

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**

July 24, 2012  
Date of Report

**AVERY DENNISON CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

**1 -7685**

**95-1492269**

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

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

**91103**

(Address of principal executive offices)

(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))

## Section 2 — Financial Information

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

Avery Dennison Corporation's (the "Company") press release, dated July 24, 2012, announcing its preliminary, unaudited financial results for second quarter 2012, and updating its previous guidance for the 2012 fiscal year, is attached hereto as Exhibit 99.1 and is being furnished (not filed) with this Form 8-K.

The Company's supplemental presentation materials, dated July 24, 2012, regarding its preliminary, unaudited financial review and analysis for second quarter 2012, and updating its previous guidance for the 2012 fiscal year, is attached hereto as Exhibit 99.2 and is being furnished (not filed) with this Form 8-K. The press release and presentation materials are also available on the Company's website at [www.investors.averydennison.com](http://www.investors.averydennison.com).

The Company will discuss its preliminary, unaudited financial results during a webcast and teleconference today, July 24, 2012, at 1:00 p.m. ET. To access the webcast and teleconference, please go to the Company's website at [www.investors.averydennison.com](http://www.investors.averydennison.com).

## Section 9 — Financial Statements and Exhibits

### Item 9.01 Financial Statements and Exhibits.

#### (d) Exhibits.

99.1 Press release, dated July 24, 2012, announcing preliminary, unaudited second quarter 2012 results.

99.2 Supplemental presentation materials, dated July 24, 2012, regarding the Company's preliminary, unaudited financial review and analysis for second quarter 2012.

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

Certain statements contained in this report on Form 8-K and in Exhibits 99.1 and 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. These 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 anticipated results depending on a variety of factors, including but not limited to risks and uncertainties relating to the following: fluctuations in demand affecting sales to customers; the financial condition and inventory strategies of customers; changes in customer order patterns; worldwide and local economic conditions; fluctuations in cost and availability of raw materials; ability of the company to generate sustained productivity improvement; ability of the company to achieve and sustain targeted cost reductions; impact of competitive products and pricing; loss of significant contract(s) or customer(s); collection of receivables from customers; selling prices; business mix shift; changes in tax laws and regulations, and uncertainties associated with interpretations of such laws and regulations; outcome of tax audits; timely development and market acceptance of new products, including sustainable or sustainably-sourced products; investment in development activities and new production facilities; fluctuations in foreign currency exchange rates and other risks associated with foreign operations; integration of acquisitions and completion of pending dispositions; amounts of future dividends and share repurchases; customer and supplier concentrations; successful implementation of new manufacturing technologies and installation of manufacturing equipment; disruptions in information technology systems; successful installation of new or upgraded information technology systems; volatility of financial markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; ability of the company to obtain adequate financing arrangements and maintain access to capital; fluctuations in interest and tax rates; fluctuations in pension, insurance and employee benefit costs; impact of legal and regulatory proceedings, including with respect to environmental, health and safety; changes in governmental laws and regulations; changes in political conditions; impact of epidemiological events on the economy and the company's customers and suppliers; acts of war, terrorism, and natural disasters; and other factors.

The Company believes that the most significant risk factors that could affect its financial performance 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 costs can be offset with productivity measures and/or passed on to customers through selling price increases, without a significant loss of volume; and (3) competitors' actions, including pricing, expansion in key markets, and product offerings.

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 2011 Form 10-K, filed on February 27, 2012 with the Securities and Exchange Commission ("SEC"), and subsequent quarterly reports on Form 10-Q. 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 these statements to reflect subsequent events or circumstances.

The financial information presented in the press release and supplemental presentation materials attached as exhibits to this Form 8-K is preliminary and unaudited.

**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: July 24, 2012

By: /s/ Mitchell R. Butier

Name: Mitchell R. Butier

Title: Senior Vice President and  
Chief Financial Officer

EXHIBIT LIST

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 99.1               | Press release, dated July 24, 2012, announcing preliminary, unaudited second quarter 2012 results.  |
| 99.2               | Supplemental presentation materials, dated July 24, 2012, regarding the Company's preliminary, unaudited financial review and analysis for second quarter 2012. |



Miller Corporate Center

For Immediate Release

**AVERY DENNISON ANNOUNCES  
SECOND QUARTER 2012 RESULTS AND  
\$100 MILLION RESTRUCTURING PROGRAM**

- Reported EPS (including discontinued operations) of \$0.62
- Reported EPS from continuing operations of \$0.49
  - Ø Adjusted EPS from continuing operations of \$0.56 (non-GAAP)
- Net sales declined approximately 1 percent to \$1.53 billion
  - Ø Sales grew approximately 4 percent on organic basis
- Repurchased 2.4 million shares
- Narrowing range of 2012 EPS and free cash flow guidance
- Restructuring program targeting annualized savings of more than \$100 million by mid-2013

**PASADENA, Calif., July 24, 2012** — Avery Dennison Corporation (NYSE:AVY) today announced preliminary, unaudited second quarter 2012 results. All non-GAAP financial measures referenced in this document are reconciled to GAAP in the attached tables. Unless otherwise indicated, the discussion of the company's results is focused on its continuing operations.

“Second-quarter results were in line with our expectations, and we are on track for full-year earnings growth and free cash flow within the ranges of our guidance,” said Dean Scarborough, Avery Dennison chairman, president and CEO. “We continued to deliver on our commitment to return more cash to shareholders, repurchasing more than two million shares during the quarter.

“We are aggressively implementing the next phase of our restructuring initiative to help us deliver on our financial targets for double-digit earnings growth and higher returns,” Scarborough said. “Our near-term target is to achieve more than \$100 million in

annualized savings by mid-2013. The leaner cost structure that will result will enhance our overall competitive position and strengthen our ability to increase returns even in an uncertain economic environment.”

*For more details on the company’s results, see the summary table accompanying this news release, as well as the supplemental presentation materials, “Second Quarter 2012 Financial Review and Analysis,” posted on the company’s website at [www.investors.averydennison.com](http://www.investors.averydennison.com), and furnished on Form 8-K with the SEC.*

### **Second Quarter 2012 Results by Segment**

All references to sales reflect comparisons on an organic basis which exclude the estimated impact of currency translation, acquisitions and divestitures. Adjusted operating margin (non-GAAP) refers to earnings before interest expense and taxes, excluding restructuring costs and other items, as a percentage of sales.

#### **Pressure-sensitive Materials (PSM)**

- i Label and Packaging Materials sales increased mid-single digits compared to prior year. Graphics and Reflective Solutions sales declined low single digits compared to prior year.
- i Operating margin declined 20 basis points to 8.4% due to higher restructuring costs. Adjusted operating margin improved 10 basis points as the benefit from higher volume more than offset higher employee-related expenses, including incentive compensation.

#### **Retail Branding and Information Solutions (RBIS)**

- i Consistent with recent trends, sales were flat, reflecting caution from retailers and brands in the U.S. and Europe.

- i Operating margin declined 150 basis points to 4.8% due to wage inflation, partially offset by productivity initiatives. Adjusted operating margin declined 160 basis points.

**Other specialty converting businesses**

- i Sales increased modestly due to increased volume.
- i Operating margin improved 50 basis points to 2.9% as the impact of higher volume and productivity initiatives more than offset higher employee-related expenses and restructuring costs. Adjusted operating margin improved 80 basis points.

**Other**

**Share Repurchase**

The company repurchased 2.4 million shares during the second quarter at an aggregate cost of \$70 million. Year-to-date through the end of the second quarter, the company repurchased 4.8 million shares at an aggregate cost of \$142 million.

**Results of Discontinued Operations**

Due to the company's pending divestiture of its Office and Consumer Products business ("OCP"), earnings from OCP and certain costs associated with the transaction are reported as income or loss from discontinued operations (net of tax) in the consolidated income statement.

Earnings per share from discontinued operations declined from \$0.19 to \$0.13. Adjusted earnings per share from discontinued operations declined from \$0.18 to \$0.16.

The company continues to expect the sale of OCP to be completed in the second half of 2012.



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**Income Taxes**

The second quarter effective tax rate was 33.4 percent. The year-to-date adjusted tax rate for the second quarter increased from 29.3 to 34.1 percent, in line with expectations and the full year 2011 rate.

**Cost Reduction Actions**

In the first half of 2012, the company began a restructuring program expected to be completed by mid-2013 that will reduce costs across all segments of the business. The company currently anticipates more than \$100 million in annualized savings from this program. To implement these actions, the company estimates that it will incur approximately \$55 million in restructuring costs in 2012, and approximately \$25 million in restructuring costs in 2013.

**Outlook**

In the company's supplemental presentation materials, "Second Quarter 2012 Financial Review and Analysis," the company provides a list of factors that it believes will contribute to its 2012 financial results. Based on the factors listed and other assumptions, the company is narrowing its previous guidance of 2012 earnings per share from continuing operations to \$1.55 to \$1.70 and free cash flow from continuing operations to \$280 million to \$310 million. Excluding an estimated \$0.35 per share for restructuring costs and other items, the company expects adjusted (non-GAAP) earnings per share from continuing operations of \$1.90 to \$2.05.

*Note: Throughout this release and the supplemental presentation materials, amounts on a per share basis reflect fully diluted shares outstanding.*

**About Avery Dennison**

Avery Dennison (NYSE:AVY) helps make brands more inspiring and the world more intelligent. The company is a global leader in pressure-sensitive labeling technology and materials and retail branding and information solutions. A FORTUNE 500 company with sales of \$6 billion from continuing operations in 2011, Avery Dennison is based in Pasadena, California and has employees in over 50 countries. For more information, visit [www.averydennison.com](http://www.averydennison.com).

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## **“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995**

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The company believes that the most significant risk factors that could affect its financial performance 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 costs can be offset with productivity measures and/or passed on to customers through selling price increases, without a significant loss of volume; and (3) competitors’ actions, including pricing, expansion in key markets, and product offerings.

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 2011 Form 10-K, filed on February 27, 2012 with the Securities and Exchange Commission, and subsequent quarterly reports on Form 10-Q. The forward-looking statements included in this document are made only as of the date of this document, and the company undertakes no obligation to update these statements to reflect subsequent events or circumstances.

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

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**Second Quarter Financial Summary — Preliminary**

(in millions, except per share amounts)

|   | 2Q                 |           | % Change vs. P/Y |             |                       |           |           |          |            |      |
|---|--------------------|-----------|------------------|-------------|-----------------------|-----------|-----------|----------|------------|------|
|   | 2012               | 2011      | Reported         | Organic (a) |                       |           |           |          |            |      |
| Net sales, by segment:  |                    |           |                  |             |                       |           |           |          |            |      |
| Pressure-sensitive Materials  | \$1,009.2          | \$1,006.2 | 0%               | 6%          |                       |           |           |          |            |      |
| Retail Branding and Information Solutions                           | 388.6              | 396.5     | -2%              | 0%          |                       |           |           |          |            |      |
| Other specialty converting businesses                               | 134.5              | 142.1     | -5%              | 2%          |                       |           |           |          |            |      |
| Total net sales   | \$1,532.3          | \$1,544.8 | -1%              | 4%          |                       |           |           |          |            |      |
|   | As Reported (GAAP) |           |                  |             | Adjusted Non-GAAP (b) |           |           |          |            |      |
|   | 2Q                 | 2Q        | % Change         | % of Sales  |                       | 2Q        | 2Q        | % Change | % of Sales |      |
|   | 2012               | 2011      | Fav(Unf)         | 2012        | 2011                  | 2012      | 2011      | Fav(Unf) | 2012       | 2011 |
| Operating income before interest and taxes, by segment:             |                    |           |                  |             |                       |           |           |          |            |      |
| Pressure-sensitive Materials  | \$ 84.4            | \$ 86.4   |                  | 8.4%        | 8.6%                  | \$ 91.4   | \$ 90.7   |          | 9.1%       | 9.0% |
| Retail Branding and Information Solutions                           | 18.7               | 25.1      |                  | 4.8%        | 6.3%                  | 20.7      | 27.5      |          | 5.3%       | 6.9% |
| Other specialty converting businesses                               | 3.9                | 3.4       |                  | 2.9%        | 2.4%                  | 4.8       | 4.0       |          | 3.6%       | 2.8% |
| Corporate expense   | (11.4)             | (10.1)    |                  |             |                       | (9.8)     | (9.1)     |          |            |      |
| Total operating income before interest and taxes / operating margin | \$ 95.6            | \$ 104.8  | -9%              | 6.2%        | 6.8%                  | \$ 107.1  | \$ 113.1  | -5%      | 7.0%       | 7.3% |
| Interest expense  | 18.6               | 17.7      |                  |             |                       | 18.6      | 17.7      |          |            |      |
| Income from operations before taxes                                 | \$ 77.0            | \$ 87.1   | -12%             | 5.0%        | 5.6%                  | \$ 88.5   | \$ 95.4   | -7%      | 5.8%       | 6.2% |
| Provision for income taxes  | \$ 25.7            | \$ 34.0   |                  |             |                       | \$ 30.3   | \$ 31.3   |          |            |      |
| Net income from continuing operations                               | \$ 51.3            | \$ 53.1   | -3%              | 3.3%        | 3.4%                  | \$ 58.2   | \$ 64.1   | -9%      | 3.8%       | 4.1% |
| Income from discontinued operations, net of tax                     | \$ 12.9            | \$ 20.2   | -36%             | 0.8%        | 1.3%                  | \$ 17.1   | \$ 19.4   | -12%     | 1.1%       | 1.3% |
| Net income  | \$ 64.2            | \$ 73.3   | -12%             | 4.2%        | 4.7%                  | \$ 75.3   | \$ 83.5   | -10%     | 4.9%       | 5.4% |
| Net income per common share, assuming dilution:                     |                    |           |                  |             |                       |           |           |          |            |      |
| Continuing operations   | \$ 0.49            | \$ 0.50   | -2%              |             |                       | \$ 0.56   | \$ 0.60   | -7%      |            |      |
| Discontinued operations   | \$ 0.13            | \$ 0.19   | -32%             |             |                       | \$ 0.16   | \$ 0.18   | -11%     |            |      |
| Total Company   | \$ 0.62            | \$ 0.69   | -10%             |             |                       | \$ 0.72   | \$ 0.78   | -8%      |            |      |
|   |                    |           |                  |             |                       | 2012      | 2011      |          |            |      |
| Free Cash Flow from Continuing Operations (c)                       |                    |           |                  |             |                       | \$ 22.4   | n/a       |          |            |      |
| Free Cash Flow (includes discontinued operations) (c)               |                    |           |                  |             |                       | (\$ 14.6) | (\$165.1) |          |            |      |

(a) Percentage change in sales excluding the estimated impact of foreign currency translation, acquisitions and divestitures.

(b) Excludes restructuring costs and other items (see accompanying schedules A-3 and A-5 for reconciliation to GAAP financial measures).

(c) Free cash flow refers to cash flow from operations, less net payments for property, plant, and equipment, software and other deferred charges, plus (minus) net proceeds from sales (purchases) of investments. Free cash flow excludes mandatory debt service requirements and other uses of cash that do not directly or immediately support the underlying business (such as discretionary debt reductions, dividends, share repurchases, and certain effects of acquisitions and divestitures).

**EVERETT DENNISON**  
**PRELIMINARY CONSOLIDATED STATEMENTS OF INCOME**  
(In millions, except per share amounts)

|  | (UNAUDITED)        |                 |                  |                 |
|--|--------------------|-----------------|------------------|-----------------|
|  | Three Months Ended |                 | Six Months Ended |                 |
|  | Jun. 30,<br>2012   | Jul. 2,<br>2011 | Jun. 30,<br>2012 | Jul. 2,<br>2011 |
| Net sales  | \$ 1,532.3         | \$ 1,544.8      | \$ 3,015.6       | \$ 3,071.3      |
| Cost of products sold                                | 1,132.5            | 1,148.4         | 2,228.2          | 2,275.4         |
| Gross profit   | 399.8              | 396.4           | 787.4            | 795.9           |
| Marketing, general & administrative expense          | 292.7              | 283.3           | 589.2            | 598.2           |
| Interest expense                                     | 18.6               | 17.7            | 36.9             | 35.4            |
| Other expense, net <sup>(1)</sup>                    | 11.5               | 8.3             | 19.2             | 12.6            |
| Income from continuing operations before taxes       | 77.0               | 87.1            | 142.1            | 149.7           |
| Provision for income taxes                           | 25.7               | 34.0            | 44.5             | 59.7            |
| Income from continuing operations                    | 51.3               | 53.1            | 97.6             | 90.0            |
| Income from discontinued operations, net of tax      | 12.9               | 20.2            | 10.5             | 28.1            |
| <b>Net income</b>                                    | <b>\$ 64.2</b>     | <b>\$ 73.3</b>  | <b>\$ 108.1</b>  | <b>\$ 118.1</b> |
| <b>Per share amounts:</b>                            |                    |                 |                  |                 |
| Net income per common share, assuming dilution       |                    |                 |                  |                 |
| Continuing operations                                | \$ 0.49            | \$ 0.50         | \$ 0.93          | \$ 0.84         |
| Discontinued operations                              | 0.13               | 0.19            | 0.10             | 0.27            |
| Net income per common share, assuming dilution       | <b>\$ 0.62</b>     | <b>\$ 0.69</b>  | <b>\$ 1.03</b>   | <b>\$ 1.11</b>  |
| Average common shares outstanding, assuming dilution | 104.3              | 106.9           | 105.3            | 106.8           |

<sup>(1)</sup> “Other expense, net” for the second quarter of 2012 includes severance and related costs of \$9.8, asset impairment charges of \$0.7, and certain transaction costs of \$1.6, partially offset by gain on sale of a product line of \$0.6.

“Other expense, net” for the second quarter of 2011 includes severance and related costs of \$7.1, asset impairment charges, net of lease cancellation reversals of \$0.2, and certain transaction costs of \$0.1.

“Other expense, net” 2012 YTD includes severance and related costs of \$15.6, asset impairment charges, net of lease cancellation reversals of \$2.2, and certain transaction costs of \$2, partially offset by gain on sale of a product line of \$0.6.

“Other expense, net” 2011 YTD includes severance and related costs of \$9.9, asset impairment charges, net of lease cancellation reversals of \$3.3, and certain transaction costs of \$1, partially offset by legal settlement of \$1.6.

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

Avery Dennison reports financial results in conformity with accounting principles generally accepted in the United States of America, or 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, the comparable 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. Based upon feedback from investors and financial analysts, the Company believes that supplemental non-GAAP financial measures provide information that is useful to the assessment of the Company's performance and operating trends, as well as liquidity.

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 financial 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, of certain items (e.g., restructuring costs, asset impairments, legal settlements, certain effects of strategic transactions and related costs, loss from debt extinguishments, loss from curtailment and settlement of pension obligations, gains or losses on sale of certain assets and other items), the Company believes that it is providing meaningful supplemental information to facilitate an understanding of the Company's core operating results and liquidity measures. These non-GAAP financial 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. While some of the items excluded from GAAP financial measures may recur, they tend to be disparate in amount, frequency, and timing.

The Company uses the following non-GAAP financial measures in the accompanying news release and presentation:

*Organic sales change* refers to the increase or decrease in sales excluding the estimated impact of currency translation, acquisitions and divestitures;

*Adjusted operating margin* refers to earnings before interest expense and taxes, excluding restructuring costs and other items, as a percentage of sales;

*Adjusted tax rate* refers to the anticipated full year GAAP tax rate adjusted for certain discrete events;

*Adjusted EPS* refers to as reported net income per common share, assuming dilution, adjusted for the tax-effected restructuring costs and other items; and

*Free cash flow* refers to cash flow from operations, less net payments for property, plant, and equipment, software and other deferred charges, plus (minus) net proceeds from sales (purchases) of investments. Free cash flow excludes mandatory debt service requirements and other uses of cash that do not directly or immediately support the underlying business (such as discretionary debt reductions, dividends, share repurchases, and certain effects of acquisitions and divestitures).

The reconciliation set forth below and in the accompanying presentation 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.

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

|   | (UNAUDITED)        |                |                  |                 |
|---|--------------------|----------------|------------------|-----------------|
|   | Three Months Ended |                | Six Months Ended |                 |
|   | Jun. 30, 2012      | Jul. 2, 2011   | Jun. 30, 2012    | Jul. 2, 2011    |
| <b>Reconciliation of Operating Margins:</b>   |                    |                |                  |                 |
| Net sales   | \$ 1,532.3         | \$ 1,544.8     | \$ 3,015.6       | \$ 3,071.3      |
| Income from continuing operations before taxes  | \$ 77.0            | \$ 87.1        | \$ 142.1         | \$ 149.7        |
| Income from continuing operations before taxes as a percentage of sales                           | 5.0%               | 5.6%           | 4.7%             | 4.9%            |
| Adjustment:   |                    |                |                  |                 |
| Interest expense  | \$ 18.6            | \$ 17.7        | \$ 36.9          | \$ 35.4         |
| Operating income from continuing operations before interest expense and taxes                     | \$ 95.6            | \$ 104.8       | \$ 179.0         | \$ 185.1        |
| <b>Operating Margins</b>  | <b>6.2%</b>        | <b>6.8%</b>    | <b>5.9%</b>      | <b>6.0%</b>     |
| Income from continuing operations before taxes  | \$ 77.0            | \$ 87.1        | \$ 142.1         | \$ 149.7        |
| Adjustments:  |                    |                |                  |                 |
| Restructuring costs:  |                    |                |                  |                 |
| Severance and related costs   | 9.8                | 7.1            | 15.6             | 9.9             |
| Asset impairment charges, net of lease cancellation reversals                                     | 0.7                | 0.2            | 2.2              | 3.3             |
| Other items <sup>(1)</sup>  | 1.0                | 1.0            | 1.4              | (0.6)           |
| Interest expense  | 18.6               | 17.7           | 36.9             | 35.4            |
| Adjusted operating income from continuing operations before interest expense and taxes (non-GAAP) | \$ 107.1           | \$ 113.1       | \$ 198.2         | \$ 197.7        |
| <b>Adjusted Operating Margins (non-GAAP)</b>  | <b>7.0%</b>        | <b>7.3%</b>    | <b>6.6%</b>      | <b>6.4%</b>     |
| <b>Reconciliation of GAAP to Non-GAAP Net Income from Continuing Operations:</b>                  |                    |                |                  |                 |
| As reported net income from continuing operations   | \$ 51.3            | \$ 53.1        | \$ 97.6          | \$ 90.0         |
| Non-GAAP adjustments, net of tax:   |                    |                |                  |                 |
| Restructuring costs and other items <sup>(2)</sup>  | 6.9                | 11.0           | 8.7              | 24.7            |
| <b>Adjusted Non-GAAP Net Income from Continuing Operations</b>                                    | <b>\$ 58.2</b>     | <b>\$ 64.1</b> | <b>\$ 106.3</b>  | <b>\$ 114.7</b> |
| <b>Reconciliation of GAAP to Non-GAAP Net Income from Discontinued Operations:</b>                |                    |                |                  |                 |
| As reported net income from discontinued operations   | \$ 12.9            | \$ 20.2        | \$ 10.5          | \$ 28.1         |
| Non-GAAP adjustments, net of tax:   |                    |                |                  |                 |
| Restructuring costs and other items <sup>(2)</sup>  | 4.2                | (0.8)          | 10.1             | (5.1)           |
| <b>Adjusted Non-GAAP Net Income from Discontinued Operations</b>                                  | <b>\$ 17.1</b>     | <b>\$ 19.4</b> | <b>\$ 20.6</b>   | <b>\$ 23.0</b>  |
| <b>Reconciliation of GAAP to Non-GAAP Net Income:</b>   |                    |                |                  |                 |
| As reported net income  | \$ 64.2            | \$ 73.3        | \$ 108.1         | \$ 118.1        |
| Non-GAAP adjustments, net of tax:   |                    |                |                  |                 |
| Restructuring costs and other items <sup>(2)</sup>  | 11.1               | 10.2           | 18.8             | 19.6            |
| <b>Adjusted Non-GAAP Net Income</b>   | <b>\$ 75.3</b>     | <b>\$ 83.5</b> | <b>\$ 126.9</b>  | <b>\$ 137.7</b> |

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

|  | (UNAUDITED)        |                |                  |                |
|--|--------------------|----------------|------------------|----------------|
|  | Three Months Ended |                | Six Months Ended |                |
|  | Jun. 30, 2012      | Jul. 2, 2011   | Jun. 30, 2012    | Jul. 2, 2011   |
| <b>Reconciliation of GAAP to Non-GAAP Net Income per Common Share from Continuing Operations:</b>    |                    |                |                  |                |
| As reported net income per common share from continuing operations, assuming dilution                | \$ 0.49            | \$ 0.50        | \$ 0.93          | \$ 0.84        |
| Non-GAAP adjustments per common share, net of tax:   |                    |                |                  |                |
| Restructuring costs and other items <sup>(2)</sup>   | 0.07               | 0.10           | 0.08             | 0.23           |
| <b>Adjusted Non-GAAP Net Income per Common Share from Continuing Operations, assuming dilution</b>   | <b>\$ 0.56</b>     | <b>\$ 0.60</b> | <b>\$ 1.01</b>   | <b>\$ 1.07</b> |
| <b>Reconciliation of GAAP to Non-GAAP Net Income per Common Share from Discontinued Operations:</b>  |                    |                |                  |                |
| As reported net income per common share from discontinued operations, assuming dilution              | \$ 0.13            | \$ 0.19        | \$ 0.10          | \$ 0.27        |
| Non-GAAP adjustments per common share, net of tax:   |                    |                |                  |                |
| Restructuring costs and other items <sup>(2)</sup>   | 0.03               | (0.01)         | 0.10             | (0.05)         |
| <b>Adjusted Non-GAAP Net Income per Common Share from Discontinued Operations, assuming dilution</b> | <b>\$ 0.16</b>     | <b>\$ 0.18</b> | <b>\$ 0.20</b>   | <b>\$ 0.22</b> |
| <b>Reconciliation of GAAP to Non-GAAP Net Income per Common Share:</b>                               |                    |                |                  |                |
| As reported net income per common share, assuming dilution   | \$ 0.62            | \$ 0.69        | \$ 1.03          | \$ 1.11        |
| Non-GAAP adjustments per common share, net of tax:   |                    |                |                  |                |
| Restructuring costs and other items <sup>(2)</sup>   | 0.10               | 0.09           | 0.18             | 0.18           |
| <b>Adjusted Non-GAAP Net Income per Common Share, assuming dilution</b>                              | <b>\$ 0.72</b>     | <b>\$ 0.78</b> | <b>\$ 1.21</b>   | <b>\$ 1.29</b> |
| Average common shares outstanding, assuming dilution   | 104.3              | 106.9          | 105.3            | 106.8          |

<sup>(1)</sup> Includes certain transaction costs, legal settlement, and gain on sale of a product line.

<sup>(2)</sup> Reflects tax-effected restructuring costs and other items. The negative tax rate for discontinued operations in 2011 YTD reflects required intra-period allocations that offset in the full year 2011.

|   | (UNAUDITED)      |                   |
|---|------------------|-------------------|
|   | Six Months Ended |                   |
|   | Jun. 30, 2012    | Jul. 2, 2011      |
| <b>Reconciliation of GAAP to Non-GAAP Free Cash Flow:</b> |                  |                   |
| Net cash provided by (used in) operating activities       | \$ 41.0          | \$ (95.2)         |
| Purchases of property, plant and equipment, net           | (39.9)           | (53.1)            |
| Purchases of software and other deferred charges          | (19.9)           | (16.1)            |
| Proceeds from sales (purchases) of investments, net       | 4.2              | (0.7)             |
| <b>Free Cash Flow</b>                                     | <b>\$ (14.6)</b> | <b>\$ (165.1)</b> |
| Free Cash Flow from continuing operations                 | \$ 22.4          |                   |
| Free Cash Flow from discontinued operations               | (37.0)           |                   |
| <b>Free Cash Flow</b>                                     | <b>\$ (14.6)</b> |                   |

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

|   | NET SALES                    |                  | Second Quarter Ended<br>OPERATING INCOME |                     | OPERATING MARGINS |             |
|---|------------------------------|------------------|--|---------------------|-------------------|-------------|
|   | 2012                         | 2011             | 2012 <sup>(1)</sup>                      | 2011 <sup>(2)</sup> | 2012              | 2011        |
|   | Pressure-sensitive Materials | \$1,009.2        | \$1,006.2                                | \$ 84.4             | \$ 86.4           | 8.4%        |
| Retail Branding and Information Solutions | 388.6                        | 396.5            | 18.7                                     | 25.1                | 4.8%              | 6.3%        |
| Other specialty converting businesses     | 134.5                        | 142.1            | 3.9                                      | 3.4                 | 2.9%              | 2.4%        |
| Corporate Expense                         | N/A                          | N/A              | (11.4)                                   | (10.1)              | N/A               | N/A         |
| <b>TOTAL FROM CONTINUING OPERATIONS</b>   | <b>\$1,532.3</b>             | <b>\$1,544.8</b> | <b>\$ 95.6</b>                           | <b>\$ 104.8</b>     | <b>6.2%</b>       | <b>6.8%</b> |

- (1) Operating income for the second quarter of 2012 includes severance and related costs of \$9.8, asset impairment charges of \$7, and certain transaction costs of \$1.6, partially offset by gain on sale of a product line of \$6. Of the total \$11.5, the Pressure-sensitive Materials segment recorded \$7, the Retail Branding and Information Solutions segment recorded \$2, the other specialty converting businesses recorded \$9, and Corporate recorded \$1.6.
- (2) Operating income for the second quarter of 2011 includes severance and related costs of \$7.1, asset impairment charges, net of lease cancellation reversals of \$2, and certain transaction costs of \$1. Of the total \$8.3, the Pressure-sensitive Materials segment recorded \$4.3, the Retail Branding and Information Solutions segment recorded \$2.4, the other specialty converting businesses recorded \$6, and Corporate recorded \$1.

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

|   | Second Quarter Ended<br>OPERATING INCOME |                | OPERATING MARGINS |             |
|---|--|----------------|-------------------|-------------|
|   | 2012                                     | 2011           | 2012              | 2011        |
|   | <b>Pressure-sensitive Materials</b>      |                |                   |             |
| <b>Operating income and margins, as reported</b>              | <b>\$ 84.4</b>                           | <b>\$ 86.4</b> | <b>8.4%</b>       | <b>8.6%</b> |
| Adjustments:  |  |                |                   |             |
| Restructuring costs:  |  |                |                   |             |
| Severance and related costs                                   | 7.4                                      | 4.3            | 0.7%              | 0.4%        |
| Asset impairment charges                                      | 0.2                                      | —              | —                 | —           |
| Gain on sale of a product line                                | (0.6)                                    | —              | —                 | —           |
| <b>Adjusted operating income and margins (non-GAAP)</b>       | <b>\$ 91.4</b>                           | <b>\$ 90.7</b> | <b>9.1%</b>       | <b>9.0%</b> |
| <b>Retail Branding and Information Solutions</b>              |  |                |                   |             |
| <b>Operating income and margins, as reported</b>              | <b>\$ 18.7</b>                           | <b>\$ 25.1</b> | <b>4.8%</b>       | <b>6.3%</b> |
| Adjustments:  |  |                |                   |             |
| Restructuring costs:  |  |                |                   |             |
| Severance and related costs                                   | 2.0                                      | 2.2            | 0.5%              | 0.5%        |
| Asset impairment charges, net of lease cancellation reversals | —  | 0.2            | —                 | 0.1%        |
| <b>Adjusted operating income and margins (non-GAAP)</b>       | <b>\$ 20.7</b>                           | <b>\$ 27.5</b> | <b>5.3%</b>       | <b>6.9%</b> |
| <b>Other specialty converting businesses</b>                  |  |                |                   |             |
| <b>Operating income and margins, as reported</b>              | <b>\$ 3.9</b>                            | <b>\$ 3.4</b>  | <b>2.9%</b>       | <b>2.4%</b> |
| Adjustments:  |  |                |                   |             |
| Restructuring costs:  |  |                |                   |             |
| Severance and related costs                                   | 0.4                                      | 0.6            | 0.3%              | 0.4%        |
| Asset impairment charges                                      | 0.5                                      | —              | 0.4%              | —           |
| <b>Adjusted operating income and margins (non-GAAP)</b>       | <b>\$ 4.8</b>                            | <b>\$ 4.0</b>  | <b>3.6%</b>       | <b>2.8%</b> |

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

|   | NET SALES                    |                  | Six Months Year-to-Date<br>OPERATING INCOME |                     | OPERATING MARGINS |             |
|---|------------------------------|------------------|---|---------------------|-------------------|-------------|
|   | 2012                         | 2011             | 2012 <sup>(1)</sup>                         | 2011 <sup>(2)</sup> | 2012              | 2011        |
|   | Pressure-sensitive Materials | \$1,999.4        | \$2,015.6                                   | \$ 171.8            | \$ 169.9          | 8.6%        |
| Retail Branding and Information Solutions | 745.9                        | 771.7            | 25.9  | 37.3                | 3.5%              | 4.8%        |
| Other specialty converting businesses     | 270.3                        | 284.0            | 3.8   | 1.4                 | 1.4%              | 0.5%        |
| Corporate Expense                         | N/A                          | N/A              | (22.5)                                      | (23.5)              | N/A               | N/A         |
| <b>TOTAL FROM CONTINUING OPERATIONS</b>   | <b>\$3,015.6</b>             | <b>\$3,071.3</b> | <b>\$ 179.0</b>                             | <b>\$ 185.1</b>     | <b>5.9%</b>       | <b>6.0%</b> |

- (1) Operating income for 2012 includes severance and related costs of \$15.6, asset impairment charges, net of lease cancellation reversals of \$2.2, and certain transaction costs of \$2, partially offset by gain on sale of a product line of \$6. Of the total \$19.2, the Pressure-sensitive Materials segment recorded \$9.2, the Retail Branding and Information Solutions segment recorded \$4.5, the other specialty converting businesses recorded \$3.5, and Corporate recorded \$2.
- (2) Operating income for 2011 includes severance and related costs of \$9.9, asset impairment charges, net of lease cancellation reversals of \$3.3, and certain transaction costs of \$1, partially offset by legal settlement of \$1.6. Of the total \$12.6, the Pressure-sensitive Materials segment recorded \$7.7, the Retail Branding and Information Solutions segment recorded \$2.7, the other specialty converting businesses recorded \$1.2, and Corporate recorded \$1.

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

|   | Six Months Year-to-Date<br>OPERATING INCOME |                 | OPERATING MARGINS |             |
|---|---|-----------------|-------------------|-------------|
|   | 2012  | 2011            | 2012              | 2011        |
|   | <b>Pressure-sensitive Materials</b>         |                 |                   |             |
| <b>Operating income and margins, as reported</b>              | <b>\$ 171.8</b>                             | <b>\$ 169.9</b> | <b>8.6%</b>       | <b>8.4%</b> |
| Adjustments:  |   |                 |                   |             |
| Restructuring costs:  |   |                 |                   |             |
| Severance and related costs                                   | 8.6   | 6.2             | 0.4%              | 0.3%        |
| Asset impairment charges, net of lease cancellation reversals | 1.2   | 1.5             | 0.1%              | 0.1%        |
| Gain on sale of a product line                                | (0.6)                                       | —               | —                 | —           |
| <b>Adjusted operating income and margins (non-GAAP)</b>       | <b>\$ 181.0</b>                             | <b>\$ 177.6</b> | <b>9.1%</b>       | <b>8.8%</b> |
| <b>Retail Branding and Information Solutions</b>              |   |                 |                   |             |
| <b>Operating income and margins, as reported</b>              | <b>\$ 25.9</b>                              | <b>\$ 37.3</b>  | <b>3.5%</b>       | <b>4.8%</b> |
| Adjustments:  |   |                 |                   |             |
| Restructuring costs:  |   |                 |                   |             |
| Severance and related costs                                   | 4.4   | 2.8             | 0.6%              | 0.4%        |
| Asset impairment charges, net of lease cancellation reversals | 0.1   | 1.5             | —                 | 0.2%        |
| Legal settlement  | —   | (1.6)           | —                 | (0.2%)      |
| <b>Adjusted operating income and margins (non-GAAP)</b>       | <b>\$ 30.4</b>                              | <b>\$ 40.0</b>  | <b>4.1%</b>       | <b>5.2%</b> |
| <b>Other specialty converting businesses</b>                  |   |                 |                   |             |
| <b>Operating income and margins, as reported</b>              | <b>\$ 3.8</b>                               | <b>\$ 1.4</b>   | <b>1.4%</b>       | <b>0.5%</b> |
| Adjustments:  |   |                 |                   |             |
| Restructuring costs:  |   |                 |                   |             |
| Severance and related costs                                   | 2.6   | 0.9             | 1.0%              | 0.3%        |
| Asset impairment charges                                      | 0.9   | 0.3             | 0.3%              | 0.1%        |
| <b>Adjusted operating income and margins (non-GAAP)</b>       | <b>\$ 7.3</b>                               | <b>\$ 2.6</b>   | <b>2.7%</b>       | <b>0.9%</b> |

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

| <b>ASSETS</b>   | (UNAUDITED)       |                   |
|---|-------------------|-------------------|
|   | Jun. 30, 2012     | Jul. 2, 2011      |
| <b>Current assets:</b>                                      |                   |                   |
| Cash and cash equivalents                                   | \$ 161.4          | \$ 125.4          |
| Trade accounts receivable, net                              | 982.0             | 1,132.7           |
| Inventories, net  | 521.6             | 641.4             |
| Assets held for sale  | 511.2             | —                 |
| Other current assets  | 225.6             | 317.2             |
| <b>Total current assets</b>                                 | <b>2,401.8</b>    | <b>2,216.7</b>    |
| Property, plant and equipment, net                          | 1,012.3           | 1,245.5           |
| Goodwill  | 751.6             | 962.0             |
| Other intangibles resulting from business acquisitions, net | 145.9             | 215.5             |
| Non-current deferred income taxes                           | 307.5             | 261.9             |
| Other assets  | 438.8             | 458.4             |
|   | <b>\$ 5,057.9</b> | <b>\$ 5,360.0</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                 |                   |                   |
| <b>Current liabilities:</b>                                 |                   |                   |
| Short-term and current portion of long-term debt            | \$ 671.5          | \$ 611.8          |
| Accounts payable  | 787.3             | 765.4             |
| Liabilities held for sale                                   | 165.0             | —                 |
| Other current liabilities                                   | 498.5             | 569.4             |
| <b>Total current liabilities</b>                            | <b>2,122.3</b>    | <b>1,946.6</b>    |
| Long-term debt  | 703.2             | 954.8             |
| Other long-term liabilities                                 | 661.9             | 654.0             |
| <b>Shareholders' equity:</b>                                |                   |                   |
| Common stock  | 124.1             | 124.1             |
| Capital in excess of par value                              | 785.5             | 765.5             |
| Retained earnings   | 1,859.4           | 1,792.6           |
| Accumulated other comprehensive loss                        | (293.6)           | (69.2)            |
| Employee stock benefit trust                                | —                 | (36.7)            |
| Treasury stock at cost                                      | (904.9)           | (771.7)           |
| <b>Total shareholders' equity</b>                           | <b>1,570.5</b>    | <b>1,804.6</b>    |
|   | <b>\$ 5,057.9</b> | <b>\$ 5,360.0</b> |

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

|   | (UNAUDITED)<br>Six Months Ended |              |
|---|---------------------------------|--------------|
|   | Jun. 30, 2012                   | Jul. 2, 2011 |
| <b>Operating Activities:</b>  |                                 |              |
| Net income  | \$ 108.1                        | \$ 118.1     |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                                 |              |
| Depreciation  | 75.2                            | 84.6         |
| Amortization  | 35.4                            | 38.7         |
| Provision for doubtful accounts   | 9.4                             | 7.4          |
| Asset impairment and net loss on sale and disposal of assets                                | 6.3                             | 8.5          |
| Stock-based compensation  | 21.4                            | 20.7         |
| Other non-cash expense and loss   | 21.1                            | 23.4         |
| Other non-cash income and gain  | (0.1)                           | (1.9)        |
| Changes in assets and liabilities and other adjustments                                     | (235.8)                         | (394.7)      |
| Net cash provided by (used in) operating activities   | 41.0                            | (95.2)       |
| <b>Investing Activities:</b>  |                                 |              |
| Purchases of property, plant and equipment, net   | (39.9)                          | (53.1)       |
| Purchases of software and other deferred charges  | (19.9)                          | (16.1)       |
| Proceeds from sale of a product line  | 0.8                             | —            |
| Proceeds from sales (purchases) of investments, net   | 4.2                             | (0.7)        |
| Net cash used in investing activities   | (54.8)                          | (69.9)       |
| <b>Financing Activities:</b>  |                                 |              |
| Net increase in borrowings (maturities of 90 days or less)                                  | 195.2                           | 230.7        |
| Payments of debt (maturities longer than 90 days)   | (0.8)                           | (1.0)        |
| Dividends paid  | (56.3)                          | (53.4)       |
| Share repurchases   | (142.2)                         | (13.5)       |
| Proceeds from exercise of stock options, net  | 4.7                             | 3.0          |
| Other   | (2.2)                           | (5.4)        |
| Net cash (used in) provided by financing activities   | (1.6)                           | 160.4        |
| Effect of foreign currency translation on cash balances                                     | (1.2)                           | 2.6          |
| Decrease in cash and cash equivalents   | (16.6)                          | (2.1)        |
| Cash and cash equivalents, beginning of year  | 178.0                           | 127.5        |
| Cash and cash equivalents, end of period  | \$ 161.4                        | \$ 125.4     |

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**Second Quarter 2012  
Financial Review and Analysis**  
(preliminary, unaudited)

**Supplemental Presentation Materials**  
July 24, 2012

*Unless otherwise indicated, the discussion of the company's results is focused on its continuing operations*

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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. These 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 anticipated results depending on a variety of factors, including but not limited to risks and uncertainties relating to the following: fluctuations in demand affecting sales to customers; the financial condition and inventory strategies of customers; changes in customer order patterns; worldwide and local economic conditions; fluctuations in cost and availability of raw materials; ability of the company to generate sustained productivity improvement; ability of the company to achieve and sustain targeted cost reductions; impact of competitive products and pricing; loss of significant contract(s) or customer(s); collection of receivables from customers; selling prices; business mix shift; changes in tax laws and regulations, and uncertainties associated with interpretations of such laws and regulations; outcome of tax audits; timely development and market acceptance of new products, including sustainable or sustainably-sourced products; investment in development activities and new production facilities; fluctuations in foreign currency exchange rates and other risks associated with foreign operations; integration of acquisitions and completion of pending dispositions; amounts of future dividends and share repurchases; customer and supplier concentrations; successful implementation of new manufacturing technologies and installation of manufacturing equipment; disruptions in information technology systems; successful installation of new or upgraded information technology systems; volatility of financial markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; ability of the company to obtain adequate financing arrangements and maintain access to capital; fluctuations in interest and tax rates; fluctuations in pension, insurance and employee benefit costs; impact of legal and regulatory proceedings, including with respect to environmental, health and safety; changes in governmental laws and regulations; changes in political conditions; impact of epidemiological events on the economy and the company's customers and suppliers; acts of war, terrorism, and natural disasters; and other factors.

The company believes that the most significant risk factors that could affect its financial performance 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 costs can be offset with productivity measures and/or passed on to customers through selling price increases, without a significant loss of volume; and (3) competitors' actions, including pricing, expansion in key markets, and product offerings.

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 2011 Form 10-K, filed on February 27, 2012 with the Securities and Exchange Commission, and subsequent quarterly reports on Form 10-Q. The forward-looking statements included in this document are made only as of the date of this document, and the company undertakes no obligation to update these statements to reflect subsequent events or circumstances.

### Use of Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures as defined by SEC rules. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures, including limitations associated with these non-GAAP financial measures, are provided in the financial schedules 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 news release dated July 24, 2012.)

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 financial 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, of certain items (e.g., restructuring costs, asset impairments, legal settlements, certain effects of strategic transactions and related costs, loss from debt extinguishments, loss from curtailment and settlement of pension obligations, gains or losses on sale of certain assets and other items), the company believes that it is providing meaningful supplemental information to facilitate an understanding of the company's core operating results and liquidity measures. These non-GAAP financial measures are used internally to evaluate trends in the company's underlying businesses, as well as to facilitate comparison to the results of competitors for a single period. While some of the items excluded from GAAP financial measures may recur, they tend to be disparate in amount, frequency, and timing.

The company uses the following non-GAAP financial measures in this presentation:

- *Organic sales change* refers to the increase or decrease in sales excluding the estimated impact of currency translation, acquisitions and divestitures;
- *Adjusted operating margin* refers to earnings before interest expense and taxes, excluding restructuring costs and other items, as a percentage of sales;
- *Adjusted tax rate* refers to the anticipated full year GAAP tax rate adjusted for certain discrete events;
- *Adjusted EPS* refers to as reported net income per common share, assuming dilution, adjusted for the tax-effected restructuring costs and other items; and
- *Free cash flow* refers to cash flow from operations, less net payments for property, plant, and equipment, software and other deferred charges, plus (minus) net proceeds from sales (purchases) of investments. Free cash flow excludes mandatory debt service requirements and other uses of cash that do not directly or immediately support the underlying business (such as discretionary debt reductions, dividends, share repurchases, and certain effects of acquisitions and divestitures).

This document has been furnished (not filed) on Form 8-K with the SEC and may be found on the company's website at [www.investors.averydennison.com](http://www.investors.averydennison.com).

## Second Quarter Overview

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### Company results in line with expectations

- Strength in PSM offset by lower than expected performance in RBIS
- Sales up approx. 4% on organic basis driven by higher volume
- Operating margin, as reported, declined 60 basis points as higher employee-related expenses and restructuring costs more than offset the benefit of higher volume and productivity
  - Adjusted operating margin declined 30 basis points
- Year-to-date free cash flow, including discontinued operations, improved to negative \$15 mil., reflecting lower bonus payments and improvements in working capital
  - Year-to-date free cash flow from continuing operations estimated at \$22 mil.

### Narrowing 2012 guidance ranges

- Reported EPS to \$1.55 to \$1.70, adjusted EPS to \$1.90 to \$2.05
- FCF to \$280 mil. to \$310 mil.

### Increasing return of cash to shareholders while maintaining strong balance sheet

- Repurchased 4.8 mil. shares for \$142 mil. in 1H12

### Significant acceleration of cost reduction actions

- Targeting annualized savings of more than \$100 mil. by mid-2013
- Approx. \$80 mil. in restructuring costs over two years

## Second Quarter P&L Summary

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- Reported net sales declined 0.8%
  - Sales increased 3.7% on organic basis
- Operating margin, as reported, declined 60 basis points to 6.2%
  - Adjusted operating margin declined 30 basis points
- Interest expense up slightly
- Effective tax rate of 33.4%
  - Year-to-date adjusted tax rate increased from 29.3% to 34.1%, in line with expectations
- Reported EPS (total company) of \$0.62
- Reported EPS (continuing operations) of \$0.49
  - Adjusted EPS (non-GAAP, continuing operations) of \$0.56



## Sales Trend Analysis

|                               | <u>2Q11</u> | <u>3Q11</u> | <u>4Q11</u>   | <u>1Q12</u>   | <u>2Q12</u>   |
|-------------------------------|-------------|-------------|---------------|---------------|---------------|
| <i>Organic Sales Change</i>   | (1.5%)      | (0.8%)      | 0.7%          | (0.9%)        | 3.7%          |
| Product Line Divestitures     | -           | -           | (0.2%)        | (0.4%)        | (0.3%)        |
| Currency                      | 5.0%        | 5.8%        | (1.0%)        | (1.6%)        | (4.2%)        |
| <b>Reported Sales Change*</b> | <b>3.5%</b> | <b>5.0%</b> | <b>(0.5%)</b> | <b>(2.8%)</b> | <b>(0.8%)</b> |

\*Totals may not sum due to rounding.

## Margin Analysis

|   | <u>As Reported</u> |             | <u>Adjusted<br/>(Non-GAAP)</u> |             |
|---|--------------------|-------------|--------------------------------|-------------|
|   | <u>2Q12</u>        | <u>2Q11</u> | <u>2Q12</u>                    | <u>2Q11</u> |
| Gross Profit Margin (total company)       | 26.1%              | 25.7%       |                                |             |
| <b><u>Operating Margin:</u></b>           |                    |             |                                |             |
| Pressure-sensitive Materials              | 8.4%               | 8.6%        | 9.1%                           | 9.0%        |
| Retail Branding and Information Solutions | 4.8%               | 6.3%        | 5.3%                           | 6.9%        |
| Other specialty converting businesses     | 2.9%               | 2.4%        | 3.6%                           | 2.8%        |
| Total Company                             | 6.2%               | 6.8%        | 7.0%                           | 7.3%        |

## Second Quarter Segment Overview

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### PRESSURE-SENSITIVE MATERIALS

- Reported sales of \$1.01 bil., flat compared to prior year
  - Sales up approx. 6% on organic basis
- Label and Packaging Materials sales up mid-single digits on organic basis
- Graphics and Reflective Solutions sales down low single digits on organic basis
- Operating margin declined 20 basis points to 8.4% due to higher restructuring costs. Adjusted operating margin improved 10 basis points as benefit from higher volume more than offset higher employee-related expenses, including incentive compensation.

## Second Quarter Segment Overview (continued)

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### **RETAIL BRANDING AND INFORMATION SOLUTIONS**

- Reported sales of \$389 mil., down 2% compared to prior year
  - Sales flat on organic basis
- Operating margin declined 150 basis points to 4.8% due to wage inflation, partially offset by productivity initiatives. Adjusted operating margin declined 160 basis points.

### **OTHER SPECIALTY CONVERTING BUSINESSES**

- Reported sales of \$134 mil., down approx. 5% compared to prior year
  - Sales up approx. 2% excluding currency and divestiture of product line
- Operating margin improved 50 basis points to 2.9% as impact of higher volume and productivity initiatives more than offset higher employee-related expenses and restructuring costs. Adjusted operating margin improved 80 basis points.

## Contributing Factors to 2012 Results

### Factors as of April 25, 2012

- Organic sales growth of 1% to 4%
- At current rates, currency translation has approx. \$15 mil. negative impact to EBIT vs. 2011
- Tax rate in low to mid-thirty percent range; cash tax rate in upper-twenty percent range
- Restructuring costs and other items of ~\$25 mil.
- Capital expenditures (including IT) of ~\$150 mil.
- Pension contributions of at least \$75 mil.
- Estimated net proceeds and free cash flow from OCP of approx. \$400 mil.
- Average shares outstanding (assuming dilution) of 103 mil.

### Changes to Contributing Factors

- Organic sales growth of 2% to 3%
- At recent rates, currency translation has approx. \$19 mil. negative impact to EBIT vs. 2011
- Restructuring costs and other items of ~\$55 mil.

## 2012 EPS and Free Cash Flow Guidance (Continuing Operations)

|   |                         |
|---|-------------------------|
| Reported EPS                                  | \$1.55 - \$1.70         |
| <u>Add Back:</u>                              |                         |
| Estimated Restructuring Costs and Other Items | ~ \$0.35                |
| Adjusted EPS (non-GAAP)                       | \$1.90 - \$2.05         |
| Free Cash Flow                                | \$280 mil. - \$310 mil. |

***3Q12 EPS expected to be 20% to 25% of full year earnings***