
**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**

October 27, 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 October 27, 2010, regarding its preliminary, unaudited financial results for the third quarter of 2010, including its updated guidance for the 2010 fiscal year, is attached hereto as Exhibit 99.1 and is being furnished (not filed) under this Form 8-K. The Company will discuss its preliminary financial results during a webcast and teleconference today, October 27, 2010, at 11:00 a.m (ET). To access the webcast and teleconference, please go to the Company's web site at <http://www.investors.averydennison.com>.

The Company's presentation dated October 27, 2010, regarding its preliminary financial review and analysis for the third quarter of 2010, including its updated guidance for the 2010 fiscal year, is attached hereto as Exhibit 99.2 and is being furnished (not filed) under this Form 8-K. This information is also 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.

(d) Exhibits.

99.1 News release dated October 27, 2010.

99.2 Presentation dated October 27, 2010.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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; disruptions in information technology systems; successful installation of new or upgraded information technology systems; 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; collection of receivables from 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; 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; (3) the degree to which higher costs can be offset with productivity measures and/or passed on to customers through selling

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price increases, without a significant loss of volume; and (4) the impact of changes in tax laws and regulations throughout the world.

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 most recent Form 10-K, filed on March 1, 2010 and subsequent quarterly reports on Form 10-Q. The forward-looking statements included in this Form 8-K are made only as of the date of this Form 8-K, and the Company undertakes no obligation to update 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: October 27, 2010

By: /s/ Mitchell R. Butier

Name: Mitchell R. Butier
Title: Senior Vice President
and Chief Financial Officer

EXHIBIT LIST

<u>Exhibit No.</u>	<u>Description</u>
99.1	News release dated October 27, 2010
99.2	Presentation dated October 27, 2010



Miller Corporate Center

For Immediate Release

**AVERY DENNISON ANNOUNCES
THIRD QUARTER 2010 RESULTS**

PASADENA, Calif., October 27, 2010 — Avery Dennison Corporation (NYSE:AVY) today announced preliminary, unaudited third quarter 2010 results. All non-GAAP financial measures are reconciled to GAAP in the attached tables.

Third Quarter Financial Summary — Preliminary

(\$ millions, except per share amounts)

	3Q 2010	3Q 2009	% Change vs. P/Y	
			Reported	Organic (a)
Net sales, by segment:				
Pressure-sensitive Materials	\$ 896.7	\$ 851.0	5%	9%
Retail Information Services	378.7	324.2	17%	18%
Office and Consumer Products	229.7	242.8	-5%	-5%
Other specialty converting businesses	135.7	131.3	3%	6%
Total net sales	\$1,640.8	\$1,549.3	6%	8%

	As Reported (GAAP)					Adjusted Non-GAAP (b)				
	3Q 2010	3Q 2009	% Change Fav(Unf)	% of Sales		3Q 2010	3Q 2009	% Change Fav(Unf)	% of Sales	
					2010	2009			2010	2009
Operating income (loss) before interest and taxes, by segment:										
Pressure-sensitive Materials	\$ 72.2	\$ 75.7		8.1%	8.9%	\$ 74.5	\$ 84.0		8.3%	9.9%
Retail Information Services	11.4	(29.0)		3.0%	-8.9%	13.2	(6.7)		3.5%	-2.1%
Office and Consumer Products	20.4	41.0		8.9%	16.9%	26.2	40.8		11.4%	16.8%
Other specialty converting businesses	2.5	0.8		1.8%	0.6%	3.1	5.9		2.3%	4.5%
Corporate expense	(10.4)	(11.1)				(10.4)	(11.1)			
Total operating income before interest and taxes	\$ 96.1	\$ 77.4	24%	5.9%	5.0%	\$106.6	\$112.9	-6%	6.5%	7.3%
Interest expense	19.1	19.1				19.1	19.1			
Income from operations before taxes	\$ 77.0	\$ 58.3	32%	4.7%	3.8%	\$ 87.5	\$ 93.8	-7%	5.3%	6.1%
Provision for (benefit from) income taxes	\$ 12.8	\$ (4.2)				\$ 21.5	\$ 7.0			
Net income	\$ 64.2	\$ 62.5	3%	3.9%	4.0%	\$ 66.0	\$ 86.8	-24%	4.0%	5.6%
Net income per common share, assuming dilution	\$ 0.60	\$ 0.59	2%			\$ 0.62	\$ 0.82	-24%		

	2010	2009
YTD Free Cash Flow (c)	\$ 216.6	\$ 251.1

- a) Percentage change in sales before foreign currency translation.
- b) Excludes restructuring and asset impairment charges and other items (see accompanying schedules A-3 and A-4 for reconciliation to GAAP financial measures).
- c) Free Cash Flow (a non-GAAP financial measure) as used herein is defined as net cash from operating activities (as reported), less net purchases of property, plant, equipment, software, and other deferred charges, plus proceeds from sale of investments, net (see accompanying schedule A-3 for reconciliation to GAAP financial measures).

“Avery Dennison delivered another quarter of strong top-line growth, driven by Pressure-sensitive Materials and Retail Information Services,” said Dean A.

Scarborough, Avery Dennison chairman, president and CEO. “As expected, margins came under pressure as rising raw material costs outpaced price increases.”

“Despite the increased inflation, we remain on track to meet our full-year targets for earnings and free cash flow, and we are well positioned for long-term profitable growth and increased returns,” Scarborough said.

For more details on the Company’s results, see the Company’s supplemental presentation materials, “Third Quarter 2010 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.

Third Quarter 2010 Results by Segment

All references to sales reflect comparisons on an organic basis, which excludes the impact of foreign currency translation. All references to operating margin exclude the impact of restructuring, asset impairment charges, and other items.

Pressure-sensitive Materials (PSM)

- § Roll Materials sales grew at a high-single digit rate, reflecting strength in all regions. Sales grew at a mid-single digit rate in the Graphics and Reflective Products division.
- § Operating margin declined as continued raw material inflation, which outpaced pricing actions, and investments in growth more than offset the benefits from higher volume and productivity and restructuring initiatives.

Retail Information Services (RIS)

- § Sales growth reflected increased demand, due in part to significant inventory destocking that occurred among apparel retailers in the prior year.
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- § Operating margin increased due to increased volume and restructuring and productivity initiatives, partially offset by higher employee costs.
- § Operating margin declined sequentially due to lower volume, reflecting the normal seasonal trend.

Office and Consumer Products (OCP)

- § The decline in sales reflected weak end-market demand and increased competition in the label category.
- § Operating margin declined due to increased investment in demand creation, consumer promotions, and innovation, as well as lower volume.

Other specialty converting businesses

- § Sales growth primarily reflected increased demand for products for automotive applications, which was down sharply in the third quarter of 2009.
- § Operating margin declined due to raw material inflation, partially offset by the benefits of increased volume and restructuring and productivity actions.

2010 Outlook

The Company has adjusted its previous guidance. In the Company's supplemental presentation materials, "Third Quarter 2010 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, the Company now expects reported revenue growth of approximately 9 percent, and adjusted (non-GAAP) Earnings Per Share of \$3.10 to \$3.20. The increase in guidance for Earnings Per Share is primarily due to the inclusion of approximately \$0.40 per share from a discrete tax planning event expected in the fourth quarter of 2010. The Company now expects Free Cash Flow in 2010 of approximately \$350 to \$375 million.

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

About Avery Dennison

Avery Dennison (NYSE:AVY) helps make brands more inspiring and the world more intelligent. For 75 years the company has been a global leader in pressure-sensitive technology and materials, retail branding and information solutions, and organization and identification products for offices and consumers. 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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“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995:

Certain statements contained in this document are “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements and financial or other business targets are subject to certain risks and uncertainties. Actual results and trends may differ materially from historical or 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; disruptions in information technology systems; successful installation of new or upgraded information technology systems; 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; collection of receivables from 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; 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; (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; and (4) the impact of changes in tax laws and regulations throughout the world.

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 March 1, 2010 with the Securities and Exchange Commission, and subsequent quarterly reports on Form 10-Q. The forward-looking statements included in this document are made only as of the date of this document, and the Company undertakes no obligation to update 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 Third Quarter conference call with analysts, visit the Avery Dennison Web site at www.investors.averydennison.com

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

	(UNAUDITED)			
	Three Months Ended		Nine Months Ended	
	Oct. 2, 2010 (13 Weeks)	Oct. 3, 2009 (13 Weeks)	Oct. 2, 2010 (39 Weeks)	Oct. 3, 2009 (40 Weeks)
Net sales	\$ 1,640.8	\$ 1,549.3	\$ 4,875.6	\$ 4,430.9
Cost of products sold	1,187.8	1,113.3	3,491.4	3,259.5
Gross profit	453.0	436.0	1,384.2	1,171.4
Marketing, general & administrative expense	346.4	323.1	1,025.4	927.4
Goodwill and indefinite-lived intangible asset impairment charges	—	—	—	832.0
Interest expense	19.1	19.1	57.7	67.0
Other expense, net (1)	10.5	35.5	21.4	162.4
Income (loss) from operations before taxes	77.0	58.3	279.7	(817.4)
Provision for (benefit from) income taxes	12.8	(4.2)	77.0	(20.8)
Net income (loss)	\$ 64.2	\$ 62.5	\$ 202.7	\$ (796.6)
Per share amounts:				
Net income (loss) per common share, assuming dilution	\$ 0.60	\$ 0.59	\$ 1.90	\$ (7.73)
Average common shares outstanding, assuming dilution	107.1	106.0	106.7	103.1
Common shares outstanding at period end	105.8	105.2	105.8	105.2

- (1) Other expense for the third quarter of 2010 includes \$8.1 of restructuring costs, asset impairment and lease cancellation charges, and \$2.4 of loss from curtailment of a pension obligation.
- Other expense for the third quarter of 2009 includes \$33.5 of restructuring costs, asset impairment and lease cancellation charges, and \$2 of legal settlements.
- Other expense, net, for 2010 YTD includes \$15.5 of restructuring costs, asset impairment and lease cancellation charges, \$4.3 of loss from curtailment and settlement of pension obligations, \$1.2 of loss from debt extinguishment, and \$.9 of legal settlements, partially offset by (\$.5) related to a gain on sale of investment.
- Other expense for 2009 YTD includes \$102.2 of restructuring costs, asset impairment and lease cancellation charges, \$39 of legal settlements, and \$21.2 of loss from debt extinguishment.

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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 settlements, certain effects of acquisitions and related integration costs, loss from debt extinguishment, loss from curtailment and settlement of pension obligations, gains or losses on sale of certain 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 settlements, loss from debt extinguishment, loss from curtailment and settlement of pension obligations, gain on sale of investment, as well as a discrete tax event in the Fourth Quarter of 2010 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		Nine Months Ended	
	Oct. 2, 2010 (13 Weeks)	Oct. 3, 2009 (13 Weeks)	Oct. 2, 2010 (39 Weeks)	Oct. 3, 2009 (40 Weeks)
Reconciliation of GAAP to Non-GAAP Operating Margin:				
Net sales	\$ 1,640.8	\$ 1,549.3	\$ 4,875.6	\$ 4,430.9
Income (loss) from operations before taxes	\$ 77.0	\$ 58.3	\$ 279.7	\$ (817.4)
GAAP Operating Margin	4.7%	3.8%	5.7%	(18.4%)
Income (loss) from operations before taxes	\$ 77.0	\$ 58.3	\$ 279.7	\$ (817.4)
Non-GAAP adjustments:				
Restructuring costs	5.8	27.0	12.4	69.9
Asset impairment and lease cancellation charges	2.3	6.5	3.1	32.3
Loss from curtailment and settlement of pension obligations	2.4	—	4.3	—
Loss from debt extinguishment	—	—	1.2	21.2
Legal settlements	—	2.0	0.9	39.0
Gain on sale of investment	—	—	(0.5)	—
Goodwill and indefinite-lived intangible asset impairment charges	—	—	—	832.0
Interest expense	19.1	19.1	57.7	67.0
Adjusted non-GAAP operating income before taxes and interest expense	\$ 106.6	\$ 112.9	\$ 358.8	\$ 244.0
Adjusted Non-GAAP Operating Margin	6.5%	7.3%	7.4%	5.5%
Reconciliation of GAAP to Non-GAAP Net Income:				
As reported net income (loss)	\$ 64.2	\$ 62.5	\$ 202.7	\$ (796.6)
Non-GAAP adjustments, net of taxes:				
Goodwill and indefinite-lived intangible asset impairment charges	—	—	—	812.6
All other (1)	1.8	24.3	28.2	141.5
Adjusted Non-GAAP Net Income	\$ 66.0	\$ 86.8	\$ 230.9	\$ 157.5

	(UNAUDITED)			
	Three Months Ended		Nine Months Ended	
	Oct. 2, 2010 (13 Weeks)	Oct. 3, 2009 (13 Weeks)	Oct. 2, 2010 (39 Weeks)	Oct. 3, 2009 (40 Weeks)
Reconciliation of GAAP to Non-GAAP Earnings Per Share:				
As reported income (loss) per common share, assuming dilution	\$ 0.60	\$ 0.59	\$ 1.90	\$ (7.73)
Non-GAAP adjustments per share, net of taxes:				
Goodwill and indefinite-lived intangible asset impairment charges	—	—	—	7.88
All other (1)	0.02	0.23	0.26	1.38
Adjusted Non-GAAP income per common share, assuming dilution	\$ 0.62	\$ 0.82	\$ 2.16	\$ 1.53
Average common shares outstanding, assuming dilution	107.1	106.0	106.7	103.1

- (1) Reflects the full year estimated tax rate effect and the after-tax effect of charges for restructuring costs, asset impairment and lease cancellation charges, loss from curtailment and settlement of pension obligations, loss from debt extinguishment, legal settlements, and gain on sale of investment.

	(UNAUDITED)	
	Nine Months Ended	
	Oct. 2, 2010 (39 Weeks)	Oct. 3, 2009 (40 Weeks)
Reconciliation of GAAP to Non-GAAP Cash Flow: (2)		
Net cash provided by operating activities	\$ 283.6	\$ 316.9
Purchases of property, plant and equipment, net	(50.1)	(45.7)
Purchases of software and other deferred charges	(17.1)	(20.4)
Proceeds from sale of investments, net	0.2	0.3
Free Cash Flow	\$ 216.6	\$ 251.1

- (2) Certain prior year amounts have been reclassified to conform with the 2010 presentation.

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AVERY DENNISON
PRELIMINARY SUPPLEMENTARY INFORMATION
(In millions)

	(UNAUDITED)					
	Third Quarter Ended					
	NET SALES		OPERATING INCOME (LOSS)		OPERATING MARGINS	
	2010	2009	2010 (1)	2009 (2)	2010	2009
Pressure-sensitive Materials	\$ 896.7	\$ 851.0	\$ 72.2	\$ 75.7	8.1%	8.9%
Retail Information Services	378.7	324.2	11.4	(29.0)	3.0%	(8.9%)
Office and Consumer Products	229.7	242.8	20.4	41.0	8.9%	16.9%
Other specialty converting businesses	135.7	131.3	2.5	0.8	1.8%	0.6%
Corporate Expense	N/A	N/A	(10.4)	(11.1)	N/A	N/A
Interest Expense	N/A	N/A	(19.1)	(19.1)	N/A	N/A
TOTAL FROM OPERATIONS	\$1,640.8	\$1,549.3	\$ 77.0	\$ 58.3	4.7%	3.8%

- (1) Operating income for the third quarter of 2010 includes \$8.1 of restructuring costs, asset impairment and lease cancellation charges, and \$2.4 of loss from curtailment of a pension obligation. Of the total \$10.5, the Pressure-sensitive Materials segment recorded \$2.3, the Retail Information Services segment recorded \$1.8, the Office and Consumer Products segment recorded \$5.8, and the other specialty converting businesses recorded \$.6.
- (2) Operating income for the third quarter of 2009 includes \$33.5 of restructuring costs, asset impairment and lease cancellation charges, and \$2 of legal settlements. Of the total \$35.5, the Pressure-sensitive Materials segment recorded \$8.3, the Retail Information Services segment recorded \$22.3, the Office and Consumer Products segment recorded (\$.2), and the other specialty converting businesses recorded \$5.1.

Certain prior year amounts have been reclassified to conform with the 2010 presentation.

RECONCILIATION OF GAAP TO NON-GAAP SUPPLEMENTARY INFORMATION

	Third Quarter Ended			
	OPERATING INCOME (LOSS)		OPERATING MARGINS	
	2010	2009	2010	2009
Pressure-sensitive Materials				
Operating income, as reported	\$ 72.2	\$ 75.7	8.1%	8.9%
Non-GAAP adjustments:				
Restructuring costs	0.1	3.9	—	0.5%
Asset impairment and lease cancellation charges	0.9	2.4	0.1%	0.3%
Legal settlements	—	2.0	—	0.2%
Curtailment of a pension obligation	1.3	—	0.1%	—
Adjusted non-GAAP operating income	\$ 74.5	\$ 84.0	8.3%	9.9%
Retail Information Services				
Operating income (loss), as reported	\$ 11.4	\$ (29.0)	3.0%	(8.9%)
Non-GAAP adjustments:				
Restructuring costs	0.9	21.0	0.2%	6.4%
Asset impairment and lease cancellation charges	0.3	1.3	0.1%	0.4%
Curtailment of a pension obligation	0.6	—	0.2%	—
Adjusted non-GAAP operating income (loss)	\$ 13.2	\$ (6.7)	3.5%	(2.1%)
Office and Consumer Products				
Operating income, as reported	\$ 20.4	\$ 41.0	8.9%	16.9%
Non-GAAP adjustments:				
Restructuring costs	4.5	(0.2)	2.0%	(0.1%)
Lease cancellation charges	1.0	—	0.4%	—
Curtailment of a pension obligation	0.3	—	0.1%	—
Adjusted non-GAAP operating income	\$ 26.2	\$ 40.8	11.4%	16.8%
Other specialty converting businesses				
Operating income, as reported	\$ 2.5	\$ 0.8	1.8%	0.6%
Non-GAAP adjustments:				
Restructuring costs	0.3	2.3	0.2%	1.8%
Asset impairment charges	0.1	2.8	0.1%	2.1%
Curtailment of a pension obligation	0.2	—	0.2%	—
Adjusted non-GAAP operating income	\$ 3.1	\$ 5.9	2.3%	4.5%

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AVERY DENNISON
PRELIMINARY SUPPLEMENTARY INFORMATION
(In millions)

	(UNAUDITED)					
	Nine Months Year-to-Date					
	NET SALES		OPERATING INCOME (LOSS)		OPERATING MARGINS	
	2010 (39 weeks)	2009 (40 weeks)	2010 ⁽¹⁾ (39 weeks)	2009 ⁽²⁾ (40 weeks)	2010 (39 weeks)	2009 (40 weeks)
Pressure-sensitive Materials	\$2,717.8	\$2,453.4	\$ 247.5	\$ 126.1	9.1%	5.1%
Retail Information Services	1,135.4	970.3	46.5	(887.1)	4.1%	(91.4%)
Office and Consumer Products	618.5	644.1	71.3	98.9	11.5%	15.4%
Other specialty converting businesses	403.9	363.1	9.5	(38.3)	2.4%	(10.5%)
Corporate Expense	N/A	N/A	(37.4)	(50.0)	N/A	N/A
Interest Expense	N/A	N/A	(57.7)	(67.0)	N/A	N/A
TOTAL FROM OPERATIONS	\$4,875.6	\$4,430.9	\$ 279.7	\$ (817.4)	5.7%	(18.4%)

- (1) Operating income for 2010 includes \$15.5 of restructuring costs, asset impairment and lease cancellation charges, \$4.3 of loss from curtailment and settlement of pension obligations, \$1.2 of loss from debt extinguishment, and \$.9 of legal settlements, partially offset by (\$.5) related to a gain on sale of investment. Of the total \$21.4, the Pressure-sensitive Materials segment recorded \$5.7, the Retail Information Services segment recorded \$5.8, the Office and Consumer Products segment recorded \$8.3, the other specialty converting businesses recorded \$.9, and Corporate recorded \$.7.
- (2) Operating loss for 2009 includes \$832 of goodwill and indefinite-lived intangible asset impairment charges, \$102.2 of restructuring costs, asset impairment and lease cancellation charges, \$39 of legal settlements, and \$21.2 of loss from debt extinguishment. Of the total \$994.4, the Pressure-sensitive Materials segment recorded \$70.2, the Retail Information Services segment recorded \$869, the Office and Consumer Products segment recorded \$5.5, the other specialty converting businesses recorded \$28.5, and Corporate recorded \$21.2.

Certain prior year amounts have been reclassified to conform with the 2010 presentation.

RECONCILIATION OF GAAP TO NON-GAAP SUPPLEMENTARY INFORMATION

	Nine Months Year-to-Date			
	OPERATING INCOME (LOSS)		OPERATING MARGINS	
	2010	2009	2010	2009
Pressure-sensitive Materials				
Operating income, as reported	\$ 247.5	\$ 126.1	9.1%	5.1%
Non-GAAP adjustments:				
Restructuring costs	3.6	24.9	0.1%	1.0%
Asset impairment and lease cancellation charges	1.1	6.3	—	0.3%
Legal settlements	(0.3)	39.0	—	1.6%
Curtailment of a pension obligation	1.3	—	0.1%	—
Adjusted non-GAAP operating income	\$ 253.2	\$ 196.3	9.3%	8.0%
Retail Information Services				
Operating income (loss), as reported	\$ 46.5	\$ (887.1)	4.1%	(91.4%)
Non-GAAP adjustments:				
Restructuring costs	3.1	31.4	0.3%	3.2%
Asset impairment and lease cancellation charges	0.9	5.6	0.1%	0.6%
Legal settlements	1.2	—	0.1%	—
Curtailment of a pension obligation	0.6	—	—	—
Goodwill and indefinite-lived intangible asset impairment charges	—	832.0	—	85.7%
Adjusted non-GAAP operating income (loss)	\$ 52.3	\$ (18.1)	4.6%	(1.9%)
Office and Consumer Products				
Operating income, as reported	\$ 71.3	\$ 98.9	11.5%	15.4%
Non-GAAP adjustments:				
Restructuring costs	5.1	1.0	0.8%	0.1%
Asset impairment and lease cancellation charges	1.0	4.5	0.2%	0.7%
Loss from curtailment and settlement of pension obligations	2.2	—	0.4%	—
Adjusted non-GAAP operating income	\$ 79.6	\$ 104.4	12.9%	16.2%
Other specialty converting businesses				
Operating income (loss), as reported	\$ 9.5	\$ (38.3)	2.4%	(10.5%)
Non-GAAP adjustments:				
Restructuring costs	0.6	12.6	0.1%	3.4%
Asset impairment charges	0.1	15.9	—	4.4%
Curtailment of a pension obligation	0.2	—	0.1%	—
Adjusted non-GAAP operating income (loss)	\$ 10.4	\$ (9.8)	2.6%	(2.7%)

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AVERY DENNISON
PRELIMINARY CONDENSED CONSOLIDATED BALANCE SHEET
(In millions)

	(UNAUDITED)	
	Oct. 2, 2010	Oct. 3, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 157.8	\$ 91.9
Trade accounts receivable, net	1,079.2	1,008.6
Inventories, net	576.2	511.8
Other current assets	316.7	212.0
Total current assets	2,129.9	1,824.3
Property, plant and equipment, net	1,267.7	1,393.3
Goodwill	941.4	962.2
Other intangibles resulting from business acquisitions, net	237.4	271.3
Non-current deferred and refundable income taxes	188.9	216.8
Other assets	447.9	426.7
	\$ 5,213.2	\$ 5,094.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term and current portion of long-term debt	\$ 443.5	\$ 669.4
Accounts payable	762.8	650.5
Other current liabilities	686.5	668.4
Total current liabilities	1,892.8	1,988.3
Long-term debt	1,065.8	1,115.7
Other long-term liabilities	722.6	690.6
Shareholders' equity:		
Common stock	124.1	124.1
Capital in excess of par value	742.8	698.4
Retained earnings	1,635.9	1,472.4
Accumulated other comprehensive loss	(151.4)	(170.8)
Employee stock benefit trusts	(131.0)	(253.3)
Treasury stock at cost	(688.4)	(570.8)
Total shareholders' equity	1,532.0	1,300.0
	\$ 5,213.2	\$ 5,094.6

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

	(UNAUDITED)	
	Nine Months Ended	
	Oct. 2, 2010 (39 Weeks)	Oct. 3, 2009 (40 Weeks)
Operating Activities:		
Net income (loss)	\$ 202.7	\$ (796.6)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	132.4	138.2
Amortization	55.5	55.8
Provision for doubtful accounts	15.2	16.3
Goodwill and indefinite-lived intangible asset impairment charges	—	832.0
Asset impairment and net (gain) loss on sale and disposal of assets	(0.5)	40.9
Loss from debt extinguishment	1.2	21.2
Stock-based compensation	25.9	19.8
Other non-cash expense and loss	33.5	16.2
Other non-cash income and gain	(0.5)	(7.2)
	<u>465.4</u>	<u>336.6</u>
Changes in assets and liabilities and other adjustments, net of the effect of business acquisitions	(181.8)	(19.7)
Net cash provided by operating activities	<u>283.6</u>	<u>316.9</u>
Investing Activities:		
Purchases of property, plant and equipment, net	(50.1)	(45.7)
Purchases of software and other deferred charges	(17.1)	(20.4)
Proceeds from sale of investments, net	0.2	0.3
Other	—	(5.0)
Net cash used in investing activities	<u>(67.0)</u>	<u>(70.8)</u>
Financing Activities:		
Net decrease in borrowings (maturities of 90 days or less)	(35.7)	(58.1)
Additional borrowings (maturities longer than 90 days)	249.8	—
Payments of debt (maturities longer than 90 days)	(340.7)	(93.2)
Dividends paid	(66.5)	(112.3)
Proceeds from exercise of stock options, net	2.1	—
Other	(7.3)	2.0
Net cash used in financing activities	<u>(198.3)</u>	<u>(261.6)</u>
Effect of foreign currency translation on cash balances	1.4	1.9
Increase (decrease) in cash and cash equivalents	<u>19.7</u>	<u>(13.6)</u>
Cash and cash equivalents, beginning of year	<u>138.1</u>	<u>105.5</u>
Cash and cash equivalents, end of period	<u>\$ 157.8</u>	<u>\$ 91.9</u>

Certain prior year amounts have been reclassified to conform with the 2010 presentation.

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Supplemental Presentation Materials

***Third Quarter 2010
Financial Review and Analysis***
(preliminary, unaudited)

October 27, 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; disruptions in information technology systems; successful installation of new or upgraded information technology systems; 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; collection of receivables from 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; 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; (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; and (4) the impact of changes in tax laws and regulations throughout the world.

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 March 1, 2010 with the Securities and Exchange Commission, and subsequent quarterly reports on Form 10-Q. The forward-looking statements included in this document are made only as of the date of this document, and the Company undertakes no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

Use of Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures as defined by SEC rules. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures 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 October 27, 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 financial measures, may make it difficult to assess the underlying performance of the Company in a single period. By excluding certain accounting effects, both positive and negative (e.g. restructuring charges, asset impairments, legal settlements, certain effects of acquisitions and related integration costs, loss from debt extinguishment, loss from curtailment and settlement of pension obligations, gains or losses on sales of certain assets, etc.), from certain of the Company's GAAP financial 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 financial measures are used internally to evaluate trends in the Company's underlying business, as well as to facilitate comparison to the results of competitors for a single period. 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 settlements, loss from debt extinguishment, and loss from curtailment and settlement of pension obligations, gain on sale of investment, as well as a discrete tax event in the Fourth Quarter of 2010 to determine its adjusted non-GAAP tax rate to derive non-GAAP net income. **(See Attachment A-2 to Exhibit 99.1 for a discussion of limitations associated with the use of these non-GAAP financial measures.)**

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.

Third Quarter 2010 Results

- Third consecutive quarter of strong top line growth driven by Pressure-sensitive Materials and Retail Information Services
- Operating margin declined as pricing actions lagged raw material inflation, partially offset by the benefits of higher volume and restructuring and productivity initiatives

Fourth Quarter 2010 Outlook

- Continued strong top line growth
- Continued margin pressure from increasing raw material inflation and from Office and Consumer Products
- Additional price increases expected to narrow the inflation gap by year-end

Well positioned for long-term profitable growth and increased returns

- Franchise businesses with leading positions in large markets
- Leadership in emerging markets
- Continued investment to drive growth and productivity

- Net sales grew 6% from prior year, or approx. 8% on an organic basis⁽¹⁾
- Operating margin declined 80 basis points to 6.5% before restructuring charges and other items
- Interest expense unchanged vs. prior year
- Effective (GAAP) tax rate of approx. 17%
 - » Adjusted tax rate of approx. 25%
- Reported EPS of \$0.60
- Adjusted EPS of \$0.62 (*excludes \$0.02 of restructuring charges and other items*)
- YTD Free Cash Flow of \$217 mil.

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

Sales Trend Analysis

	<u>3Q09</u>	<u>4Q09</u>	<u>1Q10</u>	<u>2Q10</u>	<u>3Q10</u>
<i>Organic Sales Change</i>	(5.9%)	(0.6%)	7.3%	14.1%	8.3%
Currency	(4.3%)	4.5%	4.9%	1.3%	(2.4%)
Extra Week	--	(3.2%)	(3.2%)	--	--
Reported Sales Change	(10.2%)	0.7%	9.0%	15.4%	5.9%

	<u>3Q10</u>	<u>3Q09</u>	<u>2Q10</u>
Gross Profit Margin (total Company)	27.6%	28.1%	29.2%
<u>Operating Margin (non-GAAP⁽¹⁾):</u>			
Pressure-sensitive Materials	8.3%	9.9%	9.6%
Retail Information Services	3.5%	(2.1%)	8.8%
Office and Consumer Products	11.4%	16.8%	15.9%
Other specialty converting businesses	2.3%	4.5%	3.1%
Total Company	6.5%	7.3%	9.0%

⁽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.

- Gross profit margin declined by 50 basis points vs. prior year to 27.6% as raw material inflation more than offset the benefits of increased volume, pricing actions, and productivity and restructuring initiatives
- Marketing, general and administrative (MG&A) expense ratio increased by 20 basis points compared to the prior year
 - » MG&A expense increased approx. \$23 mil. compared to the prior year due to higher employee costs and increased growth and infrastructure investments, partially offset by currency translation and the benefit of restructuring initiatives

PRESSURE-SENSITIVE MATERIALS

- Reported sales of \$897 mil., up 5% compared with prior year
 - » Organic sales growth of approx. 9%
- Roll Materials sales grew at high-single digit rate (organic basis), reflecting strength in all regions
- Graphics & Reflective sales grew at mid-single digit rate on an organic basis
- Excluding restructuring charges and other items, operating margin declined 160 basis points to 8.3%
 - » Operating margin declined year-on-year as continued raw material inflation, which outpaced pricing actions, and investments in growth more than offset the benefits from higher volume and productivity and restructuring initiatives
 - » Sequentially, operating margin declined 130 basis points as recently implemented price increases were insufficient to cover greater-than-expected raw material inflation; additional price increases are underway

RETAIL INFORMATION SERVICES

- Reported sales of \$379 mil., up 17% compared with prior year
 - » Organic sales growth of approx. 18%
 - » 3Q comparison benefited from significant inventory destocking in the prior year, as well as improved retail apparel sales and new programs with key brands and retailers
- Operating margin before restructuring charges and other items increased by 560 basis points to 3.5% driven by increased volume and restructuring and productivity initiatives, partially offset by higher employee costs
- Sequential margin compression due to lower volume, reflecting the normal seasonal trend

OFFICE AND CONSUMER PRODUCTS

- Reported sales of \$230 mil., down 5% compared with prior year
 - » Sales down approx. 5% on an organic basis
- Excluding restructuring charges and other items, operating margin declined to 11.4% due to increased investment in demand creation, consumer promotions, and innovation, as well as lower volume

OTHER SPECIALTY CONVERTING BUSINESSES

- Sales of \$136 mil., up 3% compared with prior year
 - » Sales up approx. 6% on an organic basis
- Excluding restructuring charges and other items, operating margin declined by 220 basis points as raw material inflation more than offset the benefits of increased volume and restructuring and productivity actions



Update to Contributing Factors to 2010 Financial Results

July Commentary

- Reported revenue growth of 7% to 8%
 - One less week in fiscal year
 - At current rates, currency translation represents ~1% headwind to reported sales growth, and ~\$8 mil. negative impact to EBIT
- Estimated \$70 mil. of incremental restructuring savings, net of transition costs
- Approx. \$95 mil. of inflation in overall raw material costs, partially offset with benefit from global sourcing strategies, material cost productivity, and price increases
- Increased investment in new growth opportunities and infrastructure, including higher spend related to innovation/demand creation in OCP segment
- Interest expense of ~\$75 mil.
- Tax rate at the high end of our previous range
- Restructuring charges of ~\$15 to \$20 mil.
- Capital expenditures (including IT) of \$125 to \$150 mil. (D&A ~\$250 mil.)
- Pension contributions comparable to 2009 (~\$50 mil.)
- Reduced cash requirements for restructuring

October Guidance Assumptions

- **Reported revenue growth of ~9%**
 - One less week in fiscal year
 - **At current rates, negligible impact to reported sales growth and EBIT from currency translation**
- Estimated \$70 mil. of incremental restructuring savings, net of transition costs
- **Approx. \$105 mil. of inflation in overall raw material costs**, partially offset with benefit from global sourcing strategies, material cost productivity, and price increases
- Increased investment in new growth opportunities and infrastructure, including higher spend related to innovation/demand creation in OCP segment
- Interest expense of ~\$75 mil.
- **Full-year adjusted tax rate of 11% to 13%**
- Restructuring charges of ~\$15 to \$20 mil.
- **Capital expenditures (including IT) of ~\$125 mil. (D&A ~\$250 mil.)**
- **Pension contributions of at least \$50 mil.**
- Reduced cash requirements for restructuring

	<u>2010 Guidance</u>
Reported (GAAP) Earnings Per Share	\$2.93 - \$3.03*
<u>Add Back:</u>	
Estimated Restructuring, Asset Impairment, and Other Items	~ \$0.17
Adjusted (non-GAAP) Earnings Per Share	\$3.10 - \$3.20*
*Includes ~\$0.40 per share from a discrete tax planning event expected in 4Q10	
Capital Expenditures & Investments in Software	~ \$125 mil.
Free Cash Flow (before dividends)	\$350 - \$375 mil.

