
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, 2010
Date of Report

EVERY 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))
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Section 2 — Financial Information

Item 2.02 Results of Operations and Financial Condition.

Avery Dennison Corporation's (the "Company") news release dated January 29, 2010, regarding its preliminary, unaudited financial results for the fourth quarter of 2009, 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 1:00 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, 2010, regarding its preliminary financial review and analysis for the fourth quarter of 2009, 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, 2010, Avery Dennison Corporation issued a news release announcing its preliminary, unaudited financial results for the fourth quarter ending January 2, 2010.

99.2 On January 29, 2010, Avery Dennison Corporation provided a presentation regarding its preliminary financial review and analysis for the fourth quarter ending January 2, 2010.

99.3 Form of Performance Unit Agreement

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 anticipated 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; 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; volatility of capital and credit markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; ability of the Company to obtain adequate financing arrangements and to maintain access to capital; fluctuations in interest and tax rates; fluctuations in pension, insurance and employee benefit costs; impact of legal proceedings, including a previous government investigation into industry competitive practices, and any related proceedings or lawsuits pertaining thereto or to the subject matter thereof related to the concluded investigation by the U.S. Department of Justice ("DOJ") (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; changes in tax laws and regulations; changes in governmental regulations; changes in political conditions; fluctuations in foreign currency

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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, 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 and on the carrying value of its assets; (2) the impact of competitors' actions, including pricing, expansion in key markets, and product offerings; and (3) 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.

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 25, 2009. 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 and presentation, included as Exhibits 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, 2010

By: /s/ Daniel R. O'Bryant

Name: Daniel R. O' Bryant

Title: Executive Vice President, Finance and
and Chief Financial Officer

EXHIBIT LIST

<u>Exhibit No.</u>	<u>Description</u>
99.1	News release dated January 29, 2010
99.2	Presentation dated January 29, 2010
99.3	Form of Performance Unit Agreement

**AVERY DENNISON ANNOUNCES
FOURTH QUARTER AND FULL-YEAR 2009 RESULTS**

PASADENA, Calif. – January 29, 2010 – Avery Dennison Corporation (NYSE:AVY) today announced preliminary fourth quarter and full-year 2009 results.

All non-GAAP terms are reconciled to GAAP in the attached tables.

Fourth Quarter Financial Summary — Preliminary

(\$ millions, except per share amounts)

	4Q 2009	4Q 2008	% Change vs. P/Y	
			Reported	Organic (a)
Net sales, by segment:				
Pressure-sensitive Materials	\$ 846.6	\$ 808.1	5%	2%
Retail Information Services	350.5	359.4	-2%	-2%
Office and Consumer Products	205.2	225.6	-9%	-9%
Other specialty converting businesses	119.5	118.4	1%	0%
Total net sales	\$1,521.8	\$1,511.5	1%	-1%

	As Reported (GAAP)					Adjusted Non-GAAP (b)				
	2009	2008	%	% of Sales		2009	2008	%	% of Sales	
				2009	2008				2009	2008
Operating income (loss) before interest and taxes, by segment:										
Pressure-sensitive Materials	\$ 58.6	\$ 40.2	46%	6.9%	5.0%	\$ 63.7	\$ 42.8	49%	7.5%	5.3%
Retail Information Services	(12.0)	(5.8)	107%	-3.4%	-1.6%	2.6	4.1	-37%	0.7%	1.1%
Office and Consumer Products	19.2	41.6	-54%	9.4%	18.4%	27.7	46.1	-40%	13.5%	20.4%
Other specialty converting businesses	(5.7)	(9.1)	-37%	-4.8%	-7.7%	(5.0)	(7.6)	-34%	-4.2%	-6.4%
Corporate expense	(15.3)	(10.6)	44%			(15.3)	(10.6)	44%		
Total operating income before interest and taxes	\$ 44.8	\$ 56.3	-20%	2.9%	3.7%	\$ 73.7	\$ 74.8	-1%	4.8%	4.9%
Interest expense	18.3	28.1				18.3	28.1			
Income from operations before taxes	\$ 26.5	\$ 28.2	-6%	1.7%	1.9%	\$ 55.4	\$ 46.7	19%	3.6%	3.1%
(Benefit from) Provision for income taxes	\$(23.4)	\$(14.4)				\$ 8.6	\$(17.3)			
Net income	\$ 49.9	\$ 42.6	17%	3.3%	2.8%	\$ 46.8	\$ 64.0	-27%	3.1%	4.2%
Net income per common share, assuming dilution	\$ 0.47	\$ 0.43	9%			\$ 0.44	\$ 0.65	-32%		

YTD Free Cash Flow (c) 2009
\$465.7 2008
\$365.3

- a) Percentage change in sales before the impact of acquisitions, foreign currency translation, and the impact of an extra week in the 2009 fiscal year.
- b) Excludes restructuring and asset impairment charges, transition costs associated with acquisition integrations, and other items (see accompanying schedules A-3, A-4, and A-5 for reconciliation to GAAP measures).
- c) Free Cash Flow (a non-GAAP measure) as used herein is defined as net cash provided by operating activities (as reported), less purchase of property, plant, equipment, software, and other deferred charges, plus (purchases) proceeds from sale of investments, net (see accompanying schedule A-3 for reconciliation to GAAP measure).

Full Year Financial Summary — Preliminary

(\$ millions, except per share amounts)

	2009		2008		% Change vs. P/Y					
					Reported	Organic (a)				
Net sales, by segment:										
Pressure-sensitive Materials	\$3,300.0	\$3,643.8			-9%	-6%				
Retail Information Services	1,323.2	1,548.7			-15%	-14%				
Office and Consumer Products	849.3	935.8			-9%	-8%				
Other specialty converting businesses	480.2	582.1			-18%	-16%				
Total net sales	\$5,952.7	\$6,710.4			-11%	-9%				
	As Reported (GAAP)				Adjusted Non-GAAP (b)					
	2009		2008		2009		2008			
			% of Sales				% of Sales			
	2009	2008	%	2009	2008	2009	2008			
Operating income (loss) before interest and taxes, by segment:										
Pressure-sensitive Materials	\$ 184.7	\$257.2	-28%	5.6%	7.1%	\$260.0	\$269.8	-4%	7.9%	7.4%
Retail Information Services	(900.4)	11.3	-8068%	-68.0%	0.7%	(16.8)	47.6	-135%	-1.3%	3.1%
Office and Consumer Products	118.1	145.7	-19%	13.9%	15.6%	132.1	158.4	-17%	15.6%	16.9%
Other specialty converting businesses	(42.7)	7.4	-677%	-8.9%	1.3%	(13.5)	10.6	-227%	-2.8%	1.8%
Corporate expense	(65.3)	(35.1)	86%			(44.1)	(39.6)	11%		
Total operating income (loss) before interest and taxes	\$(705.6)	\$386.5	-283%	-11.9%	5.8%	\$317.7	\$446.8	-29%	5.3%	6.7%
Interest expense	85.3	115.9				85.3	115.9			
Income (loss) from operations before taxes	\$(790.9)	\$270.6	-392%	-13.3%	4.0%	\$232.4	\$330.9	-30%	3.9%	4.9%
(Benefit from) Provision for income taxes	\$ (44.2)	\$ 4.5				\$ 28.1	\$ 5.5			
Net income (loss)	\$(746.7)	\$266.1	-381%	-12.5%	4.0%	\$204.3	\$325.4	-37%	3.4%	4.8%
Net income (loss) per common share, assuming dilution	\$ (7.21)	\$ 2.70	-367%			\$ 1.97	\$ 3.30	-40%		
YTD Free Cash Flow (c)						2009	2008			
						\$465.7	\$365.3			

- a) Percentage change in sales before the impact of acquisitions, foreign currency translation, and the impact of an extra week in the 2009 fiscal year.
- b) Excludes restructuring and asset impairment charges, transition costs associated with acquisition integrations, and other items (see accompanying schedules A-3, A-4, and A-5 for reconciliation to GAAP measures).
- c) Free Cash Flow (a non-GAAP measure) as used herein is defined as net cash provided by operating activities (as reported), less purchase of property, plant, equipment, software, and other deferred charges, plus (purchases) proceeds from sale of investments, net (see accompanying schedule A-3 for reconciliation to GAAP measure).

"We completed 2009 with record free cash flow and significantly accelerated debt reduction while operating in the most difficult economic environment in decades," said Dean A. Scarborough, president and chief executive officer of Avery Dennison.

"While end markets remain soft, fourth-quarter sales reflect stabilizing inventory levels, resulting in solid improvement compared to the first half of the year," Scarborough said. "Our restructuring and productivity initiatives helped us expand gross margin and continue to invest for the future.

"Our leading market share in our core businesses and increased operating leverage position us well for strong profitable growth as markets recover," Scarborough said. "Our employees demonstrated great discipline in 2009, and I'm confident they will continue to do so in 2010 as we increase our focus on growth."

For more details on the Company's results, see the Company's supplemental presentation materials, "Fourth Quarter 2009 Financial Review and Analysis," posted at the Company's Web site at www.investors.averydennison.com, and furnished under Form 8-K with the SEC.

Fourth Quarter, 2009 Results by Segment

All references to sales reflect comparisons on an organic basis, which exclude the impact of acquisitions, foreign currency translation, and the impact of an extra week in the 2009 fiscal year. All references to operating margin exclude the impact of restructuring, asset impairment charges, lease cancellation costs, and other items.

Pressure-sensitive Materials (PSM)

- § Roll Materials sales grew, led by strength in emerging markets, partially offset by weakness in Europe. Growth in North America was flat. Sales continued to decline in the more economically sensitive Graphics and Reflective Products division.
- § Operating margin increased as productivity offset higher employee costs*, while the effects of pricing and raw material trends continued to cover the cumulative impact of 2008 inflation.

Retail Information Services (RIS)

- § The decline in sales primarily reflected reduced demand for apparel in the U.S. and Europe, and continued caution on the part of retailers.

* Higher employee costs were related to reduced bonus accruals in Q4-08 (reflecting underperformance against financial targets late in that year) and increased bonus accruals in Q4-09 (reflecting Q4 outperformance against free cash flow targets), as well as adjustments to corporate-owned life insurance.

- § Operating margin before restructuring charges and other items declined as the benefits of restructuring and other productivity actions were offset by higher employee costs, reduced fixed-cost leverage, and other factors.
- § RIS continues to reduce fixed costs, streamline its operations, and introduce new products and value-added services to increase its share of this large market.

Office and Consumer Products (OCP)

- § The decline in sales reflected weak end-market demand, led by slower corporate purchasing activity.
- § Operating margin declined as the benefit of productivity actions was more than offset by reduced fixed-cost leverage, higher employee costs, and increased marketing and product development spending.

Other specialty converting businesses

- § Sales were flat compared to prior year, reflecting continuing weakness in the housing and construction industries.
- § The improvement in operating margin reflected restructuring and productivity initiatives.

Consolidated Items and Actions

- § In the fourth quarter of 2008, the Company began a restructuring program to reduce costs across all segments of the business. In the fourth quarter of 2009, the Company increased its target to \$180 million in annualized savings by mid-2010, and delivered approximately \$75 million in savings, net of transition costs, in 2009. The Company estimates that it will incur approximately \$160 million of total restructuring charges associated with

these actions (cash charges represent approximately 70 percent of the total), with approximately \$130 million incurred in 2009. The cash flow impact of the program totaled approximately \$70 million in 2009.

At the end of the fourth quarter of 2009, the Company achieved run-rate savings representing approximately 75 percent of its restructuring target.

- § The effective tax rate for the full year was approximately 6 percent, while the adjusted tax rates for the full year and fourth quarter were approximately 12 percent and 16 percent, respectively.
- § The Company reduced debt by approximately \$300 million in the second half of 2009, resulting from dramatically improved working capital productivity, reduced capital spending, and the reduced dividend.

2010

In the Company's supplemental presentation materials, "Fourth Quarter 2009 Financial Review and Analysis," the Company provides a list of factors that it believes will contribute to its 2010 financial results. Based on the factors listed and other assumptions, EPS results in 2010 could be as follows:

<u>Organic Sales Scenario</u>	<u>Adjusted EPS*</u>
up 5%	\$2.70 to \$3.00
flat	\$2.00 to \$2.30

* Excludes restructuring and asset impairment charges and other items

Within the range of scenarios provided above, the Company estimates Free Cash Flow in 2010 of \$300 to \$350 million.

This information is provided for illustrative purposes only.

Note: Throughout this release, all calculations of amounts on a per share basis

reflect fully-diluted shares outstanding.

Avery Dennison is a recognized industry leader that develops innovative identification and decorative solutions for businesses and consumers worldwide. The Company's products include pressure-sensitive labeling materials; graphics imaging media; retail apparel ticketing and branding systems; RFID inlays and tags; office products; specialty tapes; and a variety of specialized labels for automotive, industrial and durable goods applications. A FORTUNE 500 Company with sales of \$6 billion in 2009, Avery Dennison is based in Pasadena, California and has employees in over 60 countries. For more information, visit www.averydennison.com.

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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. 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 anticipated 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; 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; volatility of capital and credit markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; ability of the Company to obtain adequate financing arrangements and to maintain access to capital; fluctuations in interest and tax rates; fluctuations in pension, insurance and employee benefit costs; impact of legal proceedings, including a previous government investigation into industry competitive practices, and any related proceedings or lawsuits pertaining thereto or to the subject matter thereof related to the concluded investigation by the U.S. Department of Justice (“DOJ”) (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; changes in tax laws and regulations; 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, 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 and on the carrying value of its assets; (2) the impact of competitors' actions, including pricing, expansion in key markets, and product offerings; and (3) 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.

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 most recent Form 10-K, filed on February 25, 2009, with the Securities and Exchange Commission. 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 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 Fourth Quarter conference call with analysts, visit the Avery Dennison Web site at www.investors.averydennison.com

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

	(UNAUDITED)			
	Three Months Ended		Twelve Months Ended	
	Jan. 2, 2010 (13 Weeks)	Dec. 27, 2008 (13 Weeks)	Jan. 2, 2010 (53 Weeks)	Dec. 27, 2008 (52 Weeks)
Net sales	\$ 1,521.8	\$ 1,511.5	\$ 5,952.7	\$ 6,710.4
Cost of products sold	1,106.7	1,133.1	4,366.2	4,983.4
Gross profit	415.1	378.4	1,586.5	1,727.0
Marketing, general & administrative expense	341.4	309.8	1,268.8	1,304.3
Goodwill and indefinite-lived intangible asset impairment charges	—	—	832.0	—
Interest expense	18.3	28.1	85.3	115.9
Other expense, net (1)	28.9	12.3	191.3	36.2
Income (loss) from operations before taxes	26.5	28.2	(790.9)	270.6
(Benefit from) provision for income taxes	(23.4)	(14.4)	(44.2)	4.5
Net income (loss)	\$ 49.9	\$ 42.6	\$ (746.7)	\$ 266.1
Per share amounts:				
Net income (loss) per common share, assuming dilution	\$ 0.47	\$ 0.43	\$ (7.21)	\$ 2.70
Average common shares outstanding, assuming dilution	106.3	98.6	103.6	98.7
Common shares outstanding at period end	105.3	98.4	105.3	98.4

(1) Other expense for the fourth quarter of 2009 includes \$26.9 of restructuring costs, asset impairment and lease cancellation charges and legal settlement costs of \$2.

Other expense for the fourth quarter of 2008 includes \$12.3 of restructuring costs, asset impairment and lease cancellation charges.

Other expense for 2009 YTD includes \$129.1 of restructuring costs, asset impairment and lease cancellation charges, legal settlement costs of \$41 and a loss of \$21.2 from debt extinguishment.

Other expense, net, for 2008 YTD includes \$40.7 of restructuring costs, asset impairment and lease cancellation charges, partially offset by (\$4.5) related to a gain on sale of investments.

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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 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. restructuring charges, asset impairments, legal settlement costs, certain effects of acquisitions and related integration costs, loss from debt extinguishment, gains on sales of assets, 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 adjusted the estimated GAAP tax rate to exclude the full year estimated tax effect of charges for goodwill and indefinite-lived intangible asset impairments, restructuring costs and asset impairment and lease cancellation charges, legal settlement costs, loss from debt extinguishment, transition costs associated with acquisition integrations and gain on sale of investments to determine its adjusted non-GAAP tax rate to derive non-GAAP net income.

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.) and items that occur infrequently (e.g. legal settlement costs, loss from debt extinguishment) from calculations of the Company's earnings and operating margin; (2) the exclusion of certain 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 certain items that 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.

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

	(UNAUDITED)			
	Three Months Ended		Twelve Months Ended	
	Jan. 2, 2010 (13 Weeks)	Dec. 27, 2008 (13 Weeks)	Jan. 2, 2010 (53 Weeks)	Dec. 27, 2008 (52 Weeks)
Reconciliation of GAAP to Non-GAAP Operating Margin:				
Net sales	\$ 1,521.8	\$ 1,511.5	\$ 5,952.7	\$ 6,710.4
Income (loss) from operations before taxes	\$ 26.5	\$ 28.2	\$ (790.9)	\$ 270.6
GAAP Operating Margin	1.7%	1.9%	(13.3%)	4.0%
Income (loss) from operations before taxes	\$ 26.5	\$ 28.2	\$ (790.9)	\$ 270.6
Non-GAAP adjustments:				
Restructuring costs	16.9	10.6	86.8	29.8
Asset impairment and lease cancellation charges	10.0	1.7	42.3	10.9
Legal settlement costs	2.0	—	41.0	—
Loss from debt extinguishment	—	—	21.2	—
Goodwill and indefinite-lived intangible asset impairment charges	—	—	832.0	—
Transition costs associated with acquisition integrations (1)	—	6.2	—	24.1
Other (2)	—	—	—	(4.5)
Interest expense	18.3	28.1	85.3	115.9
Adjusted non-GAAP operating income before taxes and interest expense	\$ 73.7	\$ 74.8	\$ 317.7	\$ 446.8
Adjusted Non-GAAP Operating Margin	4.8%	4.9%	5.3%	6.7%
Reconciliation of GAAP to Non-GAAP Net Income:				
As reported net income (loss)	\$ 49.9	\$ 42.6	\$ (746.7)	\$ 266.1
Non-GAAP adjustments, net of taxes:				
Goodwill and indefinite-lived intangible asset impairment charges	—	—	812.6	—
All other (3)	(3.1)	21.4	138.4	59.3
Adjusted Non-GAAP Net Income	\$ 46.8	\$ 64.0	\$ 204.3	\$ 325.4

(continued)

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

	(UNAUDITED)			
	Three Months Ended		Twelve Months Ended	
	Jan. 2, 2010 (13 Weeks)	Dec. 27, 2008 (13 Weeks)	Jan. 2, 2010 (53 Weeks)	Dec. 27, 2008 (52 Weeks)
Reconciliation of GAAP to Non-GAAP Earnings Per Share:				
As reported income (loss) per common share, assuming dilution	\$ 0.47	\$ 0.43	\$ (7.21)	\$ 2.70
Non-GAAP adjustments per share, net of taxes:				
Goodwill and indefinite-lived intangible asset impairment charges	—	—	7.84	—
All other (3)	(0.03)	0.22	1.34	0.60
Adjusted Non-GAAP income per common share, assuming dilution	\$ 0.44	\$ 0.65	\$ 1.97	\$ 3.30
Average common shares outstanding, assuming dilution	106.3	98.6	103.6	98.7

- (1) 2008 QTD and YTD includes transition costs associated with acquisition integrations and change-in-control costs reported in marketing, general & administrative expense.
- (2) 2008 YTD includes a gain on sale of investments.
- (3) Reflects the full year estimated tax effect of charges for restructuring costs, asset impairment and lease cancellation charges, legal settlement costs, loss from debt extinguishment, transition costs associated with acquisition integrations and gain on sale of investments.

	(UNAUDITED)	
	Twelve Months Ended	
	Jan. 2, 2010 (53 Weeks)	Dec. 27, 2008 (52 Weeks)
Reconciliation of GAAP to Non-GAAP Cash Flow:		
Net cash provided by operating activities	\$ 569.0	\$ 539.7
Purchase of property, plant and equipment	(72.2)	(128.5)
Purchase of software and other deferred charges	(30.6)	(63.1)
(Purchases) proceeds from sale of investments, net	(0.5)	17.2
Free Cash Flow	\$ 465.7	\$ 365.3

-more-

AVERY DENNISON
PRELIMINARY SUPPLEMENTARY INFORMATION
(In millions)

	(UNAUDITED)					
	Fourth Quarter Ended					
	NET SALES		OPERATING INCOME (LOSS)		OPERATING MARGINS	
	2009	2008	2009 ⁽¹⁾	2008 ⁽²⁾	2009	2008
	(13 weeks)	(13 weeks)	(13 weeks)	(13 weeks)	(13 weeks)	(13 weeks)
Pressure-sensitive Materials	\$ 846.6	\$ 808.1	\$ 58.6	\$ 40.2	6.9%	5.0%
Retail Information Services	350.5	359.4	(12.0)	(5.8)	(3.4%)	(1.6%)
Office and Consumer Products	205.2	225.6	19.2	41.6	9.4%	18.4%
Other specialty converting businesses	119.5	118.4	(5.7)	(9.1)	(4.8%)	(7.7%)
Corporate Expense	N/A	N/A	(15.3)	(10.6)	N/A	N/A
Interest Expense	N/A	N/A	(18.3)	(28.1)	N/A	N/A
TOTAL FROM OPERATIONS	\$1,521.8	\$1,511.5	\$ 26.5	\$ 28.2	1.7%	1.9%

- (1) Operating income for the fourth quarter of 2009 includes \$26.9 of restructuring costs, asset impairment and lease cancellation charges, and legal settlement costs of \$2; of the total \$28.9, the Pressure-sensitive Materials segment recorded \$5.1, the Retail Information Services segment recorded \$14.6, the Office and Consumer Products segment recorded \$8.5 and the other specialty converting businesses recorded \$.7.
- (2) Operating income for the fourth quarter of 2008 includes \$12.3 of restructuring costs, asset impairment and lease cancellation charges, and \$6.2 of transition costs associated with acquisition integrations; of the total \$18.5, the Pressure-sensitive Materials segment recorded \$2.6, the Retail Information Services segment recorded \$9.9, the Office and Consumer Products segment recorded \$4.5 and the other specialty converting businesses recorded \$1.5.

Beginning in 2009, the Company modified its approach to allocating Corporate costs to its operating segments to better reflect the costs required to support operations within segment results. Prior year amounts have been restated to conform with the new methodology.

RECONCILIATION OF GAAP TO NON-GAAP SUPPLEMENTARY INFORMATION

	Fourth Quarter Ended			
	OPERATING INCOME (LOSS)		OPERATING MARGINS	
	2009	2008	2009	2008
Pressure-sensitive Materials				
Operating income, as reported	\$ 58.6	\$ 40.2	6.9%	5.0%
Non-GAAP adjustments:				
Restructuring costs	2.3	2.6	0.3%	0.3%
Asset impairment charges	0.8	—	0.1%	—
Legal settlement costs	2.0	—	0.2%	—
Adjusted non-GAAP operating income	\$ 63.7	\$ 42.8	7.5%	5.3%
Retail Information Services				
Operating loss, as reported	\$ (12.0)	\$ (5.8)	(3.4%)	(1.6%)
Non-GAAP adjustments:				
Restructuring costs	6.3	3.7	1.8%	1.0%
Asset impairment and lease cancellation charges	8.3	—	2.3%	—
Transition costs associated with acquisition integrations	—	6.2	—	1.7%
Adjusted non-GAAP operating income	\$ 2.6	\$ 4.1	0.7%	1.1%
Office and Consumer Products				
Operating income, as reported	\$ 19.2	\$ 41.6	9.4%	18.4%
Non-GAAP adjustments:				
Restructuring costs	8.0	3.0	3.9%	1.3%
Asset impairment charges	0.5	1.5	0.2%	0.7%
Adjusted non-GAAP operating income	\$ 27.7	\$ 46.1	13.5%	20.4%
Other specialty converting businesses				
Operating loss, as reported	\$ (5.7)	\$ (9.1)	(4.8%)	(7.7%)
Non-GAAP adjustments:				
Restructuring costs	0.3	1.3	0.3%	1.1%
Asset impairment charges	0.4	0.2	0.3%	0.2%
Adjusted non-GAAP operating loss	\$ (5.0)	\$ (7.6)	(4.2%)	(6.4%)

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AVERY DENNISON
PRELIMINARY SUPPLEMENTARY INFORMATION
(In millions)

	(UNAUDITED)					
	NET SALES		OPERATING INCOME (LOSS)		OPERATING MARGINS	
	2009 (53 weeks)	2008 (52 weeks)	2009 ⁽¹⁾ (53 weeks)	2008 ⁽²⁾ (52 weeks)	2009 (53 weeks)	2008 (52 weeks)
Pressure-sensitive Materials	\$3,300.0	\$3,643.8	\$ 184.7	\$ 257.2	5.6%	7.1%
Retail Information Services	1,323.2	1,548.7	(900.4)	11.3	(68.0%)	0.7%
Office and Consumer Products	849.3	935.8	118.1	145.7	13.9%	15.6%
Other specialty converting businesses	480.2	582.1	(42.7)	7.4	(8.9%)	1.3%
Corporate Expense	N/A	N/A	(65.3)	(35.1)	N/A	N/A
Interest Expense	N/A	N/A	(85.3)	(115.9)	N/A	N/A
TOTAL FROM OPERATIONS	\$5,952.7	\$6,710.4	\$ (790.9)	\$ 270.6	(13.3%)	4.0%

- (1) Operating loss for 2009 includes \$832 of goodwill and indefinite-lived intangible asset impairment charges, \$129.1 of restructuring costs, asset impairment and lease cancellation charges, legal settlement costs of \$41 and a loss of \$21.2 from debt extinguishment; of the total \$1,023.3, the Pressure-sensitive Materials segment recorded \$75.3, the Retail Information Services segment recorded \$883.6, the Office and Consumer Products segment recorded \$14, the other specialty converting businesses recorded \$29.2 and Corporate recorded \$21.2.
- (2) Operating income for 2008 includes \$40.7 of restructuring costs, asset impairment and lease cancellation charges, and \$24.1 of transition costs associated with acquisition integrations, partially offset by (\$4.5) related to a gain on sale of investments; of the total \$60.3, the Pressure-sensitive Materials segment recorded \$12.6, the Retail Information Services segment recorded \$36.3, the Office and Consumer Products segment recorded \$12.7, the other specialty converting businesses recorded \$3.2 and Corporate recorded (\$4.5).

Beginning in 2009, the Company modified its approach to allocating Corporate costs to its operating segments to better reflect the costs required to support operations within segment results. Prior year amounts have been restated to conform with the new methodology.

RECONCILIATION OF GAAP TO NON-GAAP SUPPLEMENTARY INFORMATION

	Twelve Months Year-to-Date			
	OPERATING INCOME (LOSS)		OPERATING MARGINS	
	2009	2008	2009	2008
Pressure-sensitive Materials				
Operating income, as reported	\$ 184.7	\$ 257.2	5.6%	7.1%
Non-GAAP adjustments:				
Restructuring costs	27.2	6.8	0.8%	0.2%
Asset impairment and lease cancellation charges	7.1	5.8	0.2%	0.1%
Legal settlement costs	41.0	—	1.3%	—
Adjusted non-GAAP operating income	\$ 260.0	\$ 269.8	7.9%	7.4%
Retail Information Services				
Operating (loss) income, as reported	\$ (900.4)	\$ 11.3	(68.0%)	0.7%
Non-GAAP adjustments:				
Restructuring costs	37.7	9.4	2.8%	0.6%
Asset impairment and lease cancellation charges	13.9	2.8	1.0%	0.2%
Transition costs associated with acquisition integrations	—	24.1	—	1.6%
Goodwill and indefinite-lived intangible asset impairment charges	832.0	—	62.9%	—
Adjusted non-GAAP operating (loss) income	\$ (16.8)	\$ 47.6	(1.3%)	3.1%
Office and Consumer Products				
Operating income, as reported	\$ 118.1	\$ 145.7	13.9%	15.6%
Non-GAAP adjustments:				
Restructuring costs	9.0	10.6	1.1%	1.1%
Asset impairment charges	5.0	2.1	0.6%	0.2%
Adjusted non-GAAP operating income	\$ 132.1	\$ 158.4	15.6%	16.9%
Other specialty converting businesses				
Operating (loss) income, as reported	\$ (42.7)	\$ 7.4	(8.9%)	1.3%
Non-GAAP adjustments:				
Restructuring costs	12.9	3.0	2.7%	0.5%
Asset impairment charges	16.3	0.2	3.4%	—
Adjusted non-GAAP operating (loss) income	\$ (13.5)	\$ 10.6	(2.8%)	1.8%

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AVERY DENNISON
PRELIMINARY CONDENSED CONSOLIDATED BALANCE SHEET
(In millions)

	(UNAUDITED)	
	Jan. 2, 2010	Dec. 27, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 138.1	\$ 105.5
Trade accounts receivable, net	918.6	988.9
Inventories, net	477.3	583.6
Other current assets	199.2	252.4
Total current assets	1,733.2	1,930.4
Property, plant and equipment, net	1,354.7	1,493.0
Goodwill	950.8	1,716.7
Other intangibles resulting from business acquisitions, net	262.2	303.6
Non-current deferred and refundable income taxes	236.6	168.9
Other assets	465.3	423.1
	\$ 5,002.8	\$ 6,035.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term and current portion of long-term debt	\$ 535.6	\$ 665.0
Accounts payable	689.8	672.9
Other current liabilities	642.3	720.1
Total current liabilities	1,867.7	2,058.0
Long-term debt	1,088.7	1,544.8
Other long-term liabilities	683.8	682.9
Shareholders' equity:		
Common stock	124.1	124.1
Capital in excess of par value	722.9	642.9
Retained earnings	1,499.7	2,381.3
Accumulated other comprehensive loss	(145.2)	(282.5)
Cost of unallocated ESOP shares	—	(1.2)
Employee stock benefit trusts	(243.1)	(246.9)
Treasury stock at cost	(595.8)	(867.7)
Total shareholders' equity	1,362.6	1,750.0
	\$ 5,002.8	\$ 6,035.7

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

	(UNAUDITED)	
	Twelve Months Ended	
	Jan. 2, 2010 (53 Weeks)	Dec. 27, 2008 (52 Weeks)
Operating Activities:		
Net (loss) income	\$ (746.7)	\$ 266.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	187.6	204.6
Amortization	79.7	73.8
Provision for doubtful accounts	19.3	17.7
Goodwill and indefinite-lived intangible asset impairment charges	832.0	—
Asset impairments and net loss on sale and disposal of assets	48.0	16.8
Loss from debt extinguishment	21.2	—
Stock-based compensation	25.8	29.0
Other non-cash expense and loss	22.0	11.3
Other non-cash income and gain	(8.7)	(12.4)
	480.2	606.9
Changes in assets and liabilities and other adjustments, net of the effect of business acquisitions	88.8	(67.2)
Net cash provided by operating activities	569.0	539.7
Investing Activities:		
Purchase of property, plant and equipment	(72.2)	(128.5)
Purchase of software and other deferred charges	(30.6)	(63.1)
Payments for acquisitions	—	(131.2)
(Purchases) proceeds from sale of investments, net	(0.5)	17.2
Other	(2.5)	12.1
Net cash used in investing activities	(105.8)	(293.5)
Financing Activities:		
Net decrease in borrowings (maturities of 90 days or less)	(192.3)	(390.1)
Additional borrowings (maturities longer than 90 days)	—	400.1
Payments of debt (maturities longer than 90 days)	(108.3)	(50.7)
Dividends paid	(134.9)	(175.0)
Purchase of treasury stock	—	(9.8)
Proceeds from exercise of stock options, net	0.6	2.7
Other	2.2	14.3
Net cash used in financing activities	(432.7)	(208.5)
Effect of foreign currency translation on cash balances	2.1	(3.7)
Increase in cash and cash equivalents	32.6	34.0
Cash and cash equivalents, beginning of year	105.5	71.5
Cash and cash equivalents, end of year	<u>\$ 138.1</u>	<u>\$ 105.5</u>

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Supplemental Presentation Materials

***Fourth Quarter Financial Review
and Analysis***

(unaudited)

January 29, 2010

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 anticipated 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; 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; volatility of capital and credit markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; ability of the Company to obtain adequate financing arrangements and to maintain access to capital; fluctuations in interest and tax rates; fluctuations in pension, insurance and employee benefit costs; impact of legal proceedings, including a previous government investigation into industry competitive practices, and any related proceedings or lawsuits pertaining thereto or to the subject matter thereof related to the concluded investigation by the U.S. Department of Justice ("DOJ") (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; changes in tax laws and regulations; 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, 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 and on the carrying value of its assets; (2) the impact of competitors' actions, including pricing, expansion in key markets, and product offerings; and (3) 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.

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

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 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 Exhibit 99.1, news release dated January 29, 2010.)**

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. restructuring charges, asset impairments, legal settlement costs, certain effects of acquisitions and related integration costs, loss from debt extinguishment, gains on sales of assets, 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 adjusted the estimated GAAP tax rate to exclude the full year estimated tax rate effect of charges for goodwill and indefinite-lived intangible asset impairments, restructuring costs and asset impairment and lease cancellation charges, legal settlement costs, loss from debt extinguishment, transition costs associated with acquisition integrations and gain on sale of investments to determine its adjusted non-GAAP tax rate to derive non-GAAP net income.

(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.

- Delivered record free cash flow for the year of approx. \$465 mil.
- Reduced debt by approx. \$300 mil. in 2H09
 - » Dramatically improved working capital productivity
 - » Reduced capital spending
 - » Reduced dividend
- While weakness in the macroeconomic environment drove volume declines in all segments, the rate of volume decline continued to improve through the second half
 - » End markets remain soft
 - » Inventory levels in many markets appear to be stabilizing
 - » Q4 benefit from easier prior year comparisons

- Implemented aggressive restructuring program to reduce fixed cost structure
 - » Increased targeted savings to \$180 mil. (annualized) when complete by mid-2010
 - » Achieved approx. 75% run rate savings by end of 2009
 - » Realized approx. \$75 mil. in savings, net of transition costs, in 2009
 - » Total program costs of approx. \$160 mil. (cash charges represent approx. 70% of total)
- Well positioned for long-term profitable growth when markets pick up
 - » Leading market share in core businesses with increased operating leverage
 - » Increasing marketing / business development investment to accelerate sales growth
 - » Investing in the infrastructure to support growth and future productivity improvement

- Net sales grew approx. 1% from prior year
 - » Currency translation increased sales by 5%
- On an organic basis⁽¹⁾, net sales were down approx. 1% vs. prior year
- Operating margin declined modestly to 4.8% before restructuring, asset impairment charges, lease cancellation costs, and other items
 - » At the gross profit level, restructuring and productivity initiatives more than offset the margin impact of the volume decline
 - » The effect of pricing and raw material cost trends has offset the cumulative impact of 2008 inflation, contributing to year-on-year gross margin improvement for the quarter
 - » Gross margin improvement was offset by a higher MG&A ratio

⁽¹⁾ Throughout this document, all references to organic sales change refer to results before the impact of acquisitions, foreign currency translation, and an extra week in the first quarter of 2009.

- On a sequential basis, operating margin before restructuring and other items declined 250 basis points, reflecting lower volume and segment mix, as well as raw material inflation and higher employee costs
- Full-year effective tax rate was approx. 6%
 - » Adjusted tax rate for the full year and quarter were approx. 12% and 16%, respectively
- Reported EPS of \$0.47
- Adjusted EPS of \$0.44 *(including \$0.19 of restructuring charges and other items, which was more than offset by \$0.22 related to tax)*

Sales Trend Analysis

	<u>4Q08</u>	<u>1Q09</u>	<u>2Q09</u>	<u>3Q09</u>	<u>4Q09</u>
<i>Organic Sales Change⁽¹⁾</i>	(8.1%)	(14.5%)	(13.5%)	(5.9%)	(0.6%)
Acquisitions	0.6%	0.6%	--	--	--
Currency	(4.4%)	(6.4%)	(6.9%)	(4.3%)	4.5%
Extra Week	--	7.0%	--	--	(3.2%)
Reported Sales Change	(11.8%)	(13.3%)	(20.4%)	(10.2%)	0.7%

⁽¹⁾ Reported Sales Change (year-over-year) less the impact of foreign currency translation, acquisitions, and an extra week in 1Q09 (calculation may not tie due to rounding).

	<u>4Q09</u>	<u>4Q08⁽²⁾</u>	<u>3Q09</u>
Gross Profit Margin (total Company)	27.3%	25.0%	28.1%
<u>Operating Margin (non-GAAP⁽¹⁾):</u>			
Pressure-sensitive Materials	7.5%	5.3%	9.9%
Retail Information Services	0.7%	1.1%	(2.1%)
Office and Consumer Products	13.5%	20.4%	16.8%
Other specialty converting businesses	(4.2%)	(6.4%)	4.6%
Total Company	4.8%	4.9%	7.3%

⁽¹⁾ 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.

⁽²⁾ Prior year numbers restated for change in methodology related to allocation of corporate expense to operating segments.

- Gross profit margin improved 230 basis points vs. prior year to 27.3%
 - » The benefit of restructuring and other productivity initiatives more than offset the margin impact of lower volume (i.e., reduced fixed-cost leverage) and unfavorable segment mix
 - » The effect of pricing and raw material cost trends has offset the cumulative impact of 2008 inflation, contributing to year-on-year margin improvement
 - » Modest sequential decline in gross margin was due primarily to lower volume and unfavorable segment mix, as well as raw material inflation
- Marketing, general and administrative (MG&A) expense ratio increased by 190 basis points compared to the prior year
 - » Absolute MG&A increased approx. \$32 mil. compared to the prior year reflecting higher employee costs⁽¹⁾, currency translation, and increased investment in marketing and business development, partially offset by productivity initiatives
 - » Sequentially, MG&A increased approx. \$18 mil. due to higher employee costs, currency translation, and other factors

⁽¹⁾ Higher employee costs were related to reduced bonus accruals in Q4-08 (reflecting underperformance against financial targets late in that year) and increased bonus accruals in Q4-09 (reflecting Q4 outperformance against free cash flow targets), as well as adjustments to corporate-owned life insurance

PRESSURE-SENSITIVE MATERIALS

- Reported sales of \$847 mil., up 5% compared with prior year
 - » Organic sales growth of approx. 2%
- Rate of change in sales (organic basis) for roll materials business, by region:
 - » Europe: low single-digit decline
 - » North America: flat
 - » Emerging Markets: low double-digit increase
- Graphics & Reflective sales down mid single-digit on an organic basis
- Excluding restructuring charges and other items, operating margin increased 220 basis points to 7.5%
 - » Operating margin increased as productivity offset higher employee costs, while the effects of pricing and raw material trends continued to cover the cumulative impact of 2008 inflation
 - » Operating margin declined on a sequential basis, reflecting higher employee costs and raw material and energy inflation

RETAIL INFORMATION SERVICES

- Reported sales of \$351 mil., down 2% compared with prior year
 - » Organic sales decline of approx. 2%
 - » Stabilization of inventory-to-sales ratios among retailers has contributed to significant improvement in trend vs. 1H
- Operating margin before restructuring charges and other items declined to 0.7%, as the benefits of restructuring and other productivity actions were offset by higher employee costs, reduced fixed-cost leverage, and other factors
- Continuing initiatives to reduce fixed costs and streamline operations, introduce new products, and improve value added services to increase market share

OFFICE AND CONSUMER PRODUCTS

- Reported sales of \$205 mil., down 9% compared with prior year
 - » Organic sales decline of approx. 9%
 - » Corporate purchasing activity remains weak
- Excluding restructuring charges and other items, operating margin declined to 13.5% as the benefit of restructuring and productivity actions was more than offset by reduced fixed-cost leverage, higher employee costs, and increased marketing and product development spending
 - » Operating margin declined on a sequential basis, reflecting reduced fixed cost leverage (relatively strong back-to-school season in Q3)

OTHER SPECIALTY CONVERTING BUSINESSES

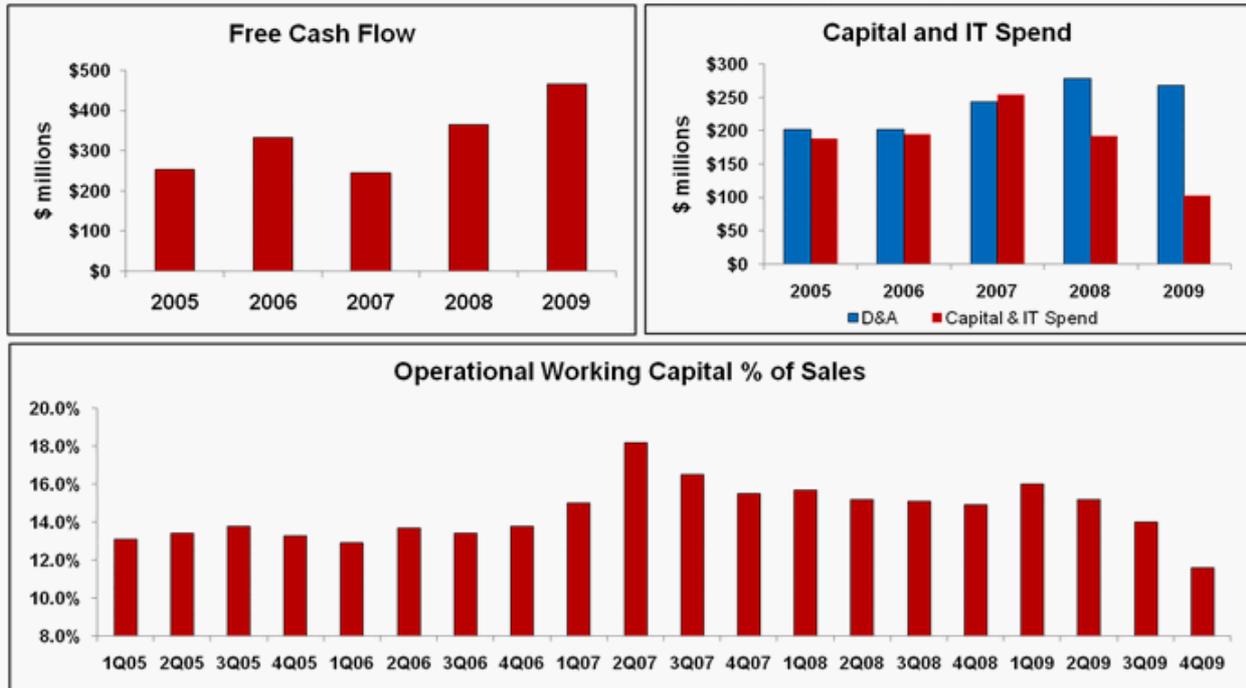
- Reported sales of \$120 mil., up 1% compared with prior year
 - » Organic sales were approx. flat to prior year
- Excluding restructuring charges and other items, operating margin improved to negative 4.2% due to restructuring and productivity actions
 - » Operating margin declined on a sequential basis, reflecting reduced fixed-cost leverage, business mix, and other items



Full Year Cash Flow

<i>(\$ Millions)</i>	<u>2009</u>	<u>2008</u>
Net cash provided by operating activities	\$ 569.0	\$ 539.7
Purchase of property, plant and equipment	\$ (72.2)	\$(128.5)
Purchase of software and other deferred charges	\$ (30.6)	\$ (63.1)
(Purchases) proceeds from sale of investments, net	<u>\$ (0.5)</u>	<u>\$ 17.2</u>
Free Cash Flow ⁽¹⁾	\$ 465.7	\$ 365.3

⁽¹⁾ Net cash provided by operating activities (as reported), less purchase of property, plant, equipment, software, and other deferred charges, plus (purchases) proceeds from sale of investments, net.



Income Statement

- One less week in the fiscal year; 13 weeks in the first quarter vs. 14 in 2010 (*represents a decrease in sales of approx. \$50 mil. with a minimal impact to earnings*)
- Currency translation (*at current rates, represents approx. 3% tailwind to reported sales growth; approx. \$10 mil. positive impact to EBIT vs. 2009*)
- Estimated \$70 mil. of incremental restructuring savings, net of transition costs
- Increased investment in new growth opportunities and infrastructure
- Incremental pension expense (*approx. \$10 mil.*)
- Lower interest expense
- Tax rate in the range of 18% to 22%
- Restructuring charges of approx. \$15 to \$20 mil.

Cash Flow

- Capital expenditures (including IT) of \$125 to \$150 mil.
- Pension contributions comparable to 2009 (approx. \$50 mil.)
- Reduced cash requirements for restructuring (approx. \$40 mil., vs. approx. \$70 mil. in 2009)

Sensitivity of Results to Revenue Growth Rates

- Depending on organic growth rate, material inflation, and pricing assumptions, the factors previously outlined could yield the following EPS results in 2010:

Organic Sales Scenario	Adjusted EPS*
up 5%	\$2.70 to \$3.00
flat	\$2.00 to \$2.30

**Excludes restructuring and asset impairment charges and other items*

- Within the range of scenarios provided above, 2010 Free Cash Flow is estimated to be \$300 to \$350 million



AVERY DENNISON CORPORATION
PERFORMANCE UNIT AGREEMENT

THIS AGREEMENT, dated *, is made by and between Avery Dennison Corporation, a Delaware corporation ("Company") and *, an employee of the Company or a Subsidiary ("Employee").

WHEREAS, the Compensation and Executive Personnel Committee of the Company's Board of Directors ("Committee") or the Chief Executive Officer ("CEO"), as authorized by the Committee, has decided to grant an Award of performance units ("PUs") provided for herein to Employee under the terms of the Employee Stock Option and Incentive Plan, as amended and restated ("Plan");

NOW, THEREFORE, Company and Employee agree as follows:

ARTICLE 1 — DEFINITIONS

Terms not defined herein shall have the meaning given in the Plan, except as noted.

ARTICLE 2 — TERMS OF AWARD

2.1 PU Award

As of the date of this Agreement, the Company grants to Employee a PU Award representing a right to receive * shares of the Company's Common Stock in the future, assuming that the Company's results at the end of the performance period produce 100% of the target performance, subject to the terms and conditions set forth in this Agreement, the Notice of Grant of Award ("Notice") and the Plan. Each PU Award represents one hypothetical share of Common Stock of the Company at 100% target performance. The PU Award shall be held on the books and records of the Company (or its designee) for the Employee's PU account, but shall not represent an equity interest in the Company until such time as actual shares shall be issued to the Employee. The PU Award shall be earned, vested and paid as set forth in this Agreement.

2.2 Performance Period

(a) No portion of the PU Award may be sold, transferred, assigned, pledged or otherwise encumbered by the Employee until the PU Award is earned and the shares are issued. Employee must be employed by the Company from the date of this Agreement until the date that the PU Award is earned and vested, except as provided in Section 2.5. The "Performance Period" shall be [January 1, 2010 through December 31, 2012]. Except as provided in Sections 2.3 and 2.4, after the end of the Performance Period, the specific number of shares of Common Stock to be issued to the Employee under the PU Award shall be determined based on the Company's results during the Performance Period compared against the performance goal ("Goal") approved by the Committee (as modified by any adjustment items approved by the Committee). The Goal is referred to in the Notice.

(b) Except as provided in Sections 2.3 and 2.4, the PU Award will be earned and vested on the date of the Committee's certification of results of the Goal after the end of the Performance Period.

(c) Subject to Sections 2.3 through 2.5 of this Agreement, if the Employee's employment with the Company is terminated, the PU Award, which has not been earned by the time of the Employee's Termination of Employment, shall be forfeited by the Employee.

2.3 Change of Control

In the event of a Change of Control prior to the determinations referred to in Section 2.2(a) having been made by the Committee, the PU Award granted to Employee pursuant to this Agreement will be earned and vested as of the date of such Change in Control at 100% target performance regardless of the Company's actual performance.

2.4 Death; Disability

If Employee's employment with the Company or its Subsidiaries terminates by reason of Employee's death or Disability, the PU Award will be earned and vested as of the date of Termination of Employment based on a prorated time-based formula starting with the beginning of the Performance Period through the end of month in which there is a Termination of Employment divided by the total months in the original Performance Period multiplied by the number of shares in the PU Award assuming 100% target performance.

2.5 Retirement

PU awards, granted to employees whose employment with the Company is terminated as a result of Retirement, will be earned and vested after the end of the Performance Period based on the Company's results as set forth in Section 2.2 (a) on a prorated time-based formula starting with the beginning of the Performance Period through the end of the month in which there is Termination of Employment divided by the total number of months in the Performance Period.

For the purpose of this Agreement, "Retirement" means that (i) the recipient of the PU Award is no longer employed by the Company, (ii) such recipient had been employed by the Company for a minimum of five years prior to such recipient's termination of employment, and (iii) at the time of such recipient's termination of employment, the sum of such recipient's age and years of service with the Company is at least 65.

2.6 Adjustments in PU Award

In the event that the outstanding shares of the Common Stock of the Company are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, combination of shares, or other similar restructuring, the Committee or the Company shall make an appropriate and equitable adjustment in the number and kind of shares represented by the PU Award granted hereunder. Such adjustment shall be made with the intent that after the change or exchange of shares, the Employee's proportionate equity interest in the Company shall be maintained as it was before the occurrence of such event.

ARTICLE 3 — ISSUANCE OF COMMON STOCK

3.1 Conditions to Issuance of Common Stock

The shares of Common Stock deliverable for the PU Award, or any part thereof, may be either previously authorized but unissued shares or issued shares that have then been reacquired by the Company. Such shares shall be fully paid and nonassessable. Issuance of shares of Common Stock is subject to the following conditions:

(a) The receipt by the Company of full payment or withholding for all related taxes. The Employee shall be liable for any and all taxes, including withholding taxes, arising out of this PU Award or the vesting of the PU Award hereunder. The Company or the Employee may elect to satisfy such withholding tax obligation by having the Company retain PUs having a fair market value equal to the Company's minimum withholding obligations;

(b) Subject to Section 4.3 below, the Company shall issue via electronic transfer to the Employee's brokerage account the number of shares of Common Stock represented by the number of vested PUs (less withholding taxes) as soon as practical following the vesting of same, but in no event later than two and one-half (2.5) months after the calendar year in which the PUs vests, except that in the case of Termination of Employment under Section 2.4 or 2.5 the PUs shall be paid on the later of (i) first day of the seventh (7th) calendar month beginning after the Employee's Termination of Employment, or (ii) the date referenced in Section 2.2(b). Delivery of these shares of Common Stock shall satisfy the Company's obligations under this Agreement; and

(c) The Employee shall establish an equity account with a broker designated by the Company (currently _____) so that the net shares from vested PUs (after withholding for applicable taxes) may be electronically transferred to the Employee's account.

ARTICLE 4 — MISCELLANEOUS

4.1 Agreement Subject to Plan

The Agreement is subject to the terms of the Plan, and in the event of any conflict between this Agreement and the Plan, the Plan shall control. The Employee shall not have the rights of a shareholder with respect to this PU Award until shares are issued to the Employee.

4.2 Administration / Compensation Recovery

The Committee or the Company shall have the power to interpret the Plan and this Agreement and to adopt such procedures for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, modify or revoke any such procedures. Nothing in this Agreement or the Plan shall be construed to create or imply any contract or right of continued employment between the Employee and the Company (or any of its Subsidiaries).

In the case of fraud or other intentional misconduct on the part of the Employee that necessitates a restatement of the Company's financial results, the Employee will be required to reimburse the Company for any Common Stock issued to the Employee under this Award in excess of the amount that would have been issued to the Employee based on the restated financial results.

4.3 Code Section 409A

The PU Awards granted hereunder are intended to comply in all respects with Section 409A of the Internal Revenue Code of 1986, as amended, ("Section 409A") and this Agreement shall be interpreted accordingly. However, if at any time the Committee or the Company determines that the PUs may be subject to Section 409A, the Committee or the Company shall have the right, in its sole discretion, to amend this Agreement as it may determine is necessary or desirable for the PUs to satisfy the requirements of Section 409A.

4.4 Construction

This Agreement, the Notice and the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. Titles are provided in this Agreement for convenience only and shall not serve as a basis for interpretation or construction of this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties.

Employee

* _____

Address*:

* Refer to attached Notice of Grant of Award

Avery Dennison Corporation

By: _____
President and Chief Executive Officer