



For Immediate Release

AVERY DENNISON ANNOUNCES THIRD QUARTER 2019 RESULTS

- 3Q19 Reported EPS of \$1.71
 - Adjusted EPS (non-GAAP) of \$1.66
- 3Q19 Net sales increased 0.1% to \$1.76 billion
 - Organic sales growth (non-GAAP) of 2.1%
- FY 2019 EPS guidance ranges revised
 - FY19 reported EPS guidance of \$3.15 to \$3.25 (previously \$3.15 to \$3.30)
 - FY19 adjusted EPS guidance of \$6.50 to \$6.60 (previously \$6.50 to \$6.65)

GLENDALE, Calif., October 23, 2019 – Avery Dennison Corporation (NYSE:AVY) today announced preliminary, unaudited results for its third quarter ended September 28, 2019. All non-GAAP financial measures referenced in this document are defined and reconciled to GAAP in the attached pages A-4 through A-8. Unless otherwise indicated, comparisons are to the same period in the prior year.

“We continue to deliver solid profit growth despite soft market demand,” said Mitch Butier, Chairman, President and CEO. “Our focus in this slower growth environment has been to protect our margins in the base business, while driving faster-than-average growth in high value categories like RFID, and we’re executing well on both fronts.

“For the quarter, Label and Graphic Materials delivered modest organic growth, as volumes improved relative to the first half of the year, and operating margin was strong; Retail Branding and Information Solutions delivered solid organic growth, as continued strength in RFID more than offset a slowdown in the base business, and operating margin remained strong; and IHM outperformed expectations on both the top and bottom lines, delivering solid organic growth and strong margin expansion.

“We have revised the high end of our guidance range for 2019 earnings per share, reflecting the incremental negative impact from currency translation, largely offset by

stronger operational results and a modestly lower tax rate,” added Butier. “We’re confident in our ability to achieve our long-term targets, reflecting the resilience of our business and ability of our team to adapt to changing market conditions.”

Third Quarter 2019 Results by Segment

Label and Graphic Materials

- Reported sales declined 0.8 percent; on an organic basis, sales grew 1.2 percent, as volume/mix improved modestly. On an organic basis, sales were up low-single digits in both Label and Packaging Materials and the combined Graphics and Reflective Solutions businesses.
- Reported operating margin increased 60 basis points to 13.4 percent, reflecting the benefit from productivity initiatives, including restructuring and material re-engineering, partially offset by higher restructuring charges, net of reversals, and increased employee-related costs. Adjusted operating margin increased 120 basis points to 13.5 percent.

Retail Branding and Information Solutions

- Reported sales increased 2.1 percent; on an organic basis, sales grew 4.1 percent, driven primarily by continued strength in sales of radio frequency identification (RFID) solutions, which increased by approximately 20 percent.
- Reported operating margin increased 60 basis points to 11.2 percent, as productivity, higher volume, and lower restructuring charges more than offset higher employee-related costs and growth-related investments. Adjusted operating margin increased 10 basis points to 11.5 percent.

Industrial and Healthcare Materials

- Reported sales increased 1.4 percent; on an organic basis, sales increased 3.7 percent, driven by a low-to-mid single digit increase in industrial categories and a high-single digit increase in healthcare categories.
- Reported operating margin increased 120 basis points to 10.4 percent, as the benefits from higher volume/mix and productivity more than offset higher restructuring charges and employee-related costs. Adjusted operating margin increased 180 basis points to 11.0 percent.

Other

Share Repurchases / Equity Dilution

The company repurchased 0.8 million shares in the third quarter at an aggregate cost of \$87.6 million. Net of dilution from long-term incentive awards, the company's share count at the end of the quarter was down by 3.8 million compared to the same time last year.

During the first three quarters of the year, the company returned \$346 million in cash to shareholders through a combination of share repurchases and dividends, up from \$306 million for the same period last year.

Income Taxes

The company's third quarter effective tax rate was 19.2 percent, compared to 10.5 percent in the prior year. The adjusted tax rate (non-GAAP) for the quarter was 24.1 percent, reflecting the company's current expectation for a full year adjusted tax rate of 24.7 percent.

Cost Reduction Actions

In the third quarter, the company realized approximately \$18 million in pretax savings from restructuring, net of transition costs, and incurred pretax restructuring charges of approximately \$3 million, related to cash severance costs.

Outlook

In its supplemental presentation materials, “Third Quarter 2019 Financial Review and Analysis,” the company provides a list of factors that it believes will contribute to its 2019 financial results. Based on the factors listed and other assumptions, the company has revised its guidance range for 2019 reported earnings per share from a range of \$3.15 to \$3.30 to a range of \$3.15 to \$3.25.

Excluding an estimated \$3.35 per share related to pension settlement charges, restructuring charges and other items, the company’s guidance for adjusted earnings per share has been revised to a range of \$6.50 to \$6.60.

For more details on the company’s results, see the summary tables accompanying this news release, as well as the supplemental presentation materials, “Third Quarter Financial Review and Analysis,” posted on the company’s website at www.investors.averydennison.com, and furnished to the SEC on Form 8-K.

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) is a global materials science company specializing in the design and manufacture of a wide variety of labeling and functional materials. The company’s products, which are used in nearly every major industry, include pressure-sensitive materials for labels and graphic applications; tapes and other bonding solutions for industrial, medical, and retail applications; tags, labels and embellishments for apparel; and radio frequency identification (RFID) solutions serving retail apparel and other markets. Headquartered in Glendale, California, the company employs approximately 30,000 employees in more than 50 countries. Reported sales in 2018 were \$7.2 billion. Learn more at www.averydennison.com.

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

Certain statements contained in this document are "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. 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 are not limited to, risks and uncertainties relating to the following: fluctuations in demand affecting sales to customers; worldwide and local economic conditions; changes in political conditions; changes in governmental laws and regulations; fluctuations in foreign currency exchange rates and other risks associated with foreign operations, including in emerging markets; the financial condition and inventory strategies of customers; changes in our markets due to competitive conditions, technological developments, laws and regulations, and customer preferences; fluctuations in cost and availability of raw materials; our ability to generate sustained productivity improvement; our ability to achieve and sustain targeted cost reductions; the impact of competitive products and pricing; loss of significant contracts or customers; collection of receivables from customers; selling prices; business mix shift; execution and integration of acquisitions; timely development and market acceptance of new products, including sustainable or sustainably-sourced products; investment in development activities and new production facilities; 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, including cyber-attacks or other intrusions to network security; successful installation of new or upgraded information technology systems; data security breaches; volatility of financial markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; our ability to obtain adequate financing arrangements and maintain access to capital; fluctuations in interest and tax rates; changes in tax laws and regulations, including the U.S. Tax Cuts and Jobs Act, and regulations issued thereto, and uncertainties associated with interpretations of such laws and regulations; outcome of tax audits; fluctuations in pension, insurance, and employee benefit costs; the impact of legal and regulatory proceedings, including with respect to environmental, health and safety; protection and infringement of intellectual property; the impact of epidemiological events on the economy and our customers and suppliers; acts of war, terrorism, and natural disasters; and other factors.

We believe that the most significant risk factors that could affect our financial performance in the near-term include: (1) the impacts of global economic conditions and political uncertainty on underlying demand for our products and foreign currency fluctuations; (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; (3) competitors' actions, including pricing, expansion in key markets, and product offerings; and (4) the execution and integration of acquisitions.

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 our 2018 Form 10-K, filed with the Securities and Exchange Commission on February 27, 2019 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 we undertake no obligation to update these statements to reflect subsequent events or circumstances, other than as may be required by law.

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

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Third Quarter Financial Summary - Preliminary, unaudited
(In millions, except % and per share amounts)

	3Q	3Q	% Sales Change vs. P/Y		
	2019	2018	Reported	Ex. Currency	Organic
			(a)	(b)	
Net sales, by segment:					
Label and Graphic Materials	\$1,185.1	\$1,194.2	(0.8%)	1.2%	1.2%
Retail Branding and Information Solutions	406.8	398.4	2.1%	4.1%	4.1%
Industrial and Healthcare Materials	169.5	167.1	1.4%	3.7%	3.7%
Total net sales	\$1,761.4	\$1,759.7	0.1%	2.1%	2.1%
	As Reported (GAAP)				
	3Q	3Q	%	% of Sales	
	2019	2018	Change	2019	2018
	Adjusted Non-GAAP (c)				
	3Q	3Q	%	% of Sales	
	2019	2018	Change	2019	2018
Operating income (loss) / operating margins before interest, other non-operating expense, and taxes, by segment:					
Label and Graphic Materials	\$159.0	\$152.9		13.4%	12.8%
Retail Branding and Information Solutions	45.7	42.4		11.2%	10.6%
Industrial and Healthcare Materials	17.7	15.3		10.4%	9.2%
Corporate expense	(22.7)	(18.9)			
Total operating income / operating margins before interest, other non-operating expense, and taxes	\$199.7	\$191.7	4%	11.3%	10.9%
Interest expense	\$19.0	\$14.7			
Other non-operating expense (d)	\$0.8	\$9.0			
Income before taxes	\$179.9	\$168.0	7%	10.2%	9.5%
Provision for income taxes	\$34.6	\$17.7			
Equity method investment losses	(\$0.7)	(\$0.8)			
Net income	\$144.6	\$149.5	(3%)	8.2%	8.5%
Net income per common share, assuming dilution	\$1.71	\$1.69	1%		
3Q Free Cash Flow (e)					
YTD Free Cash Flow (e)					

See accompanying schedules A-4 to A-8 for reconciliations from GAAP to non-GAAP financial measures.

- (a) *Sales change ex. currency* refers to the increase or decrease in net sales, excluding the estimated impact of foreign currency translation, and, where applicable, currency adjustment for transitional reporting of highly inflationary economies (Argentina). Segment results are also adjusted for the reclassification of sales between segments. The estimated impact of foreign currency translation is calculated on a constant currency basis, with prior period results translated at current period average exchange rates to exclude the effect of currency fluctuations.
- (b) *Organic sales change* refers to sales change ex. currency, excluding the estimated impact of product line exits, acquisitions and divestitures, and, where applicable, the extra week in our fiscal year.
- (c) Excludes impact of restructuring charges and other items.
- (d) As reported "Other non-operating expense" for the third quarter of 2018 includes \$6.7 of pension plan settlement charges.
- (e) *Free cash flow* refers to cash flow provided by operating activities, less payments for property, plant and equipment, software and other deferred charges, plus proceeds from sales of property, plant and equipment, plus (minus) net proceeds from insurance and sales (purchases) of investments. Free cash flow is also adjusted for the cash contributions related to the termination of our U.S. pension plan.

AVERY DENNISON CORPORATION
PRELIMINARY CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)

	(UNAUDITED)			
	Three Months Ended		Nine Months Ended	
	Sep. 28, 2019	Sep. 29, 2018	Sep. 28, 2019	Sep. 29, 2018
Net sales	\$ 1,761.4	\$ 1,759.7	\$ 5,297.2	\$ 5,390.3
Cost of products sold	1,289.7	1,300.5	3,877.8	3,946.3
Gross profit	471.7	459.2	1,419.4	1,444.0
Marketing, general and administrative expense	265.3	270.5	807.3	853.0
Other expense (income), net ⁽¹⁾	6.7	(3.0)	21.7	66.9
Interest expense	19.0	14.7	58.0	42.2
Other non-operating expense ⁽²⁾	0.8	9.0	448.2	14.9
Income before taxes	179.9	168.0	84.2	467.0
Provision for (benefit from) income taxes ⁽³⁾	34.6	17.7	(58.9)	94.9
Equity method investment losses	(0.7)	(0.8)	(2.0)	(1.8)
Net income	\$ 144.6	\$ 149.5	\$ 141.1	\$ 370.3
Per share amounts:				
Net income per common share, assuming dilution	\$ 1.71	\$ 1.69	\$ 1.66	\$ 4.16
Weighted average number of common shares outstanding assuming dilution	84.8	88.5	85.1	89.1

(1) "Other expense (income), net" for the third quarter of 2019 includes severance and related costs of \$3.3 and legal settlement of \$3.4.

"Other expense (income), net" for the third quarter of 2018 includes severance and related costs, net of reversals of (\$7.1) and asset impairment charges of \$.7, partially offset by Argentine peso remeasurement transition loss of \$3.4.

"Other expense (income), net" for 2019 YTD includes severance and related costs of \$19.8, asset impairment and lease cancellation charges of \$1.7, and legal settlement of \$3.4, partially offset by gain on sales of assets of \$3.2.

"Other expense (income), net" for 2018 YTD includes severance and related costs of \$56, asset impairment and lease cancellation charges of \$9.7, Argentine peso remeasurement transition loss of \$3.4, and other restructuring-related charge of \$.5, partially offset by net gain on sales of assets of \$2.7.

(2) "Other non-operating expense" for 2019 and 2018 YTD includes \$446.9 and \$7.4, respectively, of pension plan settlements and related charges.

(3) "Provision for (benefit from) income taxes" for 2019 YTD includes tax benefit of approximately \$179.8 related to the termination of our U.S. pension plan.

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

(UNAUDITED)

ASSETS	Sep. 28, 2019	Sep. 29, 2018
Current assets:		
Cash and cash equivalents	\$ 224.2	\$ 217.6
Trade accounts receivable, net	1,224.2	1,235.7
Inventories, net	665.0	682.5
Other current assets	220.0	223.0
Total current assets	2,333.4	2,358.8
Property, plant and equipment, net	1,142.1	1,086.9
Goodwill and other intangibles resulting from business acquisitions, net	1,049.5	1,101.7
Non-current deferred income taxes	195.8	195.1
Other assets	617.9	439.4
	\$ 5,338.7	\$ 5,181.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt and finance leases	\$ 514.2	\$ 571.7
Accounts payable	1,041.2	1,048.0
Other current liabilities	712.5	738.5
Total current liabilities	2,267.9	2,358.2
Long-term debt and finance leases	1,483.7	1,295.3
Other long-term liabilities	529.7	481.3
Shareholders' equity:		
Common stock	124.1	124.1
Capital in excess of par value	864.8	862.4
Retained earnings	2,861.7	2,809.4
Treasury stock at cost	(2,393.9)	(2,008.4)
Accumulated other comprehensive loss	(399.3)	(740.4)
Total shareholders' equity	1,057.4	1,047.1
	\$ 5,338.7	\$ 5,181.9

In the first quarter of 2019, we adopted Accounting Standards Codification ("ASU") No. 2016-02, *Leases*. This ASU requires lessees to recognize on their balance sheets the rights and obligations created by leases. As allowed under this ASU, we elected to apply it using a modified retrospective approach. This approach applies to all leases that existed at or commenced after the date of our initial application. As such, prior year comparative periods have not been adjusted.

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

	(UNAUDITED)	
	Nine Months Ended	
	Sep. 28, 2019	Sep. 29, 2018
Operating Activities:		
Net income	\$ 141.1	\$ 370.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	105.3	106.2
Amortization	28.1	29.8
Provision for doubtful accounts and sales returns	42.4	34.3
Stock-based compensation	25.5	24.8
Pension plan settlements and related charges	446.9	7.4
Deferred income taxes and other non-cash taxes	(176.4)	(7.8)
Other non-cash expense and loss (income and gain), net	17.5	47.4
Changes in assets and liabilities and other adjustments	(163.4)	(424.7)
Net cash provided by operating activities	467.0	187.7
Investing Activities:		
Purchases of property, plant and equipment	(132.9)	(132.7)
Purchases of software and other deferred charges	(27.4)	(21.5)
Proceeds from sales of property, plant and equipment	7.7	9.4
Proceeds from insurance and sales (purchases) of investments, net	3.5	17.6
Payments for investments in businesses	(6.5)	(0.2)
Net cash used in investing activities	(155.6)	(127.4)
Financing Activities:		
Net increase in borrowings (maturities of three months or less)	68.9	301.4
Repayments of long-term debt and finance leases	(17.7)	(4.4)
Dividends paid	(141.3)	(130.6)
Share repurchases	(204.3)	(175.1)
Net (tax withholding) proceeds related to stock-based compensation	(17.4)	(31.9)
Payments of contingent consideration	(1.6)	(17.3)
Net cash used in financing activities	(313.4)	(57.9)
Effect of foreign currency translation on cash balances	(5.8)	(9.2)
Decrease in cash and cash equivalents	(7.8)	(6.8)
Cash and cash equivalents, beginning of year	232.0	224.4
Cash and cash equivalents, end of period	\$ 224.2	\$ 217.6

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Reconciliation of Non-GAAP Financial Measures to GAAP

We report our financial results in conformity with accounting principles generally accepted in the United States of America, or GAAP, and also communicate with investors using certain non-GAAP financial measures. These non-GAAP financial measures are not in accordance with, nor are they a substitute for or superior to, the comparable GAAP financial measures. These non-GAAP financial measures are intended to supplement the presentation of our financial results that are prepared in accordance with GAAP. Based upon feedback from investors and financial analysts, we believe that the supplemental non-GAAP financial measures we provide are useful to their assessment of our performance and operating trends, as well as liquidity.

Our 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 our underlying performance in a single period. By excluding the accounting effects, both positive or negative, of certain items (e.g., restructuring charges, legal settlements, certain effects of strategic transactions and related costs, losses from debt extinguishments, gains or losses from curtailment or settlement of pension obligations, gains or losses on sales of certain assets, and other items), we believe that we are providing meaningful supplemental information that facilitates an understanding of our core operating results and liquidity measures. These non-GAAP financial measures are used internally to evaluate trends in our underlying performance, as well as to facilitate comparison to the results of competitors for a single period. While some of the items we exclude from GAAP financial measures recur, they tend to be disparate in amount, frequency, or timing.

We use the following non-GAAP financial measures in the accompanying news release and presentation:

Sales change ex. currency refers to the increase or decrease in net sales, excluding the estimated impact of foreign currency translation, and, where applicable, currency adjustment for transitional reporting of highly inflationary economies (Argentina). Segment results are also adjusted for the reclassification of sales between segments. The estimated impact of foreign currency translation is calculated on a constant currency basis, with prior period results translated at current period average exchange rates to exclude the effect of currency fluctuations.

Organic sales change refers to sales change ex. currency, excluding the estimated impact of product line exits, acquisitions and divestitures, and, where applicable, the extra week in our fiscal year.

We believe that sales change ex. currency and organic sales change assist investors in evaluating the sales change from the ongoing activities of our businesses and enhance their ability to evaluate our results from period to period.

Adjusted operating income refers to income before taxes, interest expense, other non-operating expense, and other expense (income), net.

Adjusted operating margin refers to adjusted operating income as a percentage of net sales.

Adjusted tax rate refers to the projected full-year GAAP tax rate, adjusted to exclude certain unusual or infrequent events that are expected to significantly impact that rate, such as impacts related to the enactment of the U.S. Tax Cuts and Jobs Act and our U.S. pension plan termination, effects of certain discrete tax planning actions, and other items.

Adjusted net income refers to income before taxes, tax-effected at the adjusted tax rate, and adjusted for tax-effected restructuring charges and other items.

Adjusted net income per common share, assuming dilution (adjusted EPS) refers to adjusted net income divided by weighted average number of common shares outstanding, assuming dilution.

We believe that adjusted operating margin, adjusted net income, and adjusted EPS assist investors in understanding our core operating trends and comparing our results with those of our competitors.

Free cash flow refers to cash flow provided by operating activities, less payments for property, plant and equipment, software and other deferred charges, plus proceeds from sales of property, plant and equipment, plus (minus) net proceeds from insurance and sales (purchases) of investments. Free cash flow is also adjusted for the cash contributions related to the termination of our U.S. pension plan. We believe that free cash flow assists investors by showing the amount of cash we have available for debt reductions, dividends, share repurchases, and acquisitions.

The following reconciliations are provided in accordance with Regulations G and S-K and reconcile our non-GAAP financial measures with the most directly comparable GAAP financial measures.

AVERY DENNISON CORPORATION
PRELIMINARY RECONCILIATION FROM GAAP TO NON-GAAP FINANCIAL MEASURES
(In millions, except % and per share amounts)

	(UNAUDITED)			
	Three Months Ended		Nine Months Ended	
	Sep. 28, 2019	Sep. 29, 2018	Sep. 28, 2019	Sep. 29, 2018
Reconciliation from GAAP to Non-GAAP operating margins:				
Net sales	\$ 1,761.4	\$ 1,759.7	\$ 5,297.2	\$ 5,390.3
Income before taxes	\$ 179.9	\$ 168.0	\$ 84.2	\$ 467.0
Income before taxes as a percentage of net sales	10.2%	9.5%	1.6%	8.7%
Adjustments:				
Interest expense	\$ 19.0	\$ 14.7	\$ 58.0	\$ 42.2
Other non-operating expense	0.8	9.0	448.2	14.9
Operating income before interest expense, other non-operating expense, and taxes	\$ 199.7	\$ 191.7	\$ 590.4	\$ 524.1
Operating margins	11.3%	10.9%	11.1%	9.7%
Income before taxes	\$ 179.9	\$ 168.0	\$ 84.2	\$ 467.0
Adjustments:				
Restructuring charges:				
Severance and related costs, net of reversals	3.3	(7.1)	19.8	56.0
Asset impairment and lease cancellation charges	---	0.7	1.7	9.7
Legal settlement	3.4	---	3.4	---
Argentine peso remeasurement transition loss	---	3.4	---	3.4
Other restructuring-related charge	---	---	---	0.5
Net gain on sales of assets	---	---	(3.2)	(2.7)
Interest expense	19.0	14.7	58.0	42.2
Other non-operating expense	0.8	9.0	448.2	14.9
Adjusted operating income before interest expense, other non-operating expense, and taxes (non-GAAP)	\$ 206.4	\$ 188.7	\$ 612.1	\$ 591.0
Adjusted operating margins (non-GAAP)	11.7%	10.7%	11.6%	11.0%
Reconciliation from GAAP to Non-GAAP net income:				
As reported net income	\$ 144.6	\$ 149.5	\$ 414.1	\$ 370.3
Adjustments:				
Restructuring charges, net of reversals and other items ⁽¹⁾	6.7	(3.0)	21.7	66.9
Pension plan settlements and related charges	---	6.7	446.9	7.4
Tax benefit from pension plan settlements and related charges	---	---	(179.8)	---
Tax benefit from pension plan contributions ⁽²⁾	---	(31.0)	---	(31.0)
Tax effect on pre-tax adjustments and impact of adjusted tax rate	(10.3)	5.8	(15.6)	(9.4)
Adjusted net income (non-GAAP)	\$ 141.0	\$ 128.0	\$ 414.3	\$ 404.2

⁽¹⁾ Includes restructuring and related charges, legal settlement, Argentine peso remeasurement transition loss, and net gain on sales of assets.

⁽²⁾ Tax benefits from the deduction of the third quarter 2018 pension contribution on the company's 2017 U.S. income tax return. In the fourth quarter of 2018, we finalized our provisional estimate as defined under SEC Staff Accounting Bulletin No. 118 related to the U.S. Tax Cuts and Jobs Act ("TCJA") of 2017.

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AVERY DENNISON CORPORATION
PRELIMINARY RECONCILIATION FROM GAAP TO NON-GAAP FINANCIAL MEASURES
(In millions, except % and per share amounts)

	(UNAUDITED)			
	Three Months Ended		Nine Months Ended	
	Sep. 28, 2019	Sep. 29, 2018	Sep. 28, 2019	Sep. 29, 2018
Reconciliation from GAAP to Non-GAAP net income per common share:				
As reported net income per common share, assuming dilution	\$ 1.71	\$ 1.69	\$ 1.66	\$ 4.16
Adjustments per common share, net of tax:				
Restructuring charges, net of reversals and other items ⁽¹⁾	0.07	(0.03)	0.25	0.75
Pension plan settlements and related charges	---	0.08	3.14	0.08
TCJA provisional estimate ⁽²⁾	---	(0.35)	---	(0.35)
Tax effect on pre-tax adjustments and impact of adjusted tax rate	(0.12)	0.06	(0.18)	(0.10)
Adjusted net income per common share, assuming dilution (non-GAAP)	\$ 1.66	\$ 1.45	\$ 4.87	\$ 4.54
Weighted average number of common shares outstanding, assuming dilution	84.8	88.5	85.1	89.1

The adjusted tax rate was 24.1% and 24.7% for three and nine months ended Sep. 28, 2019, respectively, and 25% for the three and nine months ended Sep. 29, 2018.

⁽¹⁾ Includes restructuring and related charges, legal settlement, Argentine peso remeasurement transition loss, and net gain on sales of assets.

⁽²⁾ Tax benefits from the deduction of the third quarter 2018 pension contribution on the company's 2017 U.S. income tax return. In the fourth quarter of 2018, we finalized our provisional estimate as defined under SEC Staff Accounting Bulletin No. 118 related to the TCJA.

	(UNAUDITED)			
	Three Months Ended		Nine Months Ended	
	Sep. 28, 2019	Sep. 29, 2018	Sep. 28, 2019	Sep. 29, 2018
Reconciliation of free cash flow:				
Net cash provided by (used in) operating activities	\$ 228.2	\$ (21.8)	\$ 467.0	\$ 187.7
Purchases of property, plant and equipment	(53.1)	(53.2)	(132.9)	(132.7)
Purchases of software and other deferred charges	(14.4)	(7.6)	(27.4)	(21.5)
Proceeds from sales of property, plant and equipment	0.3	0.1	7.7	9.4
Proceeds from insurance and sales (purchases) of investments, net	(0.8)	15.4	3.5	17.6
Pension plan contributions for plan termination	2.1	200.0	9.5	200.0
Free cash flow (non-GAAP)	\$ 162.3	\$ 132.9	\$ 327.4	\$ 260.5

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AVERY DENNISON CORPORATION
PRELIMINARY SUPPLEMENTARY INFORMATION
(In millions, except %)
(UNAUDITED)

	Third Quarter Ended					
	NET SALES		OPERATING INCOME (LOSS)		OPERATING MARGINS	
	2019	2018	2019 ⁽¹⁾	2018 ⁽²⁾	2019	2018
Label and Graphic Materials	\$ 1,185.1	\$ 1,194.2	\$ 159.0	\$ 152.9	13.4%	12.8%
Retail Branding and Information Solutions	406.8	398.4	45.7	42.4	11.2%	10.6%
Industrial and Healthcare Materials	169.5	167.1	17.7	15.3	10.4%	9.2%
Corporate Expense	N/A	N/A	(22.7)	(18.9)	N/A	N/A
TOTAL FROM OPERATIONS	\$ 1,761.4	\$ 1,759.7	\$ 199.7	\$ 191.7	11.3%	10.9%

⁽¹⁾ Operating income for the third quarter of 2019 includes severance and related costs of \$3.3 and legal settlement of \$3.4. Of the total \$6.7, the Label and Graphic Materials segment recorded \$1.2, the Retail Branding and Information Solutions segment recorded \$1.2, the Industrial and Healthcare Materials segment recorded \$.9, and Corporate recorded \$3.4.

⁽²⁾ Operating income for the third quarter of 2018 includes severance and related costs, net of reversals of (\$7.1) and asset impairment charges of \$.7, partially offset by Argentine peso remeasurement transition loss of \$3.4. Of the total (\$3), the Label and Graphic Materials segment recorded (\$6) and the Retail Branding and Information Solutions segment recorded \$3.

RECONCILIATION FROM GAAP TO NON-GAAP SUPPLEMENTARY INFORMATION

	Third Quarter Ended			
	OPERATING INCOME		OPERATING MARGINS	
	2019	2018	2019	2018
<u>Label and Graphic Materials</u>				
Operating income and margins, as reported	\$ 159.0	\$ 152.9	13.4%	12.8%
Adjustments:				
Restructuring charges:				
Severance and related costs, net of reversals	1.2	(9.7)	0.1%	(0.8%)
Asset impairment charges	---	0.3	---	---
Argentine peso remeasurement transition loss	---	3.4	---	0.3%
Adjusted operating income and margins (non-GAAP)	\$ 160.2	\$ 146.9	13.5%	12.3%
<u>Retail Branding and Information Solutions</u>				
Operating income and margins, as reported	\$ 45.7	\$ 42.4	11.2%	10.6%
Adjustments:				
Restructuring charges:				
Severance and related costs	1.2	2.6	0.3%	0.7%
Asset impairment charges	---	0.4	---	0.1%
Adjusted operating income and margins (non-GAAP)	\$ 46.9	\$ 45.4	11.5%	11.4%
<u>Industrial and Healthcare Materials</u>				
Operating income and margins, as reported	\$ 17.7	\$ 15.3	10.4%	9.2%
Adjustments:				
Restructuring charges:				
Severance and related costs	0.9	---	0.6%	---
Adjusted operating income and margins (non-GAAP)	\$ 18.6	\$ 15.3	11.0%	9.2%

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AVERY DENNISON CORPORATION
PRELIMINARY SUPPLEMENTARY INFORMATION
(In millions, except %)
(UNAUDITED)

	Nine Months Year-to-Date					
	NET SALES		OPERATING INCOME (LOSS)		OPERATING MARGINS	
	2019	2018	2019 ⁽¹⁾	2018 ⁽²⁾	2019	2018
Label and Graphic Materials	\$ 3,569.7	\$ 3,669.7	\$ 460.6	\$ 418.1	12.9%	11.4%
Retail Branding and Information Solutions	1,223.4	1,201.1	147.5	122.4	12.1%	10.2%
Industrial and Healthcare Materials	504.1	519.5	47.8	44.9	9.5%	8.6%
Corporate Expense	N/A	N/A	(65.5)	(61.3)	N/A	N/A
TOTAL FROM OPERATIONS	\$ 5,297.2	\$ 5,390.3	\$ 590.4	\$ 524.1	11.1%	9.7%

⁽¹⁾ Operating income for 2019 includes severance and related costs of \$19.8, asset impairment and lease cancellation charges of \$1.7, and legal settlement of \$3.4, partially offset by gain on sales of assets of \$3.2. Of the total \$21.7, the Label and Graphic Materials segment recorded \$13.2, the Retail Branding and Information Solutions segment recorded \$9, the Industrial and Healthcare Materials segment recorded \$4.2, and Corporate recorded \$3.4.

⁽²⁾ Operating income for 2018 includes severance and related costs of \$56, asset impairment and lease cancellation charges of \$9.7, Argentine peso remeasurement transition loss of \$3.4, and other restructuring-related charge of \$5, partially offset by net gain on sales of assets of \$2.7. Of the total \$66.9, the Label and Graphic Materials segment recorded \$59.9, the Retail Branding and Information Solutions segment recorded \$9.1, the Industrial and Healthcare Materials segment recorded \$2, and Corporate recorded (\$2.3).

RECONCILIATION FROM GAAP TO NON-GAAP SUPPLEMENTARY INFORMATION

	Nine Months Year-to-Date			
	OPERATING INCOME		OPERATING MARGINS	
	2019	2018	2019	2018
<u>Label and Graphic Materials</u>				
Operating income and margins, as reported	\$ 460.6	\$ 418.1	12.9%	11.4%
Adjustments:				
Restructuring charges:				
Severance and related costs	12.6	48.7	0.4%	1.3%
Asset impairment and lease cancellation charges	1.3	7.2	---	0.2%
Argentine peso remeasurement transition loss	---	3.4	---	0.1%
Other restructuring-related charge	---	0.5	---	---
(Gain) loss on sales of assets	(0.7)	0.1	---	---
Adjusted operating income and margins (non-GAAP)	\$ 473.8	\$ 478.0	13.3%	13.0%
<u>Retail Branding and Information Solutions</u>				
Operating income and margins, as reported	\$ 147.5	\$ 122.4	12.1%	10.2%
Adjustments:				
Restructuring charges:				
Severance and related costs	3.0	7.1	0.2%	0.5%
Asset impairment and lease cancellation charges	0.4	2.5	---	0.2%
Net gain on sales of assets	(2.5)	(0.5)	(0.2%)	---
Adjusted operating income and margins (non-GAAP)	\$ 148.4	\$ 131.5	12.1%	10.9%
<u>Industrial and Healthcare Materials</u>				
Operating income and margins, as reported	\$ 47.8	\$ 44.9	9.5%	8.6%
Adjustments:				
Restructuring charges:				
Severance and related costs	4.2	0.2	0.8%	0.1%
Adjusted operating income and margins (non-GAAP)	\$ 52.0	\$ 45.1	10.3%	8.7%

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AVERY DENNISON CORPORATION
PRELIMINARY SUPPLEMENTARY INFORMATION
(UNAUDITED)

Third Quarter 2019

	Total Company	Label and Graphic Materials	Retail Branding and Information Solutions	Industrial and Healthcare Materials
Reconciliation from GAAP to Non-GAAP sales change				
Reported net sales change	0.1%	(0.8%)	2.1%	1.4%
Reclassification of sales between segments	---	(0.2%)	0.5%	---
Foreign currency translation	2.0%	2.1%	1.5%	2.3%
Sales change ex. currency (non-GAAP) ⁽¹⁾	2.1%	1.2%	4.1%	3.7%
Acquisitions	---	---	---	---
Organic sales change (non-GAAP)	2.1%	1.2%	4.1%	3.7%

Nine Months Year-to-Date 2019

	Total Company	Label and Graphic Materials	Retail Branding and Information Solutions	Industrial and Healthcare Materials
Reconciliation from GAAP to Non-GAAP sales change				
Reported net sales change	(1.7%)	(2.7%)	1.9%	(3.0%)
Reclassification of sales between segments	---	(0.2%)	0.6%	---
Foreign currency translation	3.7%	4.1%	2.7%	3.8%
Sales change ex. currency (non-GAAP) ⁽¹⁾	2.0%	1.2%	5.1%	0.9%
Acquisitions	---	---	---	---
Organic sales change (non-GAAP)	2.0%	1.2%	5.1%	0.9%

⁽¹⁾ Totals may not sum due to rounding

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