$5.58 billion in the previous year. (See Attachment A-3: "Preliminary Reconciliation of GAAP to Non-GAAP Measures".)



In the fourth quarter of 2007, Avery Dennison changed from the last-in, first-out (LIFO) inventory accounting method to the first-in, first-out (FIFO) method for certain businesses operating in the U.S. All the Company's businesses now utilize the FIFO method of accounting for inventory. All results have been presented on a FIFO basis as if the accounting change occurred as of January 1, 2006.

"2007 was a challenging year as U.S. retail markets slowed and market conditions for our pressure-sensitive materials business weakened, causing us to miss our revenue growth and profit objectives for the year," said Dean A. Scarborough, president and chief executive officer of Avery Dennison. "We took a number of actions to mitigate the effects of weaker market conditions, including accelerating productivity programs and reducing expenses."

"I am pleased with the Paxar acquisition, which positions us as the clear leader in the global retail information services market," he added. "The integration of Paxar with our Retail Information Services Group has been virtually seamless to our customers and is on track to realize annual cost synergies of nearly \$125 million by the end of 2009."

"We continue to achieve solid results in the emerging markets, particularly in China and India where we have expanded our capacity with several new manufacturing facilities," Scarborough said. "Our radio frequency identification business is gaining traction with the number of inlays sold in 2007 nearly tripling from the previous year. Buoyed by Paxar's RFID business, we expect sales of RFID products to reach \$50 million in 2008."

#### **Additional Fourth Quarter Financial Highlights**

(For a more detailed presentation of the Company's results for the quarter, see *Fourth Quarter 2007 Financial Review and Analysis*, posted at the Company's Web site at [www.investors.averydennison.com](http://www.investors.averydennison.com).)

- Operating margin (GAAP basis) was 5.7 percent, compared to 8.1 percent for the same period last year. Excluding interest expense, the effect of transition costs associated with the Paxar integration, restructuring and asset impairment charges, and other items, operating margin was 9.6 percent, compared to 9.4 percent for the previous year. (See *Attachment A-3: "Preliminary Reconciliation of GAAP to Non-GAAP Measures"*.)
  - The effective tax rate for the quarter and full year 2007 was approximately 19 percent, in line with the Company's guidance.
-

### **Segment Highlights**

(See Attachment A-4: "Preliminary Supplementary Information, Reconciliation of GAAP to Non-GAAP Supplementary Information" for adjusted operating margins included below.)

- Pressure-sensitive Materials reported sales of \$890 million, up 9 percent from the prior year. Organic sales growth for the segment was approximately 2 percent, reflecting soft market conditions in North America and Europe.  
Segment operating margin (GAAP basis) was 8.9 percent, compared to 9.1 percent for the same period last year. Before restructuring and asset impairment charges, and other items, operating margin declined 40 basis points to 9 percent.
- Retail Information Services sales grew 144 percent to \$411 million, or about 1 percent before the benefits from the Paxar acquisition and currency translation. Growth of the core business continued to be slow due to the decline in orders for apparel shipped to North American retailers and brand owners, reflecting a weak domestic retail environment.  
Segment operating margin (GAAP basis) was 0.5 percent, compared to 5.7 percent for the same period last year. Before restructuring and asset impairment charges, transition costs associated with the Paxar integration, and other items, operating margin was 6.8 percent.
- Office and Consumer Products sales declined 5 percent to \$272 million. Organic sales decline for the segment was approximately 8 percent, due to customer inventory reductions.  
Segment operating margin (GAAP basis) was 20.6 percent, unchanged from the prior year. Before restructuring and asset impairment charges, and other items, operating margin was 21.9 percent, compared to 19.9 percent for the same period last year.

### **Outlook for the Year**

Avery Dennison announced that it expects reported (GAAP) earnings for 2008 to be in the range of \$3.80 to \$4.20 per share, including an estimated \$0.35 per share in restructuring and asset impairment charges and Paxar integration costs. These charges and costs are subject to revision, as plans have not been finalized. Excluding these items, the Company expects full year earnings per share for 2008 to be in the range of \$4.15 to \$4.55 per share. (See Attachment A-6: "Preliminary Reconciliation of GAAP to Non-GAAP Measures (Full Year 2008 Estimates)".)

The Company's earnings expectations reflect an assumption of reported revenue growth in the range of 9.5 to 12.5 percent, including a 6.5 percent contribution from the Paxar acquisition and an estimated 2 to 3 percent benefit from currency translation.

---

(For a more detailed presentation of the Company's assumptions underlying its 2008 earnings expectations, see *Fourth Quarter and Full Year 2007 Financial Review and Analysis*, posted at the Company's Web site at [www.investors.averydennison.com](http://www.investors.averydennison.com).)

*Note: Throughout this release, all calculations of amounts on a per share basis reflect fully diluted shares outstanding.*

Avery Dennison is a global leader in pressure-sensitive labeling materials, retail tag, ticketing and branding systems, and office products. Based in Pasadena, Calif., Avery Dennison is a FORTUNE 500 Company with 2007 sales of \$6.3 billion. Avery Dennison employs more than 30,000 individuals in 51 countries worldwide, who develop, manufacture and market a wide range of products for both consumer and industrial markets. Products offered by Avery Dennison include: Fasson brand self-adhesive materials; Avery Dennison brand products for the retail and apparel industries; Avery brand office products and graphics imaging media; specialty tapes, peel-and-stick postage stamps, and labels for a wide variety of automotive, industrial and durable goods applications.

# # #

**"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995:**

Certain statements contained in this document are "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements and financial or other business targets are subject to certain risks and uncertainties. Actual results and trends may differ materially from historical or expected results depending on a variety of factors, including but not limited to risks and uncertainties relating to investment in development activities and new production facilities; fluctuations in cost and availability of raw materials; ability of the Company to achieve and sustain targeted cost reductions, including synergies expected from the integration of the Paxar business in the time and at the cost anticipated; ability of the Company to generate sustained productivity improvement; successful integration of acquisitions; successful implementation of new manufacturing technologies and installation of manufacturing equipment; the financial condition and inventory strategies of customers; customer and supplier concentrations; changes in customer order patterns; loss of significant contract(s) or customer(s); timely development and market acceptance of new products; fluctuations in demand affecting sales to customers; impact of competitive products and pricing; selling prices; business mix shift; credit risks; ability of the Company to obtain adequate financing arrangements; fluctuations in interest rates; fluctuations in pension, insurance and employee benefit costs; impact of legal proceedings, including the Australian Competition and Consumer Commission investigation into industry competitive practices, and any related proceedings or lawsuits pertaining to this investigation or to the subject matter thereof or of the concluded investigations by the U.S. Department of Justice ("DOJ"), the European Commission, and the Canadian Department of Justice (including purported class actions seeking treble damages for alleged unlawful competitive practices, which were filed after the announcement of the DOJ investigation), as well as the impact of potential violations of the U.S. Foreign Corrupt Practices Act based on issues in China; changes in governmental regulations; changes in political conditions; fluctuations in foreign currency exchange rates and other risks associated with foreign operations; worldwide and local economic conditions; impact of epidemiological events on the economy and the Company's customers and suppliers; acts of war, terrorism, natural disasters; and other factors.

The Company believes that the most significant risk factors that could affect its ability to achieve its stated financial expectations in the near-term include (1) the impact of economic conditions on underlying demand for the Company's products; (2) the degree to which higher raw material and energy-related costs can be passed on to customers through selling price increases, without a significant loss of volume; (3) the impact of competitors' actions, including pricing, expansion in key markets, and product offerings; (4) potential adverse developments in legal proceedings and/or investigations regarding competitive activities, including possible fines, penalties, judgments or settlements; and (5) the ability of the Company to achieve and sustain targeted cost reductions, including expected synergies associated with the Paxar acquisition.

---

For a more detailed discussion of these and other factors, see "Risk Factors" and "Management's Discussion and Analysis of Results of Operations and Financial Condition" in the Company's Form 10-K, filed on February 28, 2007, with the Securities and Exchange Commission. The forward-looking statements included in this news release are made only as of the date of this news release, and the Company undertakes no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

**For more information and to listen to a live broadcast or an audio replay of the 4th Quarter conference call with analysts, visit the Avery Dennison Web site at [www.investors.averydennison.com](http://www.investors.averydennison.com)**

---

**EVERY DENNISON**  
**PRELIMINARY CONSOLIDATED STATEMENT OF INCOME**  
(In millions, except per share amounts)

	(UNAUDITED)			
	Three Months Ended		Twelve Months Ended	
	Dec. 29, 2007	Dec. 30, 2006	Dec. 29, 2007	Dec. 30, 2006
Net sales	\$ 1,714.0	\$ 1,411.4	\$ 6,307.8	\$ 5,575.9
Cost of products sold	1,232.5	1,016.8	4,585.4	4,037.9
Gross profit	481.5	394.6	1,722.4	1,538.0
Marketing, general & administrative expense	333.0	262.4	1,182.5	1,011.1
Interest expense	34.3	13.3	105.2	55.5
Other expense, net (1)	16.2	5.1	59.4	36.2
Income from continuing operations before taxes	98.0	113.8	375.3	435.2
Taxes on income	18.6	8.7	71.8	76.7
Income from continuing operations	79.4	105.1	303.5	358.5
(Loss) income from discontinued operations, net of taxes	—	(0.4)	—	14.7
<b>Net income</b>	<b>\$ 79.4</b>	<b>\$ 104.7</b>	<b>\$ 303.5</b>	<b>\$ 373.2</b>
<b>Per share amounts:</b>				
Net income per common share, assuming dilution				
Continuing operations	\$ 0.81	\$ 1.04	\$ 3.07	\$ 3.57
Discontinued operations	—	—	—	0.15
Net income per common share, assuming dilution	<b>\$ 0.81</b>	<b>\$ 1.04</b>	<b>\$ 3.07</b>	<b>\$ 3.72</b>
Average common shares outstanding, assuming dilution	98.6	100.4	98.9	100.4
Common shares outstanding at period end	98.4	98.3	98.4	98.3

2006 amounts have been restated to reflect the change in method of accounting for inventory from last-in, first-out (LIFO) to first-in, first-out (FIFO) for certain businesses operating in the U.S.

(1) Other expense for the fourth quarter of 2007 includes \$16.2 of restructuring costs, asset impairment and lease cancellation charges.

Other expense, net, for the fourth quarter of 2006 includes restructuring costs, asset impairment and lease cancellation charges of \$10.4, partially offset by gain on sale of assets of (\$5.3).

Other expense, net, for 2007 includes \$57.5 of asset impairment charges, restructuring costs and lease cancellation charges, \$4.8 of certain non-recurring financing costs and \$.3 of expenses related to a divestiture, partially offset by a reversal of (\$3.2) related to a patent lawsuit.

Other expense, net, for 2006 includes restructuring costs, asset impairment and lease cancellation charges of \$29.8, environmental remediation costs of \$13, legal accrual related to a patent lawsuit of \$.4, miscellaneous taxes of \$.4 related to a divestiture and charitable contribution of \$10 to Avery Dennison Foundation, partially offset by gain on sale of investment of (\$10.5), gain on sale of assets of (\$5.3) and gain from curtailment and settlement of a pension obligation of (\$1.6).

-more-

### Reconciliation of Non-GAAP Financial Measures in Accordance with SEC Regulations G and S-K

Avery Dennison reports financial results in accordance with U.S. GAAP, and herein provides some non-GAAP financial measures. These non-GAAP financial measures are not in accordance with, nor are they a substitute for, GAAP financial measures. These non-GAAP financial measures are intended to supplement the Company's presentation of its financial results that are prepared in accordance with GAAP.

The Company's non-GAAP financial measures exclude the impact of certain events, activities or strategic decisions. The accounting effects of these events, activities or decisions, which are included in the GAAP measures, may make it difficult to assess the underlying performance of the Company in a single period. By excluding certain accounting effects, both positive and negative (e.g. gains on sales of assets, restructuring charges, asset impairments, effects of acquisitions and related costs, etc.), from certain of the Company's GAAP measures, the Company believes that it is providing meaningful supplemental information to facilitate an understanding of the Company's "core" or "underlying" operating results. These non-GAAP measures are used internally to evaluate trends in the Company's underlying business, as well as to facilitate comparison to the results of competitors for a single period. The Company applies a quarterly tax rate to the accounting adjustments in order for the year-to-date tax rate on non-GAAP income to be consistent with the year-to-date GAAP tax rate.

Limitations associated with the use of the Company's non-GAAP measures include (1) the exclusion of items that recur from time to time (e.g. restructuring, asset impairment charges, discontinued operations, etc.) from calculations of the Company's earnings and operating margin; (2) the exclusion of the effects of acquisitions, including integration costs and certain financing costs; (3) the exclusion of interest expense from the calculation of the Company's operating margin; and (4) the exclusion of any mandatory debt service requirements, as well as the exclusion of other uses of the cash generated by operating activities that do not directly or immediately support the underlying business (such as discretionary debt reductions, dividends, share repurchase, acquisitions, etc.) for calculation of free cash flow. While some of the items the Company excludes from GAAP measures recur, these items tend to be disparate in amount and timing. Based upon feedback from investors and financial analysts, the Company believes that supplemental non-GAAP measures provide information that is useful to the assessment of the Company's performance and operating trends.

The reconciliation set forth below is provided in accordance with Regulations G and S-K and reconciles the non-GAAP financial measures with the most directly comparable GAAP financial measures.

-more-

---

**AVERY DENNISON**  
**PRELIMINARY RECONCILIATION OF GAAP TO NON-GAAP MEASURES**  
(In millions, except per share amounts)

	(UNAUDITED)			
	Three Months Ended		Twelve Months Ended	
	Dec. 29, 2007	Dec. 30, 2006	Dec. 29, 2007	Dec. 30, 2006
<b>Reconciliation of GAAP to Non-GAAP Operating Margin:</b>				
Net sales	\$ 1,714.0	\$ 1,411.4	\$ 6,307.8	\$ 5,575.9
Income from continuing operations before taxes	\$ 98.0	\$ 113.8	\$ 375.3	\$ 435.2
<b>GAAP Operating Margin</b>	<b>5.7%</b>	<b>8.1%</b>	<b>5.9%</b>	<b>7.8%</b>
Income from continuing operations before taxes	\$ 98.0	\$ 113.8	\$ 375.3	\$ 435.2
Non-GAAP adjustments:				
Restructuring costs	11.1	6.5	21.6	21.1
Asset impairment and lease cancellation charges	5.1	3.9	17.5	8.7
Asset impairment charges — acquisition related (1)	—	—	18.4	—
Transition costs associated with Paxar integration (2)	16.8	—	43.0	—
Other (3)	—	(5.3)	1.9	6.4
Interest expense	34.3	13.3	105.2	55.5
Adjusted non-GAAP operating income before taxes and interest expense	\$ 165.3	\$ 132.2	\$ 582.9	\$ 526.9
<b>Adjusted Non-GAAP Operating Margin</b>	<b>9.6%</b>	<b>9.4%</b>	<b>9.2%</b>	<b>9.4%</b>
<b>Reconciliation of GAAP to Non-GAAP Net Income:</b>				
As reported net income	\$ 79.4	\$ 104.7	\$ 303.5	\$ 373.2
Non-GAAP adjustments, net of taxes:				
Restructuring costs	9.0	6.1	17.6	17.6
Asset impairment and lease cancellation charges	4.2	3.6	14.4	7.4
Asset impairment charges — acquisition related	—	—	14.6	—
Transition costs associated with Paxar integration	13.6	—	34.6	—
Other	—	(5.0)	1.8	2.2
Loss (income) from discontinued operations	—	0.4	—	(14.7)
<b>Adjusted Non-GAAP Net Income</b>	<b>\$ 106.2</b>	<b>\$ 109.8</b>	<b>\$ 386.5</b>	<b>\$ 385.7</b>

(continued)

**EVERY DENNISON**  
**PRELIMINARY RECONCILIATION OF GAAP TO NON-GAAP MEASURES**  
(In millions, except per share amounts)

	(UNAUDITED)			
	Three Months Ended		Twelve Months Ended	
	Dec. 29, 2007	Dec. 30, 2006	Dec. 29, 2007	Dec. 30, 2006
<b>Reconciliation of GAAP to Non-GAAP Earnings Per Share:</b>				
As reported income per common share, assuming dilution	\$ 0.81	\$ 1.04	\$ 3.07	\$ 3.72
Non-GAAP adjustments per share, net of taxes:				
Restructuring costs	0.09	0.06	0.18	0.18
Asset impairment and lease cancellation charges	0.04	0.04	0.14	0.07
Asset impairment charges — acquisition related	—	—	0.15	—
Transition costs associated with Paxar integration	0.14	—	0.35	—
Other	—	(0.05)	0.02	0.02
(Income) from discontinued operations	—	—	—	(0.15)
<b>Adjusted Non-GAAP income per common share, assuming dilution</b>	<b>\$ 1.08</b>	<b>\$ 1.09</b>	<b>\$ 3.91</b>	<b>\$ 3.84</b>
Average common shares outstanding, assuming dilution	98.6	100.4	98.9	100.4

2006 amounts have been restated to reflect the change in method of accounting for inventory from last-in, first-out (LIFO) to first-in, first-out (FIFO) for certain businesses operating in the U.S.

- (1) 2007 YTD includes asset impairment charges primarily related to software assets.
- (2) 2007 QTD includes \$16.8 of Paxar integration costs and change-in-control costs reported in marketing, general & administrative expense. 2007 YTD includes \$39.7 of Paxar integration costs and change-in-control costs reported in marketing, general & administrative expense and \$3.3 of inventory step-up impact reported in costs of products sold.
- (3) 2007 YTD includes \$4.8 of certain non-recurring financing costs and \$.3 of expenses related to a divestiture, partially offset by reversal of an accrual for a patent lawsuit of (\$3.2).

2006 QTD includes gain on sale of assets of (\$5.3).

2006 YTD includes \$13 related to environmental remediation costs, legal accrual related to a patent lawsuit of \$.4, miscellaneous taxes of \$.4 related to a divestiture and charitable contribution of \$10 to Avery Dennison Foundation, partially offset by gain on sale of investment of (\$10.5), gain on sale of assets of (\$5.3) and gain from curtailment and settlement of a pension obligation of (\$1.6).

-more-



**AVERY DENNISON**  
**PRELIMINARY SUPPLEMENTARY INFORMATION**  
(In millions)

	NET SALES		(UNAUDITED) Fourth Quarter Ended		OPERATING MARGINS	
			2007	2006	2007(1)	2006(2)
	Pressure-sensitive Materials	\$ 890.1	\$ 814.3	\$ 79.0	\$ 74.3	8.9%
Retail Information Services	410.7	168.1	1.9	9.6	0.5%	5.7%
Office and Consumer Products	272.2	285.0	56.1	58.6	20.6%	20.6%
Other specialty converting businesses	141.0	144.0	0.2	0.6	0.1%	0.4%
Corporate Expense	N/A	N/A	(4.9)	(16.0)	N/A	N/A
Interest Expense	N/A	N/A	(34.3)	(13.3)	N/A	N/A
<b>TOTAL FROM CONTINUING OPERATIONS</b>	<b>\$ 1,714.0</b>	<b>\$ 1,411.4</b>	<b>\$ 98.0</b>	<b>\$ 113.8</b>	<b>5.7%</b>	<b>8.1%</b>

2006 amounts have been restated to reflect the change in method of accounting for inventory from last-in, first-out (LIFO) to first-in, first-out (FIFO) for certain businesses operating in the U.S.

(1) Operating income for the fourth quarter of 2007 includes \$16.8 of transition costs associated with Paxar integration and \$16.2 of restructuring costs, asset impairment and lease cancellation charges; of the total \$33, the Pressure-sensitive Materials segment recorded \$1, the Retail Information Services segment recorded \$26.1, the Office and Consumer Products segment recorded \$3.4, the other specialty converting businesses recorded \$2.7 and Corporate recorded (\$2).

(2) Operating income for the fourth quarter of 2006 includes restructuring costs, asset impairment and lease cancellation charges of \$10.4, partially offset by gain on sale of assets of (\$5.3); of the total \$5.1, the Pressure-sensitive Materials segment recorded \$2.4, the Retail Information Services segment recorded \$3.3, the Office and Consumer Products segment recorded (\$1.9) and other specialty converting businesses recorded \$1.3.

**RECONCILIATION OF GAAP TO NON-GAAP SUPPLEMENTARY INFORMATION**

	Fourth Quarter Ended			
	OPERATING INCOME		OPERATING MARGINS	
	2007	2006	2007	2006
<b>Pressure-sensitive Materials</b>				
<b>Operating income, as reported</b>	<b>\$ 79.0</b>	<b>\$ 74.3</b>	<b>8.9%</b>	<b>9.1%</b>
Non-GAAP adjustments:				
Restructuring costs	1.0	1.9	0.1%	0.2%
Asset impairment and lease cancellation charges	—	1.6	—	0.2%
Gain on sale of assets	—	(1.1)	—	(0.1%)
<b>Adjusted non-GAAP operating income</b>	<b>\$ 80.0</b>	<b>\$ 76.7</b>	<b>9.0%</b>	<b>9.4%</b>
<b>Retail Information Services</b>				
<b>Operating income, as reported</b>	<b>\$ 1.9</b>	<b>\$ 9.6</b>	<b>0.5%</b>	<b>5.7%</b>
Non-GAAP adjustments:				
Restructuring costs	6.2	1.8	1.5%	1.1%
Asset impairment and lease cancellation charges	3.1	1.5	0.7%	0.9%
Transition costs associated with Paxar integration	16.8	—	4.1%	—
<b>Adjusted non-GAAP operating income</b>	<b>\$ 28.0</b>	<b>\$ 12.9</b>	<b>6.8%</b>	<b>7.7%</b>
<b>Office and Consumer Products</b>				
<b>Operating income, as reported</b>	<b>\$ 56.1</b>	<b>\$ 58.6</b>	<b>20.6%</b>	<b>20.6%</b>
Non-GAAP adjustments:				
Restructuring costs	3.4	1.5	1.3%	0.5%
Asset impairment charges	—	0.8	—	0.3%
Gain on sale of assets	—	(4.2)	—	(1.5%)
<b>Adjusted non-GAAP operating income</b>	<b>\$ 59.5</b>	<b>\$ 56.7</b>	<b>21.9%</b>	<b>19.9%</b>
<b>Other specialty converting businesses</b>				
<b>Operating income, as reported</b>	<b>\$ 0.2</b>	<b>\$ 0.6</b>	<b>0.1%</b>	<b>0.4%</b>
Non-GAAP adjustments:				
Restructuring costs	1.1	1.3	0.8%	0.9%
Asset impairment charges	1.6	—	1.2%	—
<b>Adjusted non-GAAP operating income</b>	<b>\$ 2.9</b>	<b>\$ 1.9</b>	<b>2.1%</b>	<b>1.3%</b>

-more-

**AVERY DENNISON**  
**PRELIMINARY SUPPLEMENTARY INFORMATION**  
(In millions)

	(UNAUDITED)					
	NET SALES		Twelve Months Year-to-Date OPERATING INCOME		OPERATING MARGINS	
	2007	2006	2007(1)	2006(2)	2007	2006
Pressure-sensitive Materials	\$ 3,497.7	\$ 3,236.3	\$ 318.7	\$ 301.6	9.1%	9.3%
Retail Information Services	1,174.5	667.7	(4.0)	45.7	(0.3%)	6.8%
Office and Consumer Products	1,016.2	1,072.0	173.6	187.4	17.1%	17.5%
Other specialty converting businesses	619.4	599.9	25.4	17.3	4.1%	2.9%
Corporate Expense	N/A	N/A	(33.2)	(61.3)	N/A	N/A
Interest Expense	N/A	N/A	(105.2)	(55.5)	N/A	N/A
<b>TOTAL FROM CONTINUING OPERATIONS</b>	<b>\$ 6,307.8</b>	<b>\$ 5,575.9</b>	<b>\$ 375.3</b>	<b>\$ 435.2</b>	<b>5.9%</b>	<b>7.8%</b>

2006 amounts have been restated to reflect the change in method of accounting for inventory from last-in, first-out (LIFO) to first-in, first-out (FIFO) for certain businesses operating in the U.S.

(1) Operating income for 2007 includes \$57.5 of asset impairment charges, restructuring costs and lease cancellation charges, \$43 of transition costs associated with Paxar integration, \$4.8 of certain non-recurring financing costs and \$3.3 of expenses related to a divestiture, partially offset by a reversal of (\$3.2) related to a patent lawsuit; of the total \$102.4, the Pressure-sensitive Materials segment recorded \$13.8, the Retail Information Services segment recorded \$74.2, the Office and Consumer Products segment recorded \$4.8, the other specialty converting businesses recorded \$4.2 and Corporate recorded \$5.4.

(2) Operating income for 2006 includes restructuring costs, asset impairment and lease cancellation charges of \$29.8, environmental remediation costs of \$13, legal accrual related to a patent lawsuit of \$4, miscellaneous taxes of \$4 related to a divestiture and charitable contribution of \$10 to Avery Dennison Foundation, partially offset by gain on sale of investment of (\$10.5), gain on sale of assets of (\$5.3) and gain from curtailment and settlement of a pension obligation of (\$1.6); of the total \$36.2, the Pressure-sensitive Materials segment recorded \$9.3, the Retail Information Services segment recorded \$11.2, the Office and Consumer Products segment recorded (\$2.3), the other specialty converting businesses recorded \$3.7 and Corporate recorded \$14.3.

**RECONCILIATION OF GAAP TO NON-GAAP SUPPLEMENTARY INFORMATION**

	Twelve Months Year-to-Date			
	OPERATING INCOME		OPERATING MARGINS	
	2007	2006	2007	2006
<b>Pressure-sensitive Materials</b>				
<b>Operating income, as reported</b>	<b>\$ 318.7</b>	<b>\$ 301.6</b>	<b>9.1%</b>	<b>9.3%</b>
Non-GAAP adjustments:				
Restructuring costs	6.1	7.3	0.2%	0.2%
Asset impairment and lease cancellation charges	10.9	2.7	0.3%	0.1%
Legal accrual related to a patent lawsuit	(3.2)	0.4	(0.1%)	—
Gain on sale of assets	—	(1.1)	—	—
<b>Adjusted non-GAAP operating income</b>	<b>\$ 332.5</b>	<b>\$ 310.9</b>	<b>9.5%</b>	<b>9.6%</b>
<b>Retail Information Services</b>				
<b>Operating income, as reported</b>	<b>\$ (4.0)</b>	<b>\$ 45.7</b>	<b>(0.3%)</b>	<b>6.8%</b>
Non-GAAP adjustments:				
Restructuring costs	9.7	9.4	0.8%	1.4%
Asset impairment and lease cancellation charges	3.1	1.8	0.2%	0.3%
Asset impairment charges — acquisition related	18.4	—	1.6%	—
Transition costs associated with Paxar integration	43.0	—	3.7%	—
<b>Adjusted non-GAAP operating income</b>	<b>\$ 70.2</b>	<b>\$ 56.9</b>	<b>6.0%</b>	<b>8.5%</b>
<b>Office and Consumer Products</b>				
<b>Operating income, as reported</b>	<b>\$ 173.6</b>	<b>\$ 187.4</b>	<b>17.1%</b>	<b>17.5%</b>
Non-GAAP adjustments:				
Restructuring costs	4.1	2.3	0.4%	0.2%
Asset impairment and lease cancellation charges	0.4	0.8	0.1%	0.1%
Expenses related to a divestiture	0.3	—	—	—
Gain on sale of assets	—	(4.2)	—	(0.4%)
Gain from curtailment and settlement of a pension obligation	—	(1.6)	—	(0.1%)
Other	—	0.4	—	—
<b>Adjusted non-GAAP operating income</b>	<b>\$ 178.4</b>	<b>\$ 185.1</b>	<b>17.6%</b>	<b>17.3%</b>
<b>Other specialty converting businesses</b>				
<b>Operating income, as reported</b>	<b>\$ 25.4</b>	<b>\$ 17.3</b>	<b>4.1%</b>	<b>2.9%</b>
Non-GAAP adjustments:				
Restructuring costs	2.3	2.1	0.4%	0.4%
Asset impairment charges	1.9	1.6	0.3%	0.2%
<b>Adjusted non-GAAP operating income</b>	<b>\$ 29.6</b>	<b>\$ 21.0</b>	<b>4.8%</b>	<b>3.5%</b>



**AVERY DENNISON**  
**PRELIMINARY RECONCILIATION OF GAAP TO NON-GAAP MEASURES**  
**(Full Year 2008 Estimates)**

	2008 Guidance
<b>Reconciliation of GAAP to Non-GAAP Earnings Per Share Guidance:</b>	
Reported (GAAP) Earnings Per Share	\$3.80 - \$4.20
<b>Add Back:</b>	
Estimated Integration Transition Costs, Restructuring and Asset Impairment Charges (1)	~ \$0.35
Adjusted (non-GAAP) Earnings Per Share	\$4.15 to \$4.55

(1) Subject to revision as plans are finalized

-more-

**AVERY DENNISON**  
**PRELIMINARY CONDENSED CONSOLIDATED BALANCE SHEET**  
(In millions)

	(UNAUDITED)	
	Dec. 29, 2007	Dec. 30, 2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 71.5	\$ 58.5
Trade accounts receivable, net	1,113.8	910.2
Inventories, net	631.0	496.9
Other current assets	242.0	221.1
Total current assets	2,058.3	1,686.7
Property, plant and equipment, net	1,591.4	1,309.4
Other assets	2,597.0	1,328.8
	<b>\$ 6,246.7</b>	<b>\$ 4,324.9</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term and current portion of long-term debt	\$ 1,110.8	\$ 466.4
Accounts payable	679.2	630.1
Other current liabilities	676.8	602.3
Total current liabilities	2,466.8	1,698.8
Long-term debt	1,145.0	501.6
Other long-term liabilities	640.6	428.3
Shareholders' equity:		
Common stock	124.1	124.1
Capital in excess of par value	781.1	881.5
Retained earnings	2,290.2	2,155.6
Accumulated other comprehensive income (loss)	89.7	(50.1)
Cost of unallocated ESOP shares	(3.8)	(5.7)
Employee stock benefit trusts	(428.8)	(602.5)
Treasury stock at cost	(858.2)	(806.7)
Total shareholders' equity	1,994.3	1,696.2
	<b>\$ 6,246.7</b>	<b>\$ 4,324.9</b>

2006 amounts have been restated to reflect the change in method of accounting for inventory from last-in, first-out (LIFO) to first-in, first-out (FIFO) for certain businesses operating in the U.S.

-more-

**AVERY DENNISON**  
**PRELIMINARY CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(In millions)

	(UNAUDITED) Twelve Months Ended	
	Dec. 29, 2007	Dec. 30, 2006
<b>Operating Activities:</b>		
Net income	\$ 303.5	\$ 373.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	184.1	154.3
Amortization	50.5	43.6
Deferred taxes	(28.1)	(7.3)
Asset impairment and net loss (gain) on sale and disposal of assets	44.0	(7.8)
Stock-based compensation	21.6	24.1
Other non-cash items, net	(15.4)	(6.5)
	<u>560.2</u>	<u>573.6</u>
Changes in assets and liabilities, net of the effect of business acquisitions and divestitures	(60.8)	(62.8)
Net cash provided by operating activities	<u>499.4</u>	<u>510.8</u>
<b>Investing Activities:</b>		
Purchase of property, plant and equipment	(190.5)	(161.9)
Purchase of software and other deferred charges	(64.3)	(33.4)
Payments for acquisitions	(1,291.9)	(13.4)
Proceeds from sale of assets	4.9	15.4
Proceeds from sale of businesses and investments	—	35.4
Other	(1.4)	3.0
Net cash used in investing activities	<u>(1,543.2)</u>	<u>(154.9)</u>
<b>Financing Activities:</b>		
Net increase (decrease) in borrowings (maturities of 90 days or less)	792.2	(137.8)
Additional borrowings (maturities longer than 90 days)	688.8	—
Payments of debt (maturities longer than 90 days)	(222.0)	(2.3)
Dividends paid	(171.8)	(171.8)
Purchase of treasury stock	(63.2)	(157.7)
Proceeds from exercise of stock options, net	36.2	54.1
Other	(4.8)	17.7
Net cash provided by (used in) financing activities	<u>1,055.4</u>	<u>(397.8)</u>
Effect of foreign currency translation on cash balances	1.4	1.9
Increase (decrease) in cash and cash equivalents	<u>13.0</u>	<u>(40.0)</u>
Cash and cash equivalents, beginning of year	58.5	98.5
Cash and cash equivalents, end of year	<u>\$ 71.5</u>	<u>\$ 58.5</u>

2006 amounts have been restated to reflect the change in method of accounting for inventory from last-in, first-out (LIFO) to first-in, first-out (FIFO) for certain businesses operating in the U.S.

####

# Fourth Quarter and Full Year 2007 Financial Review and Analysis

(Unaudited)

January 29, 2008



Slide 1

Certain statements contained in this document are “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements and financial or other business targets are subject to certain risks and uncertainties. Actual results and trends may differ materially from historical or expected results depending on a variety of factors, including but not limited to risks and uncertainties relating to investment in development activities and new production facilities; fluctuations in cost and availability of raw materials; ability of the Company to achieve and sustain targeted cost reductions, including synergies expected from the integration of the Paxar business in the time and at the cost anticipated; ability of the Company to generate sustained productivity improvement; successful integration of acquisitions; successful implementation of new manufacturing technologies and installation of manufacturing equipment; the financial condition and inventory strategies of customers; customer and supplier concentrations; changes in customer order patterns; loss of significant contract(s) or customer(s); timely development and market acceptance of new products; fluctuations in demand affecting sales to customers; impact of competitive products and pricing; selling prices; business mix shift; credit risks; ability of the Company to obtain adequate financing arrangements; fluctuations in interest rates; fluctuations in pension, insurance and employee benefit costs; impact of legal proceedings, including the Australian Competition and Consumer Commission investigation into industry competitive practices, and any related proceedings or lawsuits pertaining to this investigation or to the subject matter thereof or of the concluded investigations by the U.S. Department of Justice (“DOJ”), the European Commission, and the Canadian Department of Justice (including purported class actions seeking treble damages for alleged unlawful competitive practices, which were filed after the announcement of the DOJ investigation), as well as the impact of potential violations of the U.S. Foreign Corrupt Practices Act based on issues in China; changes in governmental regulations; changes in political conditions; fluctuations in foreign currency exchange rates and other risks associated with foreign operations; worldwide and local economic conditions; impact of epidemiological events on the economy and the Company’s customers and suppliers; acts of war, terrorism, natural disasters; and other factors.

The Company believes that the most significant risk factors that could affect its ability to achieve its stated financial expectations in the near-term include (1) the impact of economic conditions on underlying demand for the Company’s products; (2) the degree to which higher raw material and energy-related costs can be passed on to customers through selling price increases, without a significant loss of volume; (3) the impact of competitors’ actions, including pricing, expansion in key markets, and product offerings; (4) potential adverse developments in legal proceedings and/or investigations regarding competitive activities, including possible fines, penalties, judgments or settlements; and (5) the ability of the Company to achieve and sustain targeted cost reductions, including expected synergies associated with the Paxar acquisition.

The financial information presented in this document represents preliminary, unaudited financial results.

Slide 2



## Use of Non-GAAP Financial Measures

This presentation contains certain non-GAAP measures as defined by SEC rules. The most directly comparable GAAP measures have been included in the earnings news release for the quarter. Reconciliations of non-GAAP measures to the most directly comparable GAAP measures are included with the financial statements accompanying the earnings news release for the quarter, along with certain supplemental analysis provided in this document. ***(See Attachments A-2 through A-5 to Exhibit 99.1, news release dated January 29, 2007, and Slides 18 and 19 of this document.)***

The Company's non-GAAP financial measures exclude the impact of certain events, activities or strategic decisions. The accounting effects of these events, activities or decisions, which are included in the GAAP measures, may make it difficult to assess the underlying performance of the Company in a single period. By excluding certain accounting effects, both positive and negative (e.g., gains on sales of assets, restructuring charges, asset impairments, effects of acquisitions and related costs, etc.), from certain of the Company's GAAP measures, the Company believes that it is providing meaningful supplemental information to facilitate an understanding of the Company's "core" or "underlying" operating results. These non-GAAP measures are used internally to evaluate trends in the Company's underlying business, as well as to facilitate comparison to the results of competitors for a single period. The Company applies a quarterly tax rate to the accounting adjustments in order for the year-to-date tax rate on non-GAAP income to be consistent with the year-to-date GAAP tax rate. ***(See Attachment A-2 to Exhibit 99.1 for discussion of limitations associated with the use of these non-GAAP measures.)***

The information in this document has been furnished (not filed) under Form 8-K with the SEC and is posted at the Investors section of the Company's Web site.

## Full Year 2007 Overview

- Total sales up approximately 1% on an organic basis, reflecting soft market conditions in several key segments (particularly in second half of the year) and inventory reductions by Office Products customers
  - Reported sales up 13%, driven primarily by the Paxar acquisition and currency translation
- Challenging year driven by economic and market conditions, including competitive price environment for the roll materials business in North America and Europe
- Continued strength in emerging markets, particularly for materials businesses in China, India, and the ASEAN region
- Completion of Paxar acquisition; identification of \$115 to \$125 mil. in annual cost synergies when integration is complete
- Actions taken to drive annualized cost savings of \$45 to \$50 million (in addition to acquisition integration savings); further actions underway

## Fourth Quarter Overview

- Net sales increased 21.4% over prior year
  - Net effect of Paxar acquisition was approx. 15%
  - Currency added 7% (*\$0.05 benefit to earnings per share*)
  - Sales declined modestly (0.6%) on an organic basis
- Operating margin before restructuring and asset impairment charges and transition costs associated with the Paxar integration increased by 20 basis points vs. prior year
  - Restructuring and other productivity initiatives more than offset the cost of raw material inflation and competitive price environment
  - Headwinds also included 40 basis points of margin compression from addition of base Paxar business (*margin of base business is lower than Company-average before integration savings*)
  - Benefited from lower than anticipated corporate expense

## Fourth Quarter Overview (continued)

- Effective tax rate for the quarter and year was approximately 19%.  
*Annual tax rate expected to be in the 18-20% range for the foreseeable future*
- Reported E.P.S. of \$0.81 includes \$0.27 of restructuring charges, asset impairment, and transition costs for Paxar integration
  - \$0.13 of restructuring and asset impairment charges, including \$0.08 related to Paxar
  - \$0.14 of transition costs associated with Paxar integration
- Adjusted E.P.S. of \$1.08
- Adjusted earnings per share includes \$0.03 of estimated accretion from the base Paxar business, including interest on acquisition debt and amortization of intangibles

## Management Analysis of Underlying Sales Trends

	<u>Q4-06</u>	<u>Q1-07</u>	<u>Q2-07</u>	<u>Q3-07</u>	<u>Q4-07</u>
<i>Organic Sales Growth</i> <sup>(1)</sup>	2.0%	1.3%	2.0%	(0.1)%	(0.6)%
Acquisitions, Net of Divestitures	(1.1)%	(0.8)%	2.5%	14.5%	15.1%
Currency	2.6%	3.5%	3.5%	4.1%	7.0%
<b>Reported Sales Growth</b>	<b>3.5%</b>	<b>3.9%</b>	<b>8.1%</b>	<b>18.5%</b>	<b>21.4%</b>

<sup>(1)</sup> Reported Sales Growth less the impacts of foreign currency translation and acquisitions, net of divestitures (calculation may not tie due to rounding).



## Margin Analysis

*(prior periods restated for change in LIFO accounting)*

	<u>Q4-07</u>	Adjusted <sup>(1)</sup> <u>Q4-06</u>	<u>Q3-07</u>
Gross Profit Margin (Total Company)	28.1%	29.0%	27.7%
<u>Operating Margin (non-GAAP<sup>(2)</sup>):</u>			
Pressure-Sensitive Materials	9.0%	9.4%	9.5%
Retail Information Services (RIS)	6.8%	7.0%	3.0%
Office and Consumer Products	21.9%	19.9%	18.5%
Other Specialty Converting	2.1%	1.3%	5.7%
Total Company	9.6%	9.0%	9.0%
<i>Impact of RFID on reported margin:</i>	<i>(0.4)%</i>	<i>(0.4)%</i>	<i>(0.4)%</i>
Total Company Excluding RFID	10.0%	9.4%	9.4%

<sup>(1)</sup> See Slides 18 and 19 for reconciliation to reported results for Total Company and RIS.

<sup>(2)</sup> Earnings before interest and taxes, restructuring and asset impairment charges, and other items detailed in Attachments A-3 and A-4 of Exhibit 99.1.



## Key Factors Impacting Margin (see Slide 18 for prior year reconciliation for Paxar)

- Gross profit margin before Paxar integration costs improved 10 basis points compared to prior year margin, as reported
  - **Adjusting the prior year number to include Paxar, gross profit margin declined 90 basis points**
  - This decline reflects impact of price competition and higher raw material costs, as well as negative segment and product mix shifts, partially offset by restructuring savings and other sources of productivity
- Marketing, general and administrative (MG&A) expense ratio before Paxar integration costs improved by 20 basis points compared to prior year MG&A ratio, as reported
  - **Adjusting the prior year number to include Paxar, MG&A expense ratio improved by 170 basis points**
  - Absolute MG&A spending was down about \$13 mil. vs. adjusted prior year, as cost reductions more than offset the effects of currency (approx. \$11 mil.), amortization of intangibles related to Paxar acquisition (approx. \$6 mil.), and general inflation

### PRESSURE-SENSITIVE MATERIALS

- Reported sales of \$890 mil., up 9% compared with prior year
  - Organic sales growth of approx. 2%, a modest improvement over Q3 pace
- Change in sales for roll materials business by region, *adjusted for the effect of currency*:
  - Europe up at low single digit rate, a modest improvement vs. Q3 trend
  - North America declined at low single digit rate, similar to Q3
  - Asia growth in mid-teens
  - South America up mid single digit
- Graphics & Reflective business increased at mid single-digit rate before currency
- Excluding restructuring and asset impairment charges, operating margin declined 40 basis points vs. prior year to 9.0%, as the negative effects of pricing and raw material inflation more than offset benefits from restructuring and other productivity initiatives



## Q4-2007 Segment Overview (continued)

### RETAIL INFORMATION SERVICES

- Reported sales of \$411 mil., up 144% compared with prior year primarily due to the Paxar acquisition
  - Organic sales growth of approx. 1%
  - Slowdown vs. historical trend and long-term target reflects decline in orders for apparel shipped to North American retailers and brand owners, reflecting a weak domestic retail market. Sales on products destined for European market remain solid (> 10%)
- Operating margin before transition costs, restructuring, and asset impairment charges declined 90 basis points to 6.8%
- Adjusting the prior year number to include Paxar (*see Slide 19*), operating margin before transition costs, restructuring, and asset impairment charges declined 20 basis points
  - Integration synergies of approx. \$11 mil. more than offset the effects of intangible amortization (approx. \$6 mil.) and higher corporate cost allocation (approx. \$4 mil.)
  - Realized volume growth insufficient to cover inflation in employee-related costs (e.g., headcount additions and rapid salary inflation in China)

# Paxar Financial Outlook

(Millions,  
except as noted)

	<u>Target Pre-Tax Cost Savings</u>	<u>Target Annual E.P.S. Accretion<sup>(1)</sup></u>	<u>Est. Pre-Tax Depreciation &amp; Amortization</u>	<u>Target EBITDA<sup>(1)</sup> Accretion</u>
2008	\$80 – \$90	\$0.35 – \$0.45	~ \$70	\$175 – \$190
2009	\$110 – \$120	\$0.65 – \$0.80	~ \$75	\$215 – \$235
2010	\$115 – \$125	\$0.85 – \$1.00	~ \$75	\$240 – \$260

## Financing

- Weighted average interest expense of 5% based on current short-term rates
- Combination of senior notes, mandatory convertibles, and short-term debt (47% floating)
- Maintained BBB+ credit rating

## Estimated One-Time Cash Integration Costs<sup>(2)</sup>

<b>Cash Restructuring / Transition Costs<sup>(3)</sup>:</b>	<b>\$125 – \$135</b>
<b>Capital / IT Investments:</b>	<b>\$ 40 – \$ 45</b>
<b>Total Cash Costs:</b>	<b>\$165 – \$180</b>

## Estimated Timing of Cash Outflows

2007	45%
2008	35-40%
2009	15-20%

<sup>(1)</sup> Excluding one-time integration costs. Reflects near-term margin compression in base business, offset by lower interest expense than previously assumed, with productivity improvement over time. Assumes 3% to 5% compound annual growth on 2007 sales through 2010, with 2008 range reflecting 1% to 4% top line growth.

<sup>(2)</sup> Excludes non-cash charges (e.g., asset write-offs) taken to either the P&L or balance sheet

<sup>(3)</sup> Severance, change in control payments, consulting fees, etc.



## Q4-2007 Segment Overview (continued)

### OFFICE AND CONSUMER PRODUCTS

- Reported sales of \$272 mil., down 5% compared with prior year
  - Organic sales decline of approx. 8%, due to customer inventory reductions (\$18 mil. estimated impact to net sales)
- Excluding restructuring and asset impairment charges, operating margin increased 200 basis points to 21.9%, reflecting the benefits of:
  - Restructuring actions and other productivity initiatives
  - Tight management of expenses
  - Selective price increases (effective January 2007) and lower volume-based rebates

### OTHER SPECIALTY CONVERTING

- Reported sales of \$141 mil., down 2% compared with prior year
  - Organic sales decline of approx. 6%, or a decline of 2% adjusted for exit of low margin distribution business
- Excluding restructuring and asset impairment charges, operating margin increased by 80 basis points to 2.1%, reflecting improvement in RFID

## FY 2007 Cash Flow and Y/E Debt-To-Total Capital

<i>(Millions, except as noted)</i>	<u>2007</u>	<u>2006</u>
Cash flow from operations	\$499.4	\$510.8
Payment for capital expenditures	\$190.5	\$161.9
Payment for software and other deferred charges	<u>\$ 64.3</u>	<u>\$ 33.4</u>
Free Cash Flow <sup>(1)</sup>	\$244.6	\$315.5
Dividends	\$171.8	\$171.8
Share Repurchase	\$ 63.2	\$157.7
Total debt to total capital at year-end	53.1%	36.3%

<sup>(1)</sup> Cash flow from operations less payment for capital expenditures, software and other deferred charges



## 2008 Earnings Guidance: Key Considerations

- Guidance for adjusted (non-GAAP) earnings per share (see Slide 17 for reconciliation to GAAP): \$4.15 to \$4.55
  - Performance within range is highly dependent on organic growth
  - Low end of range assumes organic growth of 1%, net of about \$50 mil. in assumed price reductions Company-wide
  - High end of range assumes organic growth of 3%, with a more neutral impact from pricing (carryover of 2007 price decline partially offset with increases)
- Positive factors contributing to our outlook:
  - Incremental cost synergies from Paxar integration (\$60 to \$70 mil.)
  - Restructuring actions already announced (\$25 to \$30 mil. incremental to 2007)
  - Other restructuring and ongoing productivity initiatives
  - Price increases to offset raw material inflation
  - Reduced loss from building RFID business (\$10 mil.)
  - Currency translation benefit of 2% to 3% to top-line (*E.P.S. benefit of ~ \$0.08*)
- Offsetting factors vs. 2007:
  - Higher interest (\$20 to \$30 mil.) and stock option expense (~ \$10 mil.)
  - Raw material inflation (1.5% to 2.0% before cost-outs, or approx. \$50 to \$55 mil.)
  - General inflation and reinvestment of savings for growth



## 2008 Earnings Guidance: Assumptions

- Summary of Assumptions:
  - Reported revenue up 9.5% to 12.5%, including 2% to 3% benefit from currency, and 6.5% from Paxar acquisition effect (anniversary in mid-June)
  - 1.5% to 2.0% inflation in overall raw material costs, offset with benefit from global sourcing strategies, material cost-outs, and price increases
  - Operating margin of 9.0% to 10.0%
  - Interest expense of \$125 to \$135 mil.
  - Tax rate in the range of 18% to 20%
  - Negligible change in shares outstanding
- Seasonal considerations – Q1 approx. 20% of full year earnings:
  - RIS business is seasonally stronger in Q2 and Q4 (impact to total Company magnified with Paxar acquisition)
  - Savings from recently announced productivity actions ramp up in back half of the year
  - Stock option expense is higher in Q1

## 2008 Earnings and Free Cash Flow Guidance

2008  
Guidance

Reported (GAAP) Earnings Per Share	\$3.80 - \$4.20
------------------------------------	-----------------

Add Back:

Estimated Integration Transition Costs, Restructuring and Asset Impairment Charges*	~ \$0.35
---	----------

Adjusted (non-GAAP) Earnings Per Share	\$4.15 to \$4.55
--	------------------

Capital Expenditures & Investments in Software (ex-integration)	~ \$195 mil.
---	--------------

Cash Costs of Paxar Integration (before tax)	~ \$ 65 mil.
--	--------------

Free Cash Flow (before dividends)	\$400 to \$450 mil.
-----------------------------------	---------------------

\* Subject to revision as plans are finalized





## Backup: Fourth Quarter Margin Comparison Reconciliation for Effects of Paxar – Total Company

(\$ in millions, except as noted)

	Q4-07 Total	AVY	Q4-06 Paxar <sup>1</sup>	Total	Variance Fav (Unf)
Net Sales, as reported	1,714.0	1,411.4	230.8	1,642.2	
Gross Profit, as reported	481.5	394.6	82.4	477.0	
<i>Gross Profit Margin</i>	<b>28.1%</b>	<b>28.0%</b>	<b>35.7%</b>	<b>29.0%</b>	<b>(90) b.p.</b>
MG&A Expense, as reported	333.0	262.4	67.2	329.6	
Integration Transition Costs <sup>2</sup>	16.8	---	---	---	
Adjusted MG&A Expense	316.2	262.4	67.2	329.6	
<i>Adjusted MG&amp;A, as a % of sales</i>	<b>18.4%</b>	<b>18.6%</b>	<b>29.1%</b>	<b>20.1%</b>	<b>170 b.p.</b>
Adjusted Non-GAAP Operating Income <sup>3</sup>	165.3	132.2	15.2	147.4	
<i>Adjusted Non-GAAP Operating Margin<sup>3</sup></i>	<b>9.6%</b>	<b>9.4%</b>	<b>6.6%</b>	<b>9.0%</b>	<b>60 b.p.</b>

1) Per Q4 2006 Paxar Earnings Press Release issued February 13, 2007

2) Includes consulting fees, change of control costs, etc.

3) See attachment A-3 to Exhibit 99.1, news release dated January 29, 2008 for GAAP to Non-GAAP reconciliation





## Backup: Fourth Quarter Margin Comparison Reconciliation for Effects of Paxar – RIS

(\$ in millions, except as noted)

	Q4-07 Total	RIS	Q4-06 Paxar <sup>1</sup>	Total	Variance Fav (Unf)
Net Sales, as reported	410.7	168.1	230.8	398.9	
Adjusted Non-GAAP Operating Income <sup>2</sup>	28.0	12.9	15.2	28.1	
<i>Adjusted Non-GAAP Operating Margin</i> <sup>2</sup>	6.8%	7.7%	6.6%	7.0%	(20) b.p.

1) Per Q4 2006 Paxar Earnings Press Release issued February 13, 2007

2) See attachment A-4 to Exhibit 99.1, news release dated January 29, 2008 for GAAP to Non-GAAP reconciliation



## Back-up: Prior Period Restatements for Change in LIFO Accounting

- Rationale for discontinuing LIFO accounting:
  - Time-consuming to track with no economic benefit
  - Inconsistent accounting methodology across business units within the Company (e.g., LIFO accounting only used within the U.S.)
  - Magnitude of annual LIFO adjustment is typically immaterial to total results:

Adjustments to Prior Period Reported Results to Reflect FIFO Accounting Method for All Units						
	Full Year	Full Year	EPS Adjustment By Quarter			
Net Income	EPS	EPS	Q1	Q2	Q3	Q4
(\$ millions)			<i>----less than \$0.01 impact, except where noted----</i>			
2007*	0.7	\$ 0.01				
2006	6.0	\$ 0.06	\$0.01	\$0.01	\$0.01	\$0.03
2005	0.4					
2004	(0.7)					
2003	(0.5)	\$ (0.01)				
2002	(0.6)	\$ (0.01)				

\* Full year adjustments apply to first three quarters of the year for 2007.

- For summary of adjustments to restate prior period operating income by segment, see "Q4-07 Restatement for LIFO", posted at the Investor Relations section of our website