

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 30, 2013.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-7685

AVERY DENNISON CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-1492269
(I.R.S. 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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of \$1 par value common stock outstanding as of April 27, 2013: 99,584,409

AVERY DENNISON CORPORATION

FISCAL FIRST QUARTER 2013 FORM 10-Q QUARTERLY REPORT

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SAFE HARBOR STATEMENT

The matters discussed in this Quarterly Report contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which are not statements of historical fact, contain estimates, assumptions, projections and/or expectations regarding future events, which may or may not occur. Words such as “aim,” “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “guidance,” “intend,” “may,” “might,” “objective,” “plan,” “potential,” “project,” “seek,” “shall,” “should,” “target,” “will,” “would,” or variations thereof, and other expressions that refer to future events and trends, identify forward-looking statements. These forward-looking statements, and financial or other business targets, are subject to certain risks and uncertainties, which could cause our actual results to differ materially from expected results, performance or achievements expressed or implied by such forward-looking statements.

Certain risks and uncertainties are discussed in more detail under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended December 29, 2012 and include, but are not limited to, risks and uncertainties relating to the following: fluctuations in demand affecting sales to customers; the financial condition and inventory strategies of customers; changes in customer order patterns; worldwide and local economic conditions; fluctuations in cost and availability of raw materials; our ability to generate sustained productivity improvement; our ability to achieve and sustain targeted cost reductions; impact of competitive products and pricing; loss of significant contracts or customers; collection of receivables from customers; selling prices; business mix shift; changes in tax laws and regulations, and uncertainties associated with interpretations of such laws and regulations; outcome of tax audits; timely development and market acceptance of new products, including sustainable or sustainably-sourced products; investment in development activities and new production facilities; fluctuations in foreign currency exchange rates and other risks associated with foreign operations; integration of acquisitions and completion of pending dispositions; amounts of future dividends and share repurchases; customer and supplier concentrations; successful implementation of new manufacturing technologies and installation of manufacturing equipment; disruptions in information technology systems; successful installation of new or upgraded information technology systems; volatility of financial markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; our ability to obtain adequate financing arrangements and maintain access to capital; fluctuations in interest and tax rates; fluctuations in pension, insurance and employee benefit costs; impact of legal and regulatory proceedings, including with respect to environmental, health and safety; changes in governmental laws and regulations; changes in political conditions; impact of epidemiological events on the economy and 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 impact of economic conditions on underlying demand for our products; (2) 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.

Our forward-looking statements are made only as of the date hereof. By making these forward-looking statements, we assume no duty to update them to reflect new, changed or unanticipated events or circumstances, other than as may be required by law.

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Dollars in millions, except per share amount)

March 30, 2013

December 29, 2012

Assets		
Current assets:		
Cash and cash equivalents	\$ 207.7	\$ 235.4
Trade accounts receivable, less allowances of \$43.0 and \$44.8 at March 30, 2013 and December 29, 2012, respectively	988.7	972.8
Inventories, net	516.3	473.3
Current deferred and refundable income taxes	127.4	129.1
Assets held for sale	551.5	472.2
Other current assets	122.2	128.9
Total current assets	2,513.8	2,411.7
Property, plant and equipment	2,657.9	2,871.1
Accumulated depreciation	(1,718.4)	(1,855.6)
Property, plant and equipment, net	939.5	1,015.5
Goodwill	756.9	764.4
Other intangibles resulting from business acquisitions, net	117.0	125.0
Non-current deferred income taxes	343.4	331.6
Other assets	467.0	457.1
	\$ 5,137.6	\$ 5,105.3

Liabilities and Shareholders' Equity

Current liabilities:		
Short-term borrowings and current portion of long-term debt and capital leases	\$ 655.4	\$ 520.2
Accounts payable	813.2	804.3
Current deferred and payable income taxes	51.2	65.1
Liabilities held for sale	139.9	160.5
Other current liabilities	466.5	524.4
Total current liabilities	2,126.2	2,074.5
Long-term debt and capital leases	702.0	702.2
Long-term retirement benefits and other liabilities	593.1	607.2
Non-current deferred and payable income taxes	142.6	140.5
Commitments and contingencies (see Note 15)		
Shareholders' equity:		
Common stock, \$1 par value per share, authorized – 400,000,000 shares at March 30, 2013 and December 29, 2012; issued – 124,126,624 shares at March 30, 2013 and December 29, 2012; outstanding – 100,137,807 shares and 99,915,457 shares at March 30, 2013 and December 29, 2012, respectively	124.1	124.1
Capital in excess of par value	792.3	801.8
Retained earnings	1,933.9	1,910.8
Treasury stock at cost, 23,988,817 shares and 24,211,167 shares at March 30, 2013 and December 29, 2012, respectively	(985.3)	(977.8)
Accumulated other comprehensive loss	(291.3)	(278.0)
Total shareholders' equity	1,573.7	1,580.9
	\$ 5,137.6	\$ 5,105.3

See Notes to Unaudited Condensed Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(In millions, except per share amounts)	Three Months Ended	
	March 30, 2013	March 31, 2012
Net sales	\$ 1,498.9	\$ 1,443.0
Cost of products sold	1,097.2	1,065.9
Gross profit	401.7	377.1
Marketing, general and administrative expense	300.9	288.9
Interest expense	12.2	18.3
Other expense, net	7.5	7.6
Income from continuing operations before taxes	81.1	62.3
Provision for income taxes	14.3	17.7
Income from continuing operations	66.8	44.6
Loss from discontinued operations, net of tax	(9.0)	(.7)
Net income	\$ 57.8	\$ 43.9

Per share amounts:

Net income (loss) per common share:		
Continuing operations	\$.67	\$.42
Discontinued operations	(.09)	–
Net income per common share	\$.58	\$.42

Net income (loss) per common share, assuming dilution:		
Continuing operations	\$.66	\$.42
Discontinued operations	(.09)	(.01)
Net income per common share, assuming dilution	\$.57	\$.41
Dividends per common share	\$.27	\$.27

Average shares outstanding:		
Common shares	100.1	105.7
Common shares, assuming dilution	101.5	106.2

See Notes to Unaudited Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Net income	\$ 57.8	\$ 43.9
Other comprehensive (loss) income, before tax:		
Foreign currency translation adjustment	(18.0)	41.7
Net actuarial loss, prior service cost and net transition asset	6.1	3.8
Effective portion of gains/losses on cash flow hedges	.9	1.8
Other comprehensive (loss) income, before tax	(11.0)	47.3
Income tax expense related to components of other comprehensive (loss) income	2.3	2.0
Other comprehensive (loss) income, net of tax	(13.3)	45.3
Total comprehensive income, net of tax	\$ 44.5	\$ 89.2

See Notes to Unaudited Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Operating Activities		
Net income	\$ 57.8	\$ 43.9
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	35.0	40.5
Amortization	16.5	18.9
Provision for doubtful accounts and sales returns	5.5	6.1
Asset impairment and net loss on sale/disposal of assets	.4	5.1
Stock-based compensation	9.2	11.8
Other non-cash expense and loss	14.7	11.0
Changes in assets and liabilities and other adjustments	(204.8)	(126.6)
Net cash (used in) provided by operating activities	(65.7)	10.7
Investing Activities		
Purchases of property, plant and equipment, net	(21.1)	(24.0)
Purchases of software and other deferred charges	(7.8)	(12.0)
Sale of investments, net	.1	2.7
Net cash used in investing activities	(28.8)	(33.3)
Financing Activities		
Net increase in borrowings (maturities of 90 days or less)	135.1	134.1
Payments of debt (maturities longer than 90 days)	(.3)	(.6)
Dividends paid	(27.1)	(28.4)
Share repurchases	(61.8)	(72.2)
Proceeds from exercise of stock options, net	26.4	3.9
Other	(6.2)	(2.2)
Net cash provided by financing activities	66.1	34.6
Effect of foreign currency translation on cash balances	.7	.7

(Decrease) increase in cash and cash equivalents	(27.7)	12.7
Cash and cash equivalents, beginning of year	235.4	178.0
Cash and cash equivalents, end of period	\$ 207.7	\$ 190.7

See Notes to Unaudited Condensed Consolidated Financial Statements

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General

The accompanying unaudited Condensed Consolidated Financial Statements include normal recurring adjustments necessary for a fair statement of our interim results. The unaudited Condensed Consolidated Financial Statements and notes in this Quarterly Report on Form 10-Q are presented as permitted by Article 10 of Regulation S-X and do not contain certain information included in the audited Consolidated Financial Statements and notes thereto in our 2012 Annual Report on Form 10-K, which should be read in conjunction with this Quarterly Report on Form 10-Q.

Fiscal Period

The first quarters of 2013 and 2012 consisted of thirteen-week periods ending March 30, 2013 and March 31, 2012, respectively. The interim results of operations are not necessarily indicative of future results.

Financial Presentation

As discussed further in Note 2, “Discontinued Operations and Assets Held for Sale,” we have classified the operating results of our Office and Consumer Products (“OCP”) and Designed and Engineered Solutions (“DES”) businesses, together with certain costs associated with their planned divestiture, as discontinued operations in the unaudited Consolidated Statements of Income for all periods presented. The results and financial condition of discontinued operations have been excluded from the notes to our unaudited Condensed Consolidated Financial Statements, unless otherwise indicated, except for certain prior-year balances related to the DES business.

Certain prior period amounts have been reclassified to conform to current period presentation.

Note 2. Discontinued Operations and Assets Held for Sale

Discontinued Operations

On January 29, 2013, we entered into an agreement to sell our OCP and DES businesses to CCL Industries Inc. (“CCL”) for a total purchase price of \$500 million in cash, subject to adjustment in accordance with the terms of the agreement. We have received all regulatory clearances for the sale of these businesses, which we expect to complete, subject to the satisfaction of customary closing conditions, in mid-2013. The operating results of the DES business, which were previously reported in other specialty converting businesses, have been classified as discontinued operations in the unaudited Consolidated Statements of Income for all periods presented.

As part of the agreement with CCL, we agreed to enter into a supply agreement with CCL at closing, pursuant to which CCL would purchase certain pressure-sensitive label stock, adhesives and other base material products for up to six years after closing. Additionally, we agreed to enter into a transition services agreement at closing, under which certain transitional services would be provided primarily by us to CCL for up to 15 months after closing. The purpose of these services would be to provide short-term assistance to CCL in assuming the operations of the OCP and DES businesses. While both agreements would continue generating revenues and cash flows from OCP and DES, our continuing involvement in the OCP and DES operations is not expected to be significant to us as a whole.

The operating results of these discontinued operations were as follows:

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Net sales	\$ 161.9	\$ 200.7
Loss before taxes, including divestiture-related and restructuring costs	\$ (10.6)	\$ (.2)
(Benefit from) provision for income taxes	(1.6)	.5
Loss from discontinued operations, net of tax	\$ (9.0)	\$ (.7)

Lower net sales in the first quarter of 2013 reflected lower volume in the OCP business, primarily driven by the acceleration of customer inventory reductions during the first quarter of 2013. The higher loss from discontinued operations, net of tax, in the first quarter of 2013 reflected lower volume and higher divestiture-related costs, partially offset by the cessation of depreciation and amortization following the classification of the assets of the OCP and DES businesses as “held for sale.”

The loss from discontinued operations, net of tax, for the three months ended March 30, 2013 and March 31, 2012 also reflected the elimination of certain corporate cost allocations.

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Net sales from our continuing operations to our discontinued operations were \$19.6 million and \$25.7 million for the three months ended March 30, 2013 and March 31, 2012, respectively. These sales have been included in "Net sales" in the unaudited Consolidated Statements of Income.

The assets and liabilities of the OCP business were classified as "held for sale" at December 29, 2012, as we continued to pursue the sale of this business through the end of 2012. The assets and liabilities of both the OCP and DES businesses were classified as "held for sale" at March 30, 2013 in connection with our agreement to sell these businesses to CCL, as discussed above. The carrying values of the major classes of assets and liabilities of the OCP and DES businesses that were classified as "held for sale" were as follows:

(In millions)	March 30, 2013	December 29, 2012
Assets		
Trade accounts receivable, net	\$ 110.0	\$ 119.0
Inventories, net	84.9	57.2
Other current assets	10.2	7.7
Total current assets	205.1	183.9
Property, plant and equipment, net	124.5	79.5
Goodwill	169.1	167.9
Other intangibles resulting from business acquisitions, net	32.1	32.5
Other assets	13.8	8.4
	\$ 544.6	\$ 472.2
Liabilities		
Accounts payable	\$ 45.6	\$ 31.2
Other current liabilities	77.4	113.1
Total current liabilities	123.0	144.3
Non-current liabilities	16.9	16.2
	\$ 139.9	\$ 160.5

Other Assets Held for Sale

In March 2013, we entered into an agreement to sell the property and equipment of our corporate headquarters in Pasadena, California, for approximately \$20 million and have classified these assets as "held for sale" in the unaudited Condensed Consolidated Balance Sheets at March 30, 2013. The total carrying value of these assets as of March 30, 2013 was \$6.9 million. In conjunction with the sale, we entered into a short-term leaseback arrangement with the buyer. The initial term of the lease is nine months with two optional three-month extensions. Subsequent to the end of the first quarter of 2013 in April 2013, we completed the sale of our corporate headquarters, with an estimated pre-tax gain of \$10 million.

Note 3. Inventories

Net inventories consisted of:

(In millions)	March 30, 2013	December 29, 2012
Raw materials	\$ 206.8	\$ 184.5
Work-in-progress	150.6	139.2
Finished goods	158.9	149.6
Inventories, net	\$ 516.3	\$ 473.3

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Note 4. Goodwill and Other Intangibles Resulting from Business Acquisitions

Goodwill

Changes in the net carrying amount of goodwill for the first three months of 2013, by reportable segment and other businesses, were as follows:

(In millions)	Pressure-sensitive Materials	Retail Branding and Information Solutions	Other specialty converting businesses	Total
Goodwill as of December 29, 2012	\$ 338.3	\$ 422.6	\$ 3.5	\$ 764.4
Acquisition adjustments	-	(.2)	-	(.2)
Translation adjustments	(2.7)	(1.1)	-	(3.8)
Transfer to discontinued operations ⁽¹⁾	-	-	(3.5)	(3.5)
Goodwill as of March 30, 2013	\$ 335.6	\$ 421.3	\$ -	\$ 756.9

⁽¹⁾ In connection with its planned divestiture, the goodwill balance associated with our DES business was classified in the unaudited Condensed Consolidated Balance Sheets as "Assets held for sale" at March 30, 2013. See Note 2, "Discontinued Operations and Assets Held for Sale," for more information.

The carrying amount of goodwill at March 30, 2013 and December 29, 2012 included accumulated impairment losses of \$820 million, which were reported in the Retail Branding and Information Solutions segment.

Indefinite-Lived Intangible Assets

The carrying value of indefinite-lived intangible assets resulting from business acquisitions, consisting of trademarks, was \$11 million and \$11.1 million at March 30, 2013 and December 29, 2012, respectively.

Finite-Lived Intangible Assets

The following table sets forth our finite-lived intangible assets resulting from business acquisitions at March 30, 2013 and December 29, 2012, which continue to be amortized:

	March 30, 2013			December 29, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(In millions)						
Customer relationships	\$ 233.4	\$ 147.5	\$ 85.9	\$ 234.7	\$ 142.3	\$ 92.4
Patents and other acquired technology	49.0	35.1	13.9	49.0	34.0	15.0
Trade names and trademarks	25.4	21.6	3.8	25.7	21.9	3.8
Other intangibles	12.3	9.9	2.4	12.4	9.7	2.7
Total	\$ 320.1	\$ 214.1	\$ 106.0	\$ 321.8	\$ 207.9	\$ 113.9

Amortization expense from continuing operations for finite-lived intangible assets resulting from business acquisitions was \$7.5 million for each of the three months ended March 30, 2013 and March 31, 2012.

The estimated amortization expense from continuing operations for finite-lived intangible assets resulting from business acquisitions for the remainder of the current fiscal year and each of the next four fiscal years is expected to be as follows:

	Estimated Amortization Expense
(In millions)	
Remainder of 2013	\$ 20.9
2014	24.6
2015	21.1
2016	19.5
2017	10.5

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Note 5. Debt

On January 15, 2013, we repaid \$250 million of senior notes due in 2013 using commercial paper borrowings.

The estimated fair value of our long-term debt is primarily based on the credit spread above U.S. Treasury securities on notes with similar rates, credit ratings, and remaining maturities. The fair value of short-term borrowings, which include commercial paper and short-term lines of credit, approximates carrying value given the short duration of these obligations. The fair value of our total debt was \$1.44 billion at March 30, 2013 and \$1.31 billion at December 29, 2012. Fair value amounts were determined primarily based on Level 2 inputs, which are defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Our various loan agreements require that we maintain specified financial covenant ratios of total debt and interest expense in relation to certain measures of income. As of March 30, 2013, we were in compliance with all our financial covenants.

Subsequent to the end of the first quarter of 2013 in April 2013, we issued \$250 million of senior notes, due April 2023. The notes bear an interest rate of 3.35% per year, payable semiannually in arrears. The net proceeds from the offering, after deducting underwriting discounts and estimated offering expenses, were approximately \$247.5 million and were used to repay a portion of the indebtedness outstanding under our commercial paper program.

Note 6. Pension and Other Postretirement Benefits

Defined Benefit Plans

We sponsor a number of defined benefit plans, some of which are frozen, covering eligible employees in the U.S. and certain other countries. Benefits payable to an employee are based primarily on years of service and the employee's compensation during the course of his or her employment with us. While we have not expressed any intent to terminate these plans, we may do so at any time, subject to applicable laws and regulations.

We are also obligated to pay unfunded termination indemnity benefits to certain employees outside of the U.S., which are subject to applicable agreements, local laws and regulations. We have not incurred significant costs related to termination indemnity arrangements, and therefore, no related costs are included in the disclosures below.

The following table sets forth the components of net periodic benefit cost, recorded in income from continuing operations, for our defined benefit plans:

	Pension Benefits				U.S. Postretirement Health Benefits	
	Three Months Ended				Three Months Ended	
	March 30, 2013		March 31, 2012		March 30, 2013	March 31, 2012
(In millions)	U.S.	Int'l	U.S.	Int'l		
Service cost	\$.1	\$ 3.1	\$.1	\$ 2.3	\$ —	\$ —
Interest cost	9.5	5.8	9.7	6.1	.1	.1
Expected return on plan assets	(11.7)	(5.6)	(11.5)	(5.5)	—	—
Recognized net actuarial loss	4.9	1.5	3.4	.8	.7	.6

Amortization of prior service cost (credit)	.1	.1	.1	.1	(1.2)	(1.2)
Amortization of transition asset	–	–	–	(.1)	–	–
Net periodic benefit cost (credit)	\$ 2.9	\$ 4.9	\$ 1.8	\$ 3.7	\$ (.4)	\$ (.5)

We make contributions to our defined benefit plans sufficient to meet the minimum funding requirements of applicable laws and regulations, plus additional amounts, if any, we determine to be appropriate. We contributed \$11.6 million and \$9.1 million to our U.S. pension plans during the three months ended March 30, 2013 and March 31, 2012, respectively. We contributed \$.8 million and \$.7 million to our U.S. postretirement health benefit plan during the three months ended March 30, 2013 and March 31, 2012, respectively. We contributed approximately \$8 million to our international pension plans during each of the three months ended March 30, 2013 and March 31, 2012. All of the 2013 and 2012 contributions were made to meet minimum funding requirements.

Defined Contribution Plans

We sponsor various defined contribution plans worldwide, with the largest plan being the Avery Dennison Corporation Savings Plan (“Savings Plan”), a 401(k) plan available to our U.S. employees. We recognized expense from continuing operations of \$6.6 million and \$5.3 million during the three months ended March 30, 2013 and March 31, 2012, respectively, related to our contributions and match of participant contributions to the Savings Plan.

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Note 7. Research and Development

Research and development expense from continuing operations was \$23.5 million and \$24.5 million for the three months ended March 30, 2013 and March 31, 2012, respectively. This expense was included in “Marketing, general and administrative expense,” in the unaudited Consolidated Statements of Income.

Note 8. Long-Term Incentive Compensation

Our annual long-term compensation awards are granted to eligible employees in February and non-employee directors in May. Prior to 2013, annual long-term compensation awards were granted to non-employee directors in April. Certain awards granted to retirement-eligible employees vest in full upon retirement; awards to these employees are accounted for as fully vested on the date of grant.

Equity Awards

In 2013, in lieu of stock options and restricted stock units, we began granting performance-based market-leveraged stock units (“MSUs”), which vest ratably over a four-year period. Although dividend equivalents will accrue on MSUs during the vesting period, they will be earned and paid only at vesting. The number of MSU shares earned is based upon our absolute total shareholder return at each vesting date and can range from 0% to 200% of the target amount of MSUs subject to vesting. Each of the four vesting periods represents one tranche of MSUs and the fair value of each of these four tranches was determined using the Monte-Carlo simulation model, which utilizes multiple input variables, including expected volatility assumptions and other assumptions, to estimate the probability of achieving the performance objective established for the award. The compensation expense related to MSUs is amortized on a graded-vesting basis over their respective performance periods.

Stock-based compensation expense from continuing operations was \$7.9 million and \$10.6 million for the three months ended March 30, 2013 and March 31, 2012, respectively. This expense was included in “Marketing, general and administrative expense” in the unaudited Consolidated Statements of Income.

As of March 30, 2013, we had approximately \$62 million of unrecognized compensation expense from continuing operations related to unvested stock-based awards, which is expected to be recognized over the remaining weighted-average period of approximately three years.

Cash Awards

Cash-based awards consist of long-term incentive units (“LTI Units”) granted to eligible employees. Cash-based awards are classified as liability awards and are remeasured at each quarter-end over the applicable vesting or performance period.

LTI Units are service-based awards that generally vest ratably over a four-year period, and the compensation expense related to these awards is amortized on a straight-line basis. The settlement value and LTI Unit remeasurement are calculated based on the number of vested LTI Units multiplied by the average of the high and low market prices of our common stock on the vesting date and at each quarter-end in the vesting period, respectively.

Cash-based awards also include certain performance and market-leveraged LTI Units granted to eligible employees. Performance LTI Units are payable in cash at the end of a three-year cliff vesting period provided that certain performance objectives are achieved at the end of the performance period. Market-leveraged LTI Units are payable in cash and vest ratably over a period of four years. The number of performance and market-leveraged LTI Units earned at vesting is adjusted upward or downward based upon the probability of achieving the performance objectives established for the respective award and the actual number of units issued can range from 0% to 200% of the target units subject to vesting. The performance and market-leveraged LTI Units are remeasured using the estimated percentage of units expected to be earned multiplied by the average of the high and low market prices of our common stock at each quarter-end over the performance periods. The compensation expense related to performance LTI Units is amortized on a straight-line basis over their respective performance period. The compensation expense related to market-leveraged LTI Units is amortized on a graded-vesting basis over their respective performance periods.

The compensation expense from continuing operations related to cash-based awards was \$2.7 million and \$.1 million for the three months ended March 30, 2013 and March 31, 2012, respectively. This expense was included in “Marketing, general and administrative expense” in the unaudited Consolidated Statements of Income and the related liability was included in “Other current liabilities” in the unaudited Condensed Consolidated Balance Sheets.

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Note 9. Cost Reduction Actions**2012 Program**

During the first three months of 2013, we recorded \$8.1 million in restructuring charges, net of reversals, related to our 2012 Program, which consisted of severance and related costs for the reduction of approximately 290 positions, lease cancellation costs, and asset impairment charges.

In 2012, we recorded \$57.7 million in restructuring charges, net of reversals, related to our 2012 Program, which consisted of severance and related costs for the reduction of approximately 1,060 positions, lease cancellation costs, and asset impairment charges.

Approximately 50 employees impacted by our 2012 Program remained employed with us as of March 30, 2013. We expect to complete this program in 2013.

Accruals for severance and related costs and lease cancellation costs were included in "Other current liabilities" in the unaudited Condensed Consolidated Balance Sheets. For assets that were not disposed of, impairments were based on the estimated market value of the assets.

During the first three months of 2013, restructuring charges and payments, including those for discontinued operations, were as follows:

(In millions)	Accrual at December 29, 2012	Charges (Reversals), net	Cash Payments	Non-cash Impairment	Foreign Currency Translation	Accrual at March 30, 2013
2012 Program						
Severance and related costs	\$ 20.7	\$ 6.8	\$ (15.5)	\$ –	\$ –	\$ 12.0
Lease cancellation costs	.1	–	(.1)	–	–	–
Asset impairment charges	–	1.3	–	(1.3)	–	–
2011 Actions						
Severance and related costs	.1	–	(.1)	–	–	–
	\$ 20.9	\$ 8.1	\$ (15.7)	\$ (1.3)	\$ –	\$ 12.0

The table below shows the total amount of costs incurred by reportable segment and other businesses in connection with the 2012 Program for the periods shown below. Restructuring costs in continuing operations are included in "Other expense, net" in the unaudited Consolidated Statements of Income.

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Restructuring costs by reportable segment and other businesses		
Pressure-sensitive Materials	\$ 3.6	\$ 2.2
Retail Branding and Information Solutions	4.3	5.0
Other specialty converting businesses	–	–
Corporate	.2	–
Continuing operations	8.1	7.2
Discontinued operations	–	.1
	\$ 8.1	\$ 7.3

Note 10. Financial Instruments

We enter into foreign exchange hedge contracts to reduce our risk from exchange rate fluctuations associated with receivables, payables, loans and firm commitments denominated in certain foreign currencies that arise primarily as a result of our operations outside the U.S. We enter into interest rate contracts to help manage our exposure to certain interest rate fluctuations. We also enter into natural gas futures contracts to hedge certain price fluctuations for a portion of our anticipated domestic purchases. The maximum length of time for which we hedge our exposure to the variability in future cash flows for forecasted transactions is 48 months.

As of March 30, 2013, the aggregate U.S. dollar equivalent notional value of our outstanding commodity contracts and foreign exchange contracts was \$4.6 million and \$1.6 billion, respectively.

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We recognize all derivative instruments as either assets or liabilities at fair value in the unaudited Condensed Consolidated Balance Sheets. We designate commodity forward contracts on forecasted purchases of commodities and foreign exchange contracts on forecasted transactions as cash flow hedges and foreign exchange contracts on existing balance sheet items as fair value hedges.

The following table provides the balances and locations of derivatives as of March 30, 2013:

(In millions)	Asset		Liability	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Other current assets	\$ 5.3	Other current liabilities	\$ 13.9
Commodity contracts	Other current assets	–	Other current liabilities	.1
		\$ 5.3		\$ 14.0

The following table provides the balances and locations of derivatives as of December 29, 2012:

(In millions)	Asset		Liability	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Other current assets	\$ 10.0	Other current liabilities	\$ 2.8
Commodity contracts	Other current assets	–	Other current liabilities	.9
Commodity contracts			Long-term retirement benefits and other liabilities	.1
		\$ 10.0		\$ 3.8

Fair Value Hedges

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative and the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings, resulting in no net material impact to income.

The following table provides the components of gain (loss) recognized in income related to fair value hedge contracts. The corresponding gains or losses on the underlying hedged items approximated the net gain (loss) on these fair value hedge contracts.

(In millions)	Location of Gain (Loss) in Income	Three Months Ended	
		March 30, 2013	March 31, 2012
Foreign exchange contracts	Cost of products sold	\$ (1.1)	\$ (.5)
Foreign exchange contracts	Marketing, general and administrative expense	(6.9)	8.3
		\$ (8.0)	\$ 7.8

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of “Accumulated other comprehensive loss” and reclassified into earnings in the same period(s) during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Gains (losses) recognized in “Accumulated other comprehensive loss” (effective portion) on derivatives related to cash flow hedge contracts were as follows:

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Foreign exchange contracts	\$.3	\$ (2.1)
Commodity contracts	.3	(1.0)
	\$.6	\$ (3.1)

See Note 13, “Comprehensive Income,” for amounts reclassified from “Accumulated other comprehensive loss” on derivatives related to cash flow hedge contracts.

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The amount of gain or loss recognized in income related to the ineffective portion of, and the amounts excluded from, effectiveness testing for cash flow hedges and derivatives not designated as hedging instruments was not significant for the three months ended March 30, 2013 and March 31, 2012, respectively.

As of March 30, 2013, a net loss of approximately \$4 million is expected to be reclassified from “Accumulated other comprehensive loss” to earnings within the next 12 months. See Note 13, “Comprehensive Income,” for more information.

Note 11. Taxes Based on Income

The effective tax rate for continuing operations was 17.6% and 28.4% for the three months ended March 30, 2013 and March 31, 2012, respectively. The effective tax rate for the three months ended March 30, 2013 reflects discrete tax benefits of \$10.3 million related to changes in tax law, including a \$4.2 million benefit attributable to the retroactive reinstatement of the federal research and development tax credit and a \$5.1 million benefit for revaluation of deferred tax balances due to a change in the municipal statutory tax rate in Luxembourg. For the three months ended March 31, 2012, the effective tax rate included a discrete tax benefit of \$3.7 million for releases of certain tax reserves due to lapses of applicable statutory periods.

The following table summarizes our income from continuing operations before taxes, provision for income taxes from continuing operations, and effective tax rate:

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Income from continuing operations before taxes	\$ 81.1	\$ 62.3
Provision for income taxes	14.3	17.7
Effective tax rate	17.6%	28.4%

The amount of income taxes we pay is subject to ongoing audits by taxing jurisdictions around the world. Our estimate of the potential outcome of any uncertain tax issue is subject to our assessment of relevant risks, facts, and circumstances existing at the time. We believe that we have adequately provided for reasonably foreseeable outcomes related to these matters. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, which may impact our effective tax rate. With some exceptions, we and our subsidiaries are no longer subject to income tax examinations by tax authorities for years prior to 2006.

It is reasonably possible that during the next 12 months, we may realize a decrease in our gross uncertain tax positions of approximately \$15 million, primarily as a result of cash payments and closing tax years.

Note 12. Net Income Per Share

Net income per common share was computed as follows:

	Three Months Ended	
	March 30, 2013	March 31, 2012
(In millions, except per share amounts)		
(A) Income from continuing operations	\$ 66.8	\$ 44.6
(B) Loss from discontinued operations, net of tax	(9.0)	(.7)
(C) Net income available to common shareholders	\$ 57.8	\$ 43.9
(D) Weighted-average number of common shares outstanding	100.1	105.7
Dilutive shares (additional common shares issuable under stock-based awards)	1.4	.5
(E) Weighted-average number of common shares outstanding, assuming dilution	101.5	106.2
Net income (loss) per common share:		
Continuing operations (A) ÷ (D)	\$.67	\$.42
Discontinued operations (B) ÷ (D)	(.09)	-
Net income per common share (C) ÷ (D)	\$.58	\$.42
Net income (loss) per common share, assuming dilution:		
Continuing operations (A) ÷ (E)	\$.66	\$.42
Discontinued operations (B) ÷ (E)	(.09)	(.01)
Net income per common share, assuming dilution (C) ÷ (E)	\$.57	\$.41

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Certain stock-based compensation awards were not included in the computation of net income per common share, assuming dilution, because they would not have had a dilutive effect. Stock-based compensation awards excluded from the computation totaled approximately 7 million shares and 12 million shares for the three months ended March 30, 2013 and March 31, 2012, respectively.

Note 13. Comprehensive Income

The changes in "Accumulated other comprehensive loss" (net of tax) for the three month period ended March 30, 2013 were as follows:

	Net Gain (Loss) on Derivative Instruments Designated as Cash Flow and Firm Commitment Hedges	Net Actuarial Gain (Loss), Prior Service Cost and Net Transition Assets, Less Amortization	Foreign Currency Translation Adjustment	Total
(In millions)				
Balance as of December 29, 2012	\$ (2.0)	\$ (456.5)	\$ 180.5	\$ (278.0)
Other comprehensive income (loss) before reclassifications	.6	-	(18.0)	(17.4)
Amounts reclassified into net income	-	4.1	-	4.1
Net current-period other comprehensive income (loss)	.6	4.1	(18.0)	(13.3)
Balance as of March 30, 2013	\$ (1.4)	\$ (452.4)	\$ 162.5	\$ (291.3)

Details of the effects of amounts reclassified from "Accumulated other comprehensive loss" on net income were as follows:

Details about Accumulated Other Comprehensive Loss Components	Amounts Reclassified from Accumulated Other Comprehensive Loss During The Three Months Ended		Affected Line Item in the Statement Where Net Income is Presented
	March 30, 2013	March 31, 2012	
Gains (losses) on cash flow hedges:			
Foreign exchange contracts	\$.5	\$ (2.1)	Cost of products sold
Commodity contracts	(.5)	(1.0)	Cost of products sold
Interest rate contracts	-	(1.1)	Interest expense
	\$ -	\$ (4.2)	Total before tax
	-	1.6	Benefit from income taxes
	\$ -	\$ (2.6)	Net of tax
Amortization of defined benefit pension items	\$ (6.1)	\$ (3.8)	(a)
	2.0	1.3	Benefit from income taxes
	\$ (4.1)	\$ (2.5)	Net of tax
Total reclassifications for the period	\$ (4.1)	\$ (5.1)	Total, net of tax

^(a) See Note 6, "Pension and Other Postretirement Benefits," for further information.

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The following table sets forth the tax expense allocated to each component of other comprehensive (loss) income:

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Net actuarial gain, prior service cost and net transition asset	\$ 2.0	\$ 1.3
Effective portion of gain on cash flow hedges	.3	.7
Income tax expense related to components of other comprehensive (loss) income	\$ 2.3	\$ 2.0

Note 14. Fair Value Measurements**Recurring Fair Value Measurements**

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of March 30, 2013:

(In millions)	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Available for sale securities	\$ 17.8	\$ 8.4	\$ 9.4	\$ –
Derivative assets	5.3	–	5.3	–
Liabilities				
Derivative liabilities	\$ 14.0	\$.1	\$ 13.9	\$ –

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of December 29, 2012:

(In millions)	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Available for sale securities	\$ 18.6	\$ 9.3	\$ 9.3	\$ –
Derivative assets	10.0	–	10.0	–
Liabilities				
Derivative liabilities	\$ 3.8	\$ 1.0	\$ 2.8	\$ –

Available for sale securities include fixed income securities (primarily U.S. government and corporate debt securities) measured at fair value using quoted prices/bids and a money market fund measured at fair value using net asset value. As of March 30, 2013, available for sale securities of \$.1 million and \$17.7 million were included in “Cash and cash equivalents” and “Other current assets,” respectively, in the unaudited Condensed Consolidated Balance Sheets. As of December 29, 2012, available for sale securities of \$.9 million and \$17.7 million were included in “Cash and cash equivalents” and “Other current assets,” respectively, in the unaudited Condensed Consolidated Balance Sheets. Derivatives that are exchange-traded are measured at fair value using quoted market prices and are classified within Level 1 of the valuation hierarchy. Derivatives measured based on inputs that are readily available in public markets are classified within Level 2 of the valuation hierarchy.

Note 15. Commitments and Contingencies**Legal Proceedings**

We are involved in various lawsuits, claims, inquiries, and other regulatory and compliance matters, most of which are routine to the nature of our business. We have accrued liabilities for matters where it is probable that a loss will be incurred and the amount of loss can be reasonably estimated. Because of the uncertainties associated with claims resolution and litigation, future expense to resolve these matters could be higher than the liabilities we have accrued; however, we are unable to reasonably estimate a range of potential expense. If information becomes available that allows us to reasonably estimate the range of potential expense in an amount higher or lower than what we have accrued, we adjust our accrued liabilities accordingly. Additional lawsuits, claims, inquiries, and other regulatory and compliance matters could arise in the future. The range of expense for resolving any future matters will be assessed as they arise; until then, a range of potential expense for such resolution cannot be determined. Based upon current information, we believe that the impact of the resolution of these other matters would not be, individually or in the aggregate, material to our financial position, results of operations or cash flows.

Environmental

As of March 30, 2013, we have been designated by the U.S. Environmental Protection Agency (“EPA”) and/or other responsible state agencies as a potentially responsible party (“PRP”) at fourteen waste disposal or waste recycling sites, which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination and for which no settlement of our liability has been agreed. We are participating with other PRPs at such sites, and anticipate that our share of remediation costs will be determined pursuant to agreements entered into in the normal course of negotiations with the EPA or other governmental authorities.

We have accrued liabilities for sites where it is probable that a loss will be incurred and the cost or amount of loss can be reasonably estimated. These estimates could change as a result of changes in planned remedial actions, remediation technologies, site conditions, the estimated time to complete remediation, environmental laws and regulations, and other factors. Because of the uncertainties associated with environmental assessment and remediation activities, future expense to remediate these sites could be higher than the liabilities we have accrued; however, we are unable to reasonably estimate a range of potential expense. If information becomes available that allows us to reasonably estimate the range of potential expense in an amount higher or lower than what we have accrued, we adjust our environmental liabilities accordingly. In addition, we may be identified as a PRP at additional sites in the future. The range of expense for remediation of any future-identified sites will be addressed as they arise; until then, a range of expense for such remediation cannot be determined.

The activity for the three months ended March 30, 2013 related to environmental liabilities was as follows:

(In millions)	
Balance at December 29, 2012	\$ 32.5
Charges	1.4
Payments	(1.5)
Balance at March 30, 2013	\$ 32.4

As of March 30, 2013, approximately \$10 million of the balance was classified as short-term.

Guarantees

We participate in receivable financing programs with several financial institutions whereby advances may be requested from these financial institutions. We guarantee the collection of the related receivables. At March 30, 2013, the outstanding amount guaranteed, including those for discontinued operations, was approximately \$25 million.

As of March 30, 2013, Avery Dennison Corporation guaranteed approximately \$381 million in lines of credit with various financial institutions, and up to approximately \$9 million of certain of our subsidiaries’ obligations to their suppliers, including those that are part of discontinued operations.

Unused letters of credit (primarily standby) outstanding with various financial institutions, including those for discontinued operations, were approximately \$83 million at March 30, 2013.

Commitments

On September 9, 2005, we completed a ten-year lease financing for a commercial facility located in Mentor, Ohio, used primarily for the North American headquarters and research center of our Materials Group. The facility consists generally of land, buildings, and equipment. We lease the facility under an operating lease arrangement, which contains a residual value guarantee of \$31.5 million, as well as certain obligations with respect to the refinancing of the lessor’s debt of \$11.5 million (collectively, the “Guarantee”). At the end of the lease term, we have the option to purchase or remarket the facility at an amount equivalent to the value of the Guarantee. If our estimated fair value (or estimated selling price) of the facility falls below the Guarantee, we would be required to pay the lessor a shortfall, which is an amount equivalent to the Guarantee less our estimated fair value. During the second quarter of 2011, we estimated a shortfall with respect to the Guarantee and began to recognize the shortfall on a straight-line basis over the remaining lease term. The carrying amount of the shortfall was approximately \$14 million at March 30, 2013, which was included in “Long-term retirement benefits and other liabilities” in the unaudited Condensed Consolidated Balance Sheets.

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Note 16. Segment Information

We realigned our segment reporting to reflect a new operating structure in the fourth quarter of 2012. The prior period amounts have been reclassified to conform to current period presentation.

Financial information by reportable segment and other businesses from continuing operations is set forth below.

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Net sales to unaffiliated customers		
Pressure-sensitive Materials	\$ 1,098.0	\$ 1,065.0
Retail Branding and Information Solutions	382.7	360.1
Other specialty converting businesses	18.2	17.9
Net sales to unaffiliated customers	\$ 1,498.9	\$ 1,443.0
Intersegment sales		
Pressure-sensitive Materials	\$ 16.5	\$ 15.6
Retail Branding and Information Solutions	.4	.6
Other specialty converting businesses	.6	—

Intersegment sales	\$	17.5	\$	16.2
Income (loss) from continuing operations before taxes				
Pressure-sensitive Materials	\$	104.9	\$	100.1
Retail Branding and Information Solutions		14.6		6.1
Other specialty converting businesses		(2.7)		(3.2)
Corporate expense		(23.5)		(22.4)
Interest expense		(12.2)		(18.3)
Income from continuing operations before taxes	\$	81.1	\$	62.3
Other expense, net by reportable segment and other businesses				
Pressure-sensitive Materials	\$	3.6	\$	2.2
Retail Branding and Information Solutions		3.0		5.0
Other specialty converting businesses		–		–
Corporate		.9		.4
Other expense, net	\$	7.5	\$	7.6
Other expense, net by type				
Restructuring costs:				
Severance and related costs	\$	6.8	\$	5.7
Asset impairment and lease cancellation charges		1.3		1.5
Other items:				
Gain on sale of assets		(1.3)		–
Divestiture-related costs ⁽¹⁾		.7		.4
Other expense, net	\$	7.5	\$	7.6

⁽¹⁾ Represents the portion in continuing operations

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Note 17. Recent Accounting Requirements

In March 2013, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance clarifying the accounting for the release of cumulative translation adjustment into net income when a parent company either (i) sells a part or all of its investment in a foreign entity or (ii) no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2013. We do not anticipate that this adoption will have a significant impact on our financial position, results of operations, cash flows, or disclosures.

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ORGANIZATION OF INFORMATION

“Management’s Discussion and Analysis of Financial Condition and Results of Operations,” or MD&A, provides management’s views of our financial condition and results of operations, and should be read in conjunction with the accompanying unaudited Condensed Consolidated Financial Statements and notes thereto. It includes the following sections:

Non-GAAP Financial Measures	19
Overview and Outlook	20
Analysis of Results of Operations for the First Quarter	22
Results of Operations by Reportable Segment for the First Quarter	23
Financial Condition	25
Recent Accounting Requirements	28

NON-GAAP FINANCIAL MEASURES

Our unaudited Condensed Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America, or GAAP. Our discussion of financial results includes several non-GAAP financial measures to provide additional information concerning our operating performance and liquidity 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 our investors and financial analysts, we believe that supplemental non-GAAP financial measures provide information that is useful to the assessment of our performance and operating trends, as well as liquidity. These measures may not be comparable to similarly named non-GAAP measures used by other companies.

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 certain accounting effects, both positive and negative, of certain items, we believe that we are providing meaningful supplemental information to facilitate an understanding of our core operating results and liquidity measures. These non-GAAP financial measures are used internally to evaluate trends in our

underlying business, 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, and timing.

We use the following non-GAAP financial measures in this MD&A:

- *Organic sales change* refers to the increase or decrease in sales excluding the estimated impact of foreign currency translation, product line exits, acquisitions and divestitures, as applicable. 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 remove the effect of foreign currency fluctuations. We believe organic sales change assists investors in evaluating the underlying sales growth from the ongoing activities of our businesses and provides improved comparability of results period to period.
- *Free cash flow* refers to cash flow from operations, less net payments for capital expenditures, software and other deferred charges, plus (minus) net proceeds from sales (purchases) of investments, plus discretionary contributions to our pension plans utilizing proceeds from divestitures. Free cash flow excludes uses of cash that do not directly or immediately support the underlying business (such as discretionary debt reductions, dividends, share repurchases, and certain effects of acquisitions and divestitures).
- *Operational working capital* refers to trade accounts receivable and inventories, net of accounts payable, and excludes cash and cash equivalents, short-term borrowings, deferred taxes, other current assets and other current liabilities, as well as current assets and current liabilities of held-for-sale businesses. We use this non-GAAP financial measure as a tool to assess our working capital (deficit) requirements because it excludes the impact of fluctuations attributable to our financing and other activities (which affect cash and cash equivalents, deferred taxes, other current assets, and other current liabilities) that tend to be disparate in amount, frequency, and timing, and therefore, may increase the volatility of the working capital ratio from period to period. Additionally, the items excluded from this measure are not necessarily indicative of the underlying trends of our operations and are not significantly influenced by our day-to-day activities managed at the operating level.

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OVERVIEW AND OUTLOOK

Overview

Divestitures

On January 29, 2013, we entered into an agreement to sell our OCP and DES businesses to CCL Industries Inc. (“CCL”) for a total purchase price of \$500 million in cash, subject to adjustment in accordance with the terms of the agreement. We have received all regulatory clearances for the sale of these businesses, which we expect to complete, subject to the satisfaction of customary closing conditions, in mid-2013. The operating results of the DES business, which were previously reported in other specialty converting businesses, have been classified as discontinued operations in the unaudited Consolidated Statements of Income for all periods presented. Assets and liabilities of the OCP and DES businesses have been classified as “held for sale” in the unaudited Condensed Consolidated Balance Sheets at March 30, 2013.

Sales

Our sales increased 4% in the first three months of 2013 compared to a decrease of 2% in the same period last year.

	Three Months Ended	
	March 30, 2013	March 31, 2012
Estimated change in sales due to		
Organic sales change	4%	(1)%
Foreign currency translation	–	(2)
Reported sales change ⁽¹⁾	4%	(2)%

⁽¹⁾ Totals may not sum due to rounding.

Income from Continuing Operations

Income from continuing operations increased approximately \$22 million in the first three months of 2013 compared to the same period in 2012. Major factors affecting changes in income from continuing operations in the first three months of 2013 compared to the same period last year included:

Positive factors:

- Benefits from productivity initiatives, including savings from restructuring actions
- Higher volume
- Lower interest expense and income taxes

Negative factors:

- Higher employee-related costs

The net impact of pricing and changes in raw material costs was modest as commodity costs were relatively stable during the period.

Cost Reduction Actions

2012 Program

During the first three months of 2013, we recorded \$8.1 million in restructuring charges, net of reversals, related to our 2012 Program, which consisted of severance and related costs for the reduction of approximately 290 positions, lease cancellation costs, and asset impairment charges.

In 2012, we recorded \$57.7 million in restructuring charges, net of reversals, related to our 2012 Program, which consisted of severance and related costs for the reduction of approximately 1,060 positions, lease cancellation costs, and asset impairment charges.

We expect to complete this program in 2013. We expect to incur an additional \$25 million in restructuring costs, net of gain on sale of assets, related to this program in 2013. We anticipate over \$100 million in annualized savings from this program, of which approximately \$20 million (net of transition costs) was

realized in 2012, with the remainder expected to be realized primarily in 2013.

Refer to Note 9, "Cost Reduction Actions," to the unaudited Condensed Consolidated Financial Statements for further information.

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Free Cash Flow

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Net cash (used in) provided by operating activities	\$ (65.7)	\$ 10.7
Purchases of property, plant and equipment, net	(21.1)	(24.0)
Purchases of software and other deferred charges	(7.8)	(12.0)
Sales of investments, net	.1	2.7
Free cash flow	\$ (94.5)	\$ (22.6)

Free cash flow in the first three months of 2013 decreased compared to the same period last year due to lower incentive compensation paid in 2012 related to the 2011 performance year and the amount and timing of payments for inventory purchases, partially offset by the timing of collection of accounts receivable and higher net income. See "Analysis of Results of Operations" and "Liquidity" below for more information.

2013 Outlook

Certain factors that we believe may contribute to results for 2013 are listed below:

- We expect sales on an organic basis and earnings from continuing operations to increase in 2013 compared to 2012.
- We expect contributions to our pension plans (both domestic and international) of at least \$60 million in 2013.
- We estimate restructuring costs and other items, net of gain on sale of assets, of approximately \$25 million in 2013.
- We anticipate our capital and software expenditures in 2013 to be approximately \$175 million.
- We expect interest expense to be approximately \$60 million in 2013.
- We expect the sale of the OCP and DES businesses to be completed, subject to the satisfaction of customary closing conditions, in mid-2013.

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Avery Dennison Corporation

ANALYSIS OF RESULTS OF OPERATIONS FOR THE FIRST QUARTER

Income from Continuing Operations Before Taxes

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Net sales	\$ 1,498.9	\$ 1,443.0
Cost of products sold	1,097.2	1,065.9
Gross profit	401.7	377.1
Marketing, general and administrative expense	300.9	288.9
Interest expense	12.2	18.3
Other expense, net	7.5	7.6
Income from continuing operations before taxes	\$ 81.1	\$ 62.3

As a Percent of Net Sales:

Gross profit	26.8%	26.1%
Marketing, general and administrative expense	20.1	20.0
Income from continuing operations before taxes	5.4	4.3

Net Sales

Sales increased approximately 4% in the first quarter of 2013 compared to the same period last year, on both a reported and organic basis, driven primarily by higher volume in both reportable segments.

Refer to "Results of Operations by Reportable Segment for the First Quarter" for further information.

Gross Profit Margin

Gross profit margin for the first quarter of 2013 improved compared to the same period last year, primarily reflecting benefits from productivity initiatives and restructuring, and higher volume, partially offset by changes in product mix and higher employee-related costs. The net impact of pricing and changes in raw material costs was modest as commodity costs were relatively stable during the period.

Marketing, General and Administrative Expense

The increase in marketing, general and administrative expense in the first quarter of 2013 compared to the same period last year was primarily due to higher employee-related costs, partially offset by savings from restructuring.

Other Expense, net

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Other expense, net by type		
Restructuring costs:		
Severance and related costs	\$ 6.8	\$ 5.7
Asset impairment and lease cancellation charges	1.3	1.5
Other items:		
Gain on sale of assets	(1.3)	–
Divestiture-related costs ⁽¹⁾	.7	.4
Other expense, net	\$ 7.5	\$ 7.6

⁽¹⁾ Represents the portion in continuing operations

Refer to Note 9, “Cost Reduction Actions,” to the unaudited Condensed Consolidated Financial Statements for more information regarding costs associated with restructuring.

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Avery Dennison Corporation

Net Income and Earnings per Share

(In millions, except per share amounts)	Three Months Ended	
	March 30, 2013	March 31, 2012
Income from continuing operations before taxes	\$ 81.1	\$ 62.3
Provision for income taxes	14.3	17.7
Income from continuing operations	\$ 66.8	\$ 44.6
Loss from discontinued operations, net of tax	(9.0)	(.7)
Net income	\$ 57.8	\$ 43.9
Net income per common share	\$.58	\$.42
Net income per common share, assuming dilution	\$.57	\$.41
Net income as a percent of sales	3.9%	3.0%
Percent change (as compared to the same period in prior year) in:		
Net income	31.7%	N/A ⁽¹⁾
Net income per common share	38.1%	N/A ⁽¹⁾
Net income per common share, assuming dilution	39.0%	N/A ⁽¹⁾

⁽¹⁾ Not available as quarterly 2011 results were not restated to reflect the classification of the DES business as discontinued operations.

Provision for Income Taxes

The effective tax rate for continuing operations was 17.6% for the first quarter ended March 30, 2013 compared to 28.4% for the same period in 2012. The effective tax rate for the first quarter of 2013 reflects discrete tax benefits of \$10.3 million related to changes in tax law, including a \$4.2 million benefit attributable to the retroactive reinstatement of the federal research and development tax credit and a \$5.1 million benefit for revaluation of deferred tax balances due to a change in the municipal statutory tax rate in Luxembourg. The effective tax rate for the first quarter of 2012 included a discrete tax benefit of \$3.7 million for releases of certain tax reserves due to lapses of applicable statutory periods. Refer to Note 11, “Taxes Based on Income,” to the unaudited Condensed Consolidated Financial Statements for further information.

Our effective tax rate can potentially have wide variances from quarter to quarter, resulting from interim reporting requirements, the recognition of discrete events and the timing of repatriation of earnings.

Loss from Discontinued Operations, Net of Tax

Discontinued operations had sales of approximately \$162 million for the three months ended March 30, 2013 and approximately \$201 million for the three months ended March 31, 2012. Lower net sales in the first quarter of 2013 reflected lower volume in the OCP business, primarily driven by the acceleration of customer inventory reductions during the first quarter of 2013. The higher loss from discontinued operations, net of tax, in the first quarter of 2013 reflected lower volume and higher divestiture-related costs, partially offset by the cessation of depreciation and amortization following the classification of the assets of the OCP and DES businesses as “held for sale.”

The loss from discontinued operations, net of tax, for the three months ended March 30, 2013 and March 31, 2012 also reflected the elimination of certain corporate cost allocations.

RESULTS OF OPERATIONS BY REPORTABLE SEGMENT FOR THE FIRST QUARTER

Operating income refers to income from continuing operations before interest and taxes.

Pressure-sensitive Materials Segment

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Net sales including intersegment sales	\$ 1,114.5	\$ 1,080.6
Less intersegment sales	(16.5)	(15.6)
Net sales	\$ 1,098.0	\$ 1,065.0
Operating income ⁽¹⁾	104.9	100.1
⁽¹⁾ Included costs associated with restructuring in both years	\$ 3.6	\$ 2.2

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Avery Dennison Corporation

Net Sales

Sales in our Pressure-sensitive Materials segment grew 3% in the first quarter of 2013 compared to the same period last year, on both a reported and organic basis. The increase in sales was due to higher volume.

In our Label and Packaging Materials business, sales on an organic basis increased at a low-single digit rate in the first quarter of 2013. Combined sales on an organic basis for our Graphics, Reflective, and Performance Tapes businesses increased slightly in the first quarter of 2013.

Operating Income

Higher operating income in the first quarter of 2013 primarily reflected the benefits from productivity initiatives and restructuring savings, partially offset by the impact of higher employee-related costs. The net impact of pricing and changes in raw material costs was modest as commodity costs were relatively stable during the period.

Retail Branding and Information Solutions Segment

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Net sales including intersegment sales	\$ 383.1	\$ 360.7
Less intersegment sales	(.4)	(.6)
Net sales	\$ 382.7	\$ 360.1
Operating income ⁽¹⁾	14.6	6.1
⁽¹⁾ Included costs associated with restructuring in both years, and a gain on sale of assets in 2013	\$ 3.0	\$ 5.0

Net Sales

Sales in our Retail Branding and Information Solutions segment increased 6% in the first quarter of 2013 compared to the same period last year, on both a reported and organic basis. Sales grew primarily due to higher volume from increased demand from U.S. and European retailers and brands, including strong growth in our radio-frequency identification ("RFID") business.

Operating Income

Higher operating income in the first quarter of 2013 primarily reflected the benefits from productivity initiatives and restructuring, and higher volume, partially offset by higher employee-related costs.

Other specialty converting businesses

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Net sales including intersegment sales	\$ 18.8	\$ 17.9
Less intersegment sales	(.6)	—
Net sales	\$ 18.2	\$ 17.9
Operating loss	(2.7)	(3.2)

Net Sales

Sales in our other specialty converting businesses increased 2% in the first quarter of 2013 compared to the same period last year, reflecting higher sales on an organic basis, partially offset by the impact of a prior-year product line divestiture. On an organic basis, sales grew 13% due to higher volume in our medical business.

Operating Loss

Lower operating loss in the first quarter of 2013 primarily reflected higher volume in our medical business, partially offset by higher employee-related costs.

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FINANCIAL CONDITION

Liquidity

Cash Flow from Operating Activities

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Net income	\$ 57.8	\$ 43.9
Depreciation and amortization	51.5	59.4
Provision for doubtful accounts and sales returns	5.5	6.1
Asset impairment and net loss on sale/disposal of assets	.4	5.1
Stock-based compensation	9.2	11.8
Other non-cash items, net	14.7	11.0
Changes in assets and liabilities and other adjustments	(204.8)	(126.6)
Net cash (used in) provided by operating activities	\$ (65.7)	\$ 10.7

For cash flow purposes, changes in assets and liabilities and other adjustments exclude the impact of foreign currency translation (discussed below in “Analysis of Selected Balance Sheet Accounts”).

During the first three months of 2013, cash flow provided by operating activities decreased compared to same period last year due to lower incentive compensation paid in 2012 and the amount and timing of payments for inventory purchases, partially offset by the timing of collection of accounts receivable and higher net income.

Cash Flow for Investing Activities

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Purchases of property, plant and equipment, net	\$ (21.1)	\$ (24.0)
Purchases of software and other deferred charges	(7.8)	(12.0)
Sales of investments, net	.1	2.7
Net cash used in investing activities	\$ (28.8)	\$ (33.3)

Capital and Software Spending

During the first three months of 2013 and 2012, we invested in new equipment primarily in the U.S and Asia.

During the first three months of 2013, information technology investments primarily included standardization initiatives. During the first three months of 2012, information technology investments included customer service and standardization initiatives.

Cash Flow from Financing Activities

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Net change in borrowings and payments of debt	\$ 134.8	\$ 133.5
Dividends paid	(27.1)	(28.4)
Share repurchases	(61.8)	(72.2)
Proceeds from exercise of stock options, net	26.4	3.9
Other	(6.2)	(2.2)
Net cash provided by financing activities	\$ 66.1	\$ 34.6

Borrowings and Repayment of Debt

During the first three months of 2013, we increased our commercial paper and foreign short-term borrowings to support operational requirements and fund share repurchase activity given the seasonality of our cash flow during the year. Refer to “Share Repurchases” below for more information. In addition, on January 15, 2013, we repaid \$250 million of senior notes due in 2013 using commercial paper borrowings.

In April 2013, subsequent to the end of the first quarter of 2013, we issued \$250 million of senior notes, due April 2023. The notes bear an interest rate of 3.35% per year, payable semiannually in arrears. The net proceeds from the offering, after deducting underwriting discounts and estimated offering expenses, were approximately \$247.5 million and were used to repay a portion of the indebtedness outstanding under our commercial paper program.

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Dividend Payments

Our dividend per share was \$.27 in both the first three months of 2013 and 2012.

On April 25, 2013, we increased our quarterly dividend (payable in the second quarter of 2013) to \$.29 per share, representing a 7% increase from our previous quarterly dividend of \$.27 per share.

Share Repurchases

During the first three months of 2013, we repurchased approximately 1.5 million shares of our common stock at an aggregate cost of \$61.8 million.

On July 26, 2012, our Board of Directors authorized the repurchase of shares of our common stock in the total aggregate amount of up to \$400 million (exclusive of any fees, commissions or other expenses related to such purchases). As of March 30, 2013, shares of our common stock in the aggregate amount of approximately \$277 million remained authorized for repurchase under this Board authorization.

Analysis of Selected Balance Sheet Accounts

Long-lived Assets

In the first three months of 2013, goodwill decreased approximately \$8 million to \$757 million, which reflected the reclassification of “Goodwill” associated with the DES business to “Assets held for sale” (\$4 million) and the impact of foreign currency translation (\$4 million).

In the first three months of 2013, other intangibles resulting from business acquisitions, net, decreased by \$8 million to \$117 million, which reflected amortization expense (\$7 million) and the impact of foreign currency translation (\$1 million).

Refer to Note 4, “Goodwill and Other Intangibles Resulting from Business Acquisitions,” to the unaudited Condensed Consolidated Financial Statements for more information.

In the first three months of 2013, other assets increased by approximately \$10 million to \$467 million, which primarily reflected an increase in software and other deferred charges, net of amortization expense related to these assets (\$10 million) and an increase in the cash surrender value of corporate-owned life insurance (\$5 million), partially offset by the reclassification of “Other assets” associated with the DES business to “Assets held for sale” (\$5 million).

Shareholders’ Equity Accounts

In the first three months of 2013, our shareholders’ equity decreased by \$7 million to \$1.57 billion, which primarily reflected dividend payments, the unfavorable impact of foreign currency translation, a decrease of our capital in excess of par value, and an increase of our treasury stock, partially offset by net income.

In the first three months of 2013, the balance of our treasury stock increased by approximately \$7 million to \$985 million, which reflected share repurchase activity (\$62 million), partially offset by the use of treasury shares to settle exercises of stock options and vesting of restricted stock units and performance units (\$48 million), and the funding of our contributions to our U.S. defined contribution plan (\$7 million).

Impact of Foreign Currency Translation

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Change in net sales	\$ 3	\$ (24)
Change in income from continuing operations	1	(1)

International operations generated approximately 74% of our net sales during the first three months of 2013. Our future results are subject to changes in political and economic conditions in the regions in which we operate and the impact of fluctuations in foreign currency exchange and interest rates.

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Avery Dennison Corporation

The effect of foreign currency translation on net sales in the first three months of 2013 compared to the same period last year primarily reflected the favorable impact from sales in European Union countries, partially offset by the unfavorable impact from sales in Brazil and India.

Effect of Foreign Currency Transactions

The impact on net income from transactions denominated in foreign currencies may be mitigated because the costs of our products are generally denominated in the same currencies in which they are sold. In addition, to reduce our income and cash flow exposure to transactions in foreign currencies, we may enter into foreign exchange forward, option and swap contracts, where available and appropriate.

Analysis of Selected Financial Ratios

We utilize the financial ratios discussed below to assess our financial condition and operating performance.

Working Capital (Deficit) and Operational Working Capital Ratios

Working capital (deficit) (current assets minus current liabilities and net assets held for sale), as a percent of annualized net sales, decreased to a deficit in the first three months of 2013 compared to the same period last year, primarily due to an increase in accounts payable and short-term and current portion of long-term debt, which we refinanced in April 2013, as well as the reclassification of the net assets of the DES business to “Assets held for sale,” partially offset by an increase in net trade accounts receivable and cash and cash equivalents. The working capital deficit as of March 30, 2013 was due to seasonality and the impact of our share repurchases.

Operational working capital, as a percent of annualized net sales, is reconciled with working capital (deficit) below. Refer to “Non-GAAP Financial Measures” for additional information on operational working capital. Our objective is to minimize our investment in operational working capital, as a percentage of sales, by reducing this ratio to maximize cash flow and return on investment.

(In millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
(A) Working capital (deficit)	\$ (24.0)	\$ 11.3
Reconciling items:		
Cash and cash equivalents	(207.7)	(190.7)

Current deferred and refundable income taxes and other current assets	(249.6)	(220.7)
Short-term borrowings and current portion of long-term debt and capital leases	655.4	613.2
Current deferred and payable income taxes and other current liabilities	517.7	503.1
(B) Operational working capital	\$ 691.8	\$ 716.2
(C) Annualized net sales (quarterly sales, multiplied by four)	\$ 5,995.6	\$ 5,933.2 ⁽¹⁾
Working capital (deficit), as a percent of annualized net sales (A) , (C)	(.4)%	.2%
Operational working capital, as a percent of annualized net sales (B) , (C)	11.5%	12.1%

⁽¹⁾ Annualized net sales for 2012 was not restated to reflect the reclassification of the DES business as discontinued operations.

As a percent of annualized sales, operational working capital for the first three months of 2013 decreased compared to the same period in the prior year. The primary factors contributing to this change, which includes the impact of foreign currency translation, are discussed below.

Accounts Receivable Ratio

The average number of days sales outstanding was 60 days in the first three months of 2013 compared to 59 days in the first three months of 2012, calculated using the trade accounts receivable balance at quarter-end divided by the average daily sales for the quarter. The current year average number of days sales outstanding reflected the effect of discontinued operations associated with the DES business, which increased the average number of days sales outstanding by approximately one day.

Inventory Ratio

Average inventory turnover was 8.5 in the first three months of 2013 compared to 8.4 in the first three months of 2012, calculated using the annualized cost of sales (quarterly cost of sales, multiplied by four) divided by the inventory balance at quarter-end. The increase in the average inventory turnover from the prior year primarily reflected our continued focus on inventory management.

Accounts Payable Ratio

The average number of days payable outstanding was 67 days in the first three months of 2013 compared to 64 days in the first three months of 2012, calculated using the accounts payable balance at quarter-end divided by the average daily cost of products sold for the quarter. The increase in the average number of days payable outstanding from prior year was primarily due to the impact of extensions in payment terms with suppliers and the timing of inventory purchases.

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Capital Resources

Capital resources include cash flows from operations, cash and cash equivalents and debt financing. At March 30, 2013, we had cash and cash equivalents of approximately \$208 million held in accounts at third-party financial institutions.

Our cash balances are held in numerous locations throughout the world. At March 30, 2013, substantially all of our cash and cash equivalents were held by our foreign subsidiaries. Our policy is to indefinitely reinvest the majority of the earnings of our foreign subsidiaries. To meet U.S. cash requirements, we have several cost-effective liquidity options available. These options include borrowing funds at reasonable rates, including borrowings from foreign subsidiaries, and repatriating certain foreign earnings. However, if we were to repatriate foreign earnings, we may be subject to taxes in the U.S.

Our \$675 million revolving credit facility (the “Revolver”), which supports our commercial paper program, matures on December 22, 2016. Based upon our current outlook for our business and market conditions, we believe that the Revolver, in addition to the uncommitted bank lines of credit maintained in the countries in which we operate, would, if necessary, provide the liquidity to fund our operations during the next twelve months. As of March 30, 2013, no balances were outstanding under the Revolver.

We are exposed to financial market risk resulting from changes in interest and foreign currency rates, and to possible liquidity and credit risks of our counterparties.

Capital from Debt

Our total debt increased by approximately \$135 million in the first three months of 2013 to \$1.36 billion compared to \$1.22 billion at year-end 2012, reflecting an increase in commercial paper and foreign short-term borrowings to support operational requirements and fund share repurchase activity given the seasonality of our cash flow during the year.

Credit ratings are a significant factor in our ability to raise short-term and long-term financing. The credit ratings assigned to us also impact the interest rates paid and our access to commercial paper, credit facilities, and other borrowings. A downgrade of our short-term credit ratings below our current levels could impact our ability to access the commercial paper markets. If our access to commercial paper markets were to become limited, the Revolver and our other credit facilities would be available to meet our short-term funding requirements, if necessary. When determining a credit rating, we believe that rating agencies primarily consider our competitive position, business outlook, consistency of cash flows, debt level and liquidity, geographic dispersion and management team. We remain committed to retaining an investment grade rating.

Off-Balance Sheet Arrangements, Contractual Obligations, and Other Matters

Refer to Note 15, “Commitments and Contingencies,” to the unaudited Condensed Consolidated Financial Statements.

RECENT ACCOUNTING REQUIREMENTS

Refer to Note 17, “Recent Accounting Requirements,” to the unaudited Condensed Consolidated Financial Statements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to the information provided in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

ITEM 4. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f)) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (“SEC”), and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure.

In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures.

Our disclosure controls system is based upon a global chain of financial and general business reporting lines that converge in our headquarters in Pasadena, California. As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of such time to provide reasonable assurance that information was recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure.

Changes in Internal Control Over Financial Reporting

We periodically assesses our overall control environment, including the control environment of acquired businesses.

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

Refer to “Legal Proceedings” in Note 15, “Commitments and Contingencies,” to the unaudited Condensed Consolidated Financial Statements in Part 1, Item 1.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

- (a) Not Applicable
- (b) Not Applicable
- (c) Repurchases of Equity Securities by Issuer

Repurchases by us or our “affiliated purchasers” (as defined in Rule 10b-18(a)(3) of the Securities Exchange Act of 1934) of registered equity securities in the three fiscal months of the first quarter of 2013 are listed in the following table.

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans	Approximate dollar value of shares that may yet be purchased under the plans
(Dollars in millions, except per share amounts; shares in thousands)				
December 30, 2012 – January 26, 2013	–	\$ –	–	
January 27, 2013 – February 23, 2013	449.8	\$ 39.48	449.8	
February 24, 2013 – March 30, 2013	1,059.3	\$ 41.55	1,059.3	

Repurchased shares may be reissued under our stock option and incentive plan or used for other corporate purposes.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

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Avery Dennison Corporation

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS

Exhibit 10.1†*	2005 Executive Variable Deferred Retirement Plan, amended and restated, effective as of January 1, 2013
Exhibit 12*	Computation of Ratio of Earnings to Fixed Charges
Exhibit 31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Extension Schema Document
Exhibit 101.CAL	XBRL Extension Calculation Linkbase Document
Exhibit 101.LAB	XBRL Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Extension Presentation Linkbase Document
Exhibit 101.DEF	XBRL Extension Definition Linkbase Document

† Compensatory plan or arrangement required to be filed as an exhibit to this Form 10-Q pursuant to Item 6 of Form 10-Q.

* Filed herewith.

** Furnished herewith.

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Avery Dennison Corporation

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, thereunto duly authorized.

AVERY DENNISON CORPORATION
(Registrant)

/s/ Mitchell R. Butier

Mitchell R. Butier
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

/s/ Lori J. Bondar

Lori J. Bondar
Vice President, Controller, and
Chief Accounting Officer
(Principal Accounting Officer)

AVERY DENNISON CORPORATION
2005 EXECUTIVE VARIABLE DEFERRED RETIREMENT PLAN

Amended and Restated Effective as of January 1, 2013

AVERY DENNISON CORPORATION
2005 EXECUTIVE VARIABLE DEFERRED RETIREMENT PLAN

ARTICLE 1
PURPOSE

The 2005 Executive Variable Deferred Retirement Plan (“Plan”) adopted by Avery Dennison Corporation, a Delaware corporation (the “Company”) on behalf of itself and its participating Subsidiaries, originally effective as of December 1, 2004, is hereby amended and restated effective as of January 1, 2013. The Plan is a deferred compensation plan for Eligible Executives employed by the Company and its Participating Subsidiaries. All vested deferred compensation account balances as of November 30, 2004, grandfathered under the Code Section 409A transition rules, shall be governed by prior deferred compensation plan documents and no subsequent amendment shall apply to such grandfathered amounts. All amounts deferred, contributed or which became vested on or after December 1, 2004 shall be subject to the provisions of this amended and restated Plan. The Plan is intended, and shall be interpreted in all respects, to comply with the provisions of Code Section 409A and those provisions of the Employee Retirement Income Security Act of 1974, as amended, applicable to an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly compensated employees.”

ARTICLE 2
DEFINITIONS AND CERTAIN PROVISIONS

2.1 Account(s). “Account” or “Accounts” means the bookkeeping account(s) established for record keeping purposes for a Participant pursuant to Section 6.1, which shall include one or more Deferral Accounts, a Company Contributions Account, any Special Unit Accounts and/or Stock Unit Account which may be established for the Participant by the Company.

2.2 Administrator. “Administrator” means the administrator appointed by the Committee to handle the day-to-day administration of the Plan pursuant to Article 9.

2.3 Allocation Election. “Allocation Election” means the form or electronic communication by which a Participant elects the Declared Rate(s) to be credited as notional earnings or losses to such Participant’s Account.

2.4 Annual Base Salary. “Annual Base Salary” means an Eligible Employee’s annual salary at the time of deferral, or any other subsequent date as determined by the Administrator in its discretion, before reductions for contributions to or deferrals under any pension, deferred compensation or benefit plans sponsored by the Company. For Eligible Employees who are sales representatives for the Company, Annual Base Salary (solely for the purpose of computing the maximum deferral amount under Section 4.3) shall include any commissions earned by such Eligible Employee.

2.5 Annual Deferral. “Annual Deferral” means the amount of Annual Base Salary and/or Bonus that the Participant elects to defer under the Plan for a Plan Year.

2.6 Beneficiary. “Beneficiary” means the person or persons or entity designated as such by a Participant pursuant to Article 8.

2.7 Benefit. “Benefit” means any benefit provided under the terms of the Plan.

2.8 Bonus. “Bonus” means the bonus to which the Participant is entitled from the Company under any bonus plan or incentive program specified by the Administrator, including any annual bonus plan or long-term incentive plan, before reductions for contributions to or deferrals under any pension, deferred compensation or benefit plans sponsored by the Company.

2.9 Change of Control. “Change of Control” means “a change in the ownership or effective control,” or in “the ownership of a substantial portion of the assets of” the Company (but not a Participating Subsidiary, except as provided under Article 10), within the meaning of Code Section 409A and shall include any of the following events as such concepts are interpreted under Code Section 409A:

(a) the date on which a majority of members of the Company’s Board of Directors is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company’s Board of Directors before the date of the appointment or election; or

(b) the acquisition, by any one person, or by persons acting as a group, or by a corporation owned by a group of persons that has entered into a merger, acquisition, consolidation, purchase, stock acquisition, asset acquisition, or similar business transaction with the Company, of:

(i) ownership of stock of the Company, that, together with any stock previously held by such person or group, constitutes more than fifty percent (50%) of either (i) the total fair market value, or (ii) the total voting power of the stock of the Company;

(ii) ownership of stock of the Company possessing thirty percent (30%) or more of the total voting power of the Company, during the twelve-month period ending on the date of such acquisition; or

(iii) assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition, during the twelve-month period ending on the date of such acquisition; provided, however, that any transfer of assets to a related person as defined under Code Section 409A shall not constitute a Change of Control.

2.10 Code. “Code” means the Internal Revenue Code of 1986, as amended, as interpreted by Treasury regulations and applicable authorities.

2.11 Committee. “Committee” means the deferred compensation plans administrative committee appointed to administer the Plan pursuant to Article 9.

Avery Dennison Corporation 2005 Executive Variable Deferred Retirement Plan

2.12 Company. “Company” means Avery Dennison Corporation, a Delaware corporation, acting on behalf of itself and its Participating Subsidiaries, as the context may require.

2.13 Company Contributions. “Company Contributions” means discretionary Matching Contributions or Special Unit Contributions made by the Employer on behalf of the Participant pursuant to Article 5.

2.14 Company Contributions Account. “Company Contributions Account” means an Account established to hold discretionary Matching Contributions pursuant to Sections 5.1 and 6.1.

2.15 Declared Rate. “Declared Rate” means the notional rates of return (which may be positive or negative) of the individual investment options selected by a Participant for such Participant’s Account, as referred to in Article 6.

2.16 Deferral Account. “Deferral Account” means an Account established to hold Annual Deferrals pursuant to Sections 4.1 and 6.1.

2.17 Disability Benefit. “Disability Benefit” means the Benefit payable to a Participant in accordance with Section 7.4 after the Participant has become Disabled.

2.18 Disability or Disabled. “Disability or Disabled” shall be interpreted in accord with the requirements of Code Section 409A and shall mean, in the case of a Participant, that the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment, which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable

physical or mental impairment, which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Employees.

2.19 Distribution. “Distribution” means any payment to a Participant or Beneficiary according to the terms of this Plan.

2.20 Early Termination Benefit. “Early Termination Benefit” means the lump-sum amount payable to a Participant who ceases to be an Employee pursuant to the provisions of Section 7.3.

2.21 Eligible Employee. “Eligible Employee” means an Employee who is (i) a member of a select group of management, or a highly compensated employee, and (ii) who meets the annually indexed salary requirement and/or such other eligibility requirements as may be established by the Committee.

2.22 Employee. “Employee” means any person employed by the Company or a Participating Subsidiary.

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2.23 Employer. “Employer” means the Company or the Participating Subsidiary that is the legal employer of the relevant Participant.

2.24 Enrollment Period. “Enrollment Period” means the period(s) designated for a particular Plan Year by the Administrator for enrollments.

2.25 ERISA. “ERISA” means the Employee Retirement Income Security Act of 1974, as amended, as interpreted by applicable authorities.

2.26 Matching Contributions. “Matching Contributions” means contributions made by the Employer on behalf of a Participant pursuant to Section 5.1.

2.27 Participant. “Participant” means an Eligible Employee who has filed a completed and executed Participation Election Form with the Administrator, and who is participating in the Plan in accordance with the provisions of Articles 3 and 4.

2.28 Participating Subsidiary. “Participating Subsidiary” means a subsidiary corporation the majority of the outstanding stock of which is owned, directly or indirectly by the Company.

2.29 Participation Election. “Participation Election” means the commitment to make a deferral under the Plan, submitted by the Participant to the Administrator pursuant to Articles 3 and 4 of the Plan. The Participant Election may take the form of an electronic communication followed by appropriate confirmation according to procedures established by the Administrator.

2.30 Plan. “Plan” means this 2005 Executive Variable Deferred Retirement Plan, a non-qualified elective deferred compensation plan, as the same may be amended from time to time.

2.31 Plan Year. “Plan Year” means the calendar year.

2.32 Settlement Date. “Settlement Date” means the date by which a lump-sum payment shall be made or the date by which installment payments shall commence under the Plan and shall, in all events, be limited to a permissible payment event under Code Section 409A and paid within the discretionary payment period provided for timely payments thereunder. Unless otherwise specified, the Settlement Date shall be as soon as practicable after, but in all events no later than ninety (90) days following, the Valuation Date. In the case of a Participant’s death, the Administrator shall be provided with the documentation reasonably necessary to establish the fact of the Participant’s death. Notwithstanding the foregoing or any other provision of the Plan, in the event that a Participant is a “key employee” (as defined in Code Section 416(i) without regard to paragraph (5) thereof) of a corporation, any stock of which is publicly traded on an established securities market, the Settlement Date with respect to payments triggered by Termination of Employment (other than be reason of death or Disability) or Change in Control shall be paid only after the earlier of (i) the last day of the sixth (6th) complete calendar month following the Participant’s Termination of Employment, or (ii) the Participant’s death, consistent with and to the extent required under the provisions of Code Section 409A. Any payments delayed by reason of the preceding sentence shall be caught up and paid in a

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single lump-sum on the first day such payments are permissible consistent with the application of Code Section 409A.

2.33 Special Unit Contribution. “Special Unit Contribution” means a contribution made by the Employer on behalf of a Participant pursuant to Section 5.2.

2.34 Special Unit Account. “Special Unit Account” means an Account created to hold a Special Unit Contribution pursuant to Sections 5.2 and 6.1.

2.35 Special Unit Award Agreement. “Special Unit Award Agreement” means the agreement between the Participant and the Company specifying the terms of a Special Unit Contribution including the vesting schedule and payout elections applicable to such Special Unit Contribution. The Special Unit Award Agreement may take the form of an electronic communication followed by appropriate confirmation according to procedures established by the Administrator.

2.36 Stock Unit Contribution. “Stock Unit Contribution” means a contribution made by the Company on behalf of a Participant pursuant to Section 5.3.

2.37 Stock Unit Account. “Stock Unit Account” means an Account created to hold all Stock Unit Contributions on behalf of a single Participant pursuant to Sections 5.3 and 6.1.

2.38 Stock Unit Award Agreement. “Stock Unit Award Agreement” means a Performance Unit Agreement or such other agreement between a Participant and the Company specifying the terms of a Stock Unit Contribution. The Stock Unit Award Agreement may take the form of an electronic communication followed by appropriate confirmation according to procedures established by the Administrator.

2.39 Survivor Benefit. “Survivor Benefit” means those Plan Benefits that become payable upon the death of a Participant pursuant to Section 7.5.

2.40 Termination of Employment. “Termination of Employment” means the cessation of a Participant’s employment with the Employer for any reason, whether voluntary or involuntary, including by reason of retirement, Disability or death. For purpose of the preceding sentence, Termination of Employment shall be interpreted consistent with the requirements of Code Section 409A for “separation from service”.

2.41 Valuation Date. “Valuation Date” means the date on which the Account is valued for Distribution purposes. This date shall be the last day of the month in which an event occurs that triggers a Benefit payment.

2.42 Years of Participation. “Years of Participation” means the cumulative consecutive years of participation in this Plan or in any other nonqualified deferred compensation plan sponsored by the Company, as determined in the complete and sole discretion of the Administrator.

ARTICLE 3 PARTICIPATION

3.1 Participation. The Administrator shall notify Eligible Employees generally not less than thirty (30) days (or such lesser period as may be practicable under the circumstances) prior to any deadline for filing a Participation Election Form. An Eligible Employee must submit a Participant Election during the Enrollment Period established by the Administrator to become a Participant.

3.2 Participation Election. An Eligible Employee shall become a Participant in the Plan no later than the first day of the Plan Year coincident with or beginning after the date the Employee is designated as an Eligible Employee, provided such Employee has filed a Participant Election with the Administrator. To be effective, the Eligible Employee must submit the Participant Election during an Enrollment Period or any other such time as determined by the Administrator. The Administrator may establish a special Enrollment Period during a Plan Year within thirty (30) days after an Eligible Executive first becomes eligible to participate in the Plan (if the Eligible Employee is not already a participant in any plan that is aggregated with this Plan for purposes of Code Section 409A), to allow deferrals by such newly Eligible Employee of amounts earned during the balance of such Plan Year.

3.3 Continuation of Participation. A Participant who has elected to participate in the Plan by submitting a Participant Election shall continue as a Participant until all Benefits payable to or on behalf of the Participant under the Plan have been distributed. In the event a Participant becomes ineligible to continue participation in the Plan, but has not experienced a Termination of Employment, no further Annual Deferrals or Company Contributions shall be made by or on behalf of the Participant but the Participant’s Accounts shall be held and administered in accordance with the Plan until such time as the Participant’s Accounts have been completely distributed.

**ARTICLE 4
PARTICIPANT DEFERRALS**

4.1 Annual Deferral. On the Participation Election Form, and subject to the restrictions set forth herein, an Eligible Employee shall designate the amount of Annual Base Salary and Bonus to be deferred for the following Plan Year or Bonus performance period, or such other period as the Committee may determine, provided that any deferral election shall be made no later than the last day of the calendar year preceding the calendar year (or, in the case of a new Participant, the thirtieth (30th) day following initial eligibility for the remaining portion of the Plan Year) in which the services are performed for which such Annual Base Salary or Bonus are earned; except and provided further that, to the extent allowed by Code Section 409A, the Committee may allow deferral elections to be made or revised no later than six (6) months before the end of the performance period solely with respect to any “performance-based compensation” as defined in Code Section 409A that is based on services performed over a period of at least twelve (12) months. For this purpose, the Committee shall determine, in its complete and sole discretion, whether any Bonus qualifies as “performance-based compensation” as defined under Code Section 409A.

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4.2 Minimum Deferral. The minimum amount of Annual Deferral that may be deferred shall be two percent (2%) of a Participant’s Annual Base Salary.

4.3 Maximum Deferral. The standard maximum amount of Annual Deferral that may be deferred shall be seventy-five percent (75%) of a Participant’s Annual Base Salary and one hundred percent (100%) of a Participant’s Bonus; provided that, with the approval of the Administrator, Participants may defer up to one hundred percent (100%) of their Annual Base Salary, less applicable withholdings. Notwithstanding the foregoing, the Committee may further limit the maximum or the minimum amount of deferrals by any Participant or group of Participants in its sole discretion.

**ARTICLE 5
DISCRETIONARY COMPANY CONTRIBUTIONS**

5.1 Discretionary Matching Contributions. The Employer, in its sole discretion, may credit to selected Participants’ Accounts a discretionary amount or match of an Annual Deferral in any amount determined by the Company. Matching Contributions shall be made in the complete and sole discretion of the Company and no Participant or Eligible Employee shall have the right to receive any Matching Contribution regardless of whether Matching Contributions are made on behalf of other Participants. Matching Contributions shall vest at the time specified by the Company.

5.2 Special Unit Contributions. The Employer, in its complete and sole discretion, may credit an amount to the Plan on behalf of an existing Participant or a newly Eligible Employee as a special bonus award or a deferred signing bonus (a “Special Unit Contribution”). Such amounts shall be granted pursuant to a Special Unit Award Agreement which shall specify the period over which such Special Unit Contribution shall vest. The Participant may be granted an election with respect to the time and form of payment of a Special Unit Contribution during the thirty (30) day period following the grant of a Special Unit Contribution if such Contribution is subject to a substantial risk of forfeiture for a minimum of twelve (12) months after the end of such election period (i.e., 13 months after the grant date), or as otherwise permitted under Code Section 409A.

5.3 Stock Unit Contributions. A Participant may be credited an amount under the Plan as a hypothetical stock contribution (a “Stock Unit Contribution”), for example, pursuant to a Performance Unit Award under the Company-sponsored Employee Stock Option and Incentive Plan or any successor plan or similar plan, as determined by the Company in its complete and sole discretion, and as evidenced by a Stock Unit Award Agreement. The Stock Unit Award Agreement may specify that such award is to be contributed to this Plan or the Participant may be granted an election with respect to such an award to defer such phantom stock unit award into this Plan within the thirty (30) day period following grant of the award but only if such stock unit award is subject to a substantial risk of forfeiture for a minimum of twelve (12) months after the end of such election period (i.e., 13 months after the grant date), or as otherwise permitted under Code Section 409A.

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**ARTICLE 6
ACCOUNTS AND INVESTMENT OPTIONS**

6.1 Accounts. Solely for record keeping purposes, the Company shall maintain up to five (5) Deferral Accounts under the Plan for each Participant. Annual Deferrals shall be credited by the Employer to the Participant’s Deferral Account at the time such amounts would otherwise have been paid to the Participant. The Company shall also maintain a Company Contributions Account for each Participant which shall be credited with any Matching Contributions made on behalf of such Participant pursuant

to Section 5.1, as directed by the Company. In addition to Deferral Accounts and Company Contribution Accounts, separate Special Unit Accounts shall be maintained for each Special Unit Contribution and a separate Stock Unit Account shall be maintained for each Stock Unit Contributions made to the Plan on behalf of a Participant, if any, as directed by the Company. All of a Participant's Accounts, except the Stock Unit Accounts, shall be credited (and compounded daily) with a notional rate of return (positive or negative) based on the Declared Rate(s) elected by the Participant under Section 6.2. Stock Unit Accounts shall be credited as provided in Section 6.4.

6.2 Participant Election of Declared Rates. The crediting rate on amounts in a Participant's Account shall be based on the Participant's choice among the investment alternatives made available from time to time by the Committee. The Administrator shall establish a procedure by which a Participant may make an Allocation Election among any combination of Declared Rates in one percent (1%) increments up to one hundred percent (100%) and may change the Declared Rate(s) at least once per week with such change(s) effective as of the first day of the next following week. Such investment elections may apply to future deferrals and/or to the existing Account balances, as indicated by the Participant. Notwithstanding the foregoing, the Company shall have no obligation to set aside or invest funds as directed by the Participant and, if the Company elects to invest funds as directed by the Participant, the Participant shall have no more right to such investments than any other unsecured general creditor of the Company.

6.3 Declared Rates. A Participant may select from Declared Rates which may from time to time be established under the Plan and the number of which may be expanded by the Committee; it being the intention that at all times Participants will have at least nine (9) core investment fund choices comparable in focus, type and quality to those listed on Exhibit A. The Declared Rates provide a rate of return (positive or negative) that are based on the actual net performance of the Declared Rate(s) selected by the Participant. The Declared Rates credited to Participant Accounts shall be the actual net performance of the Declared Rates, to which will be added a basis point credit, which credit (when added to the actual net performance of the Declared Rates) will together be approximately equivalent on average to crediting the actual gross performance of the Declared Rates less twenty (20) basis points.

6.4 Stock Unit Accounts. A Participant's Stock Unit Account shall be credited with the number of phantom shares of common stock of the Company specified in the Stock Unit Award Agreement. Amounts credited to a Stock Unit Account shall be distributed in kind, subject to compliance with all legal requirements. The Committee shall administer any Stock Unit Account consistent with the intent of the Plan to reflect a hypothetical investment in common stock of the Company and shall have the complete and sole discretion to establish a

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minimum or maximum share level and/or require the adjustment in number or conversion of notional shares held in a Stock Unit Account to an alternative form of security as appropriate to accomplish the intent of the Plan to treat such notional stock units similarly to actual shares of Company common stock. Prior to distribution, Participants shall have no rights as shareholders with respect to amounts credited to a Stock Unit Account except that Participants shall be entitled to be credited with dividend equivalents on vested awards or otherwise as provided under the terms of the Stock Unit Award Agreement. Such dividend equivalents shall be considered current earnings on the Stock Unit Account and shall be credited in the form of additional share units to the Stock Account based on the value of Company stock as of the date dividends are paid to shareholders of the Company.

6.5 Valuation of Accounts. The value of an Account as of any date shall equal the amounts theretofore credited or debited to such Account, plus the deemed earnings or losses of such Account in accordance with this Article 6 through the day immediately preceding such date.

6.6 Vesting. A Participant shall be one hundred percent (100%) vested at all times in amounts credited to the Participant's Deferral Accounts. Amounts credited to a Participant's Company Contributions Account or Special Unit Account shall vest as specified by the Company or in the Special Award Agreement. Amounts credited to a Participant's Stock Unit Account shall vest as provided under the applicable Stock Unit Award Agreement for such Stock Unit Contribution.

6.7 Statement of Accounts. The Administrator (or an agent thereof) shall provide to each Participant periodic statements or on-line access to information setting forth the Participant's deferrals, Declared Rate(s) (credits or debits), Distributions and Account balance.

6.8 Errors in Benefit Statements, Deferrals, Distributions or Administration. In the event an error is made in a benefit statement, such error shall be corrected on the next benefit statement following the date such error is discovered. In the event of an error in the amount of a Participant's deferral, immediately upon the discovery of such error, if possible, the next deferral of such Participant shall be adjusted upward or downward to correct such prior error subject to compliance with permissible corrections procedures established under Code Section 409A. In the event of an error in a Distribution, the applicable Participant's Account shall, immediately upon the discovery of such error, be adjusted to reflect such under or over payment and, if possible, the next Distribution to such Participant shall be adjusted upward or downward to correct such prior error subject to compliance with permissible corrections procedures established under Code Section 409A. If the remaining balance of a Participant's Account is insufficient to cover an erroneous overpayment to such Participant, the Company may, at its discretion, offset other amounts payable to the Participant from the Company to the extent permitted under all applicable laws, to recoup the amount of such

overpayment(s). It is the intent of the Company that the Plan be interpreted and administered to comply in all respects with Code Section 409A. However, Participants and/or their Beneficiaries shall be responsible for any and all taxes resulting from participation in the Plan, and the Company shall have no liability to the Participant or any Beneficiary in the event any taxes or excise taxes may ultimately be determined to be applicable to any deferral, contribution, vesting event or Distribution under the Plan.

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**ARTICLE 7
BENEFITS**

7.1 Normal Benefit Distribution Election.

(a) Initial Election. At the time of entering the Plan or, if later, on or before December 31, 2008, Participants shall designate the time and form of distributions of amounts credited to their Accounts, from among the distribution alternatives specified herein. A Participant may establish up to five (5) Deferral Accounts with different payout elections. Thereafter, at the time of making an Annual Deferral election under the Plan, the Participant shall designate the time and form of Distribution of deferrals made pursuant to such election by directing such deferrals to one or more existing Accounts or by establishing one or more new Accounts with new payout elections. A Participant shall have no more than five (5) Deferral Accounts in existence at any one time under the Plan. A Participant may elect to make additional deferrals into an existing Account in a subsequent Plan Year but may only make a new distribution election for such Account in accordance with the change in elections provisions specified in Section 7.1(b). If deferrals are directed to an Account which is in payout status, such deferrals shall be paid out over the remaining installment period commencing with the calendar year following the year in which the deferral is credited to the Account. At the time of entering the Plan or, if later, on or before December 31, 2008, Participants shall designate the time and form of distributions of amounts credited to their Company Contributions Accounts. The time and form of payment of a Special Unit Account or a Stock Unit Account shall be specified in the Special Unit Award Agreement or Stock Unit Award Agreement or elected by the Participant at the time of a voluntary deferral of the Award as provided in Article 5.

(b) Modification of Election. A distribution election with respect to an existing Account under the Plan may only be changed under the terms and conditions specified by the Committee in compliance with Code Section 409A. After December 31, 2008, except as expressly provided in this Article 7, no acceleration of a distribution is permitted and a subsequent election that delays payment or changes the form of payment shall be permitted if and only if all of the following requirements are met:

(i) the new election does not take effect until at least twelve (12) months after the date on which the new election is made;

(ii) in the case of payments made on account of Termination of Employment (other than by reason of death or Disability), Change in Control, or a scheduled date, the new election delays payment for at least five (5) years from the date that payment would otherwise have been made, absent the new election; and

(iii) in the case of payments made according to a scheduled date, the new election is made not less than twelve (12) months before the date on which payment would have been made (or, in the case of installment payments, the first installment payment would have been made) absent the new election.

For purposes of application of the above change limitations, distribution elections shall be made on an Account by Account basis and installment payments from a single Account shall

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be treated as a single payment. Changes complying with the requirements of this Section 7.1(b) may be made any number of times with respect to the same Account but in no event may any change delay the distribution of benefits payable from any Account beyond the date the Participant attains (or a deceased Participant would have attained) age eighty-five (85). Election changes made pursuant to this Section 7.1(b) shall be made in accordance with rules established by the Committee, and shall comply with all applicable requirements of Code Section 409A and applicable authorities.

7.2 Benefit Distribution Alternatives. The Participant shall be entitled to select the time and form of payment of Distributions from a particular Account from among the following alternatives set forth below. Benefits shall be paid according to the Participant's distribution elections unless such distribution election is superseded by an alternative distribution event such as death, Disability, Unforeseeable Emergency, early Termination of Employment, or Change in Control, as specified in this Article 7.

(a) Form of Distribution. The available forms of payment from each of the Participant's Accounts shall be as follows:

(i) Lump-Sum. One lump-sum payment.

(ii) Installment Payments.

(A) For all Accounts other than Stock Unit Accounts, monthly installments of principal and interest payable over a period of any number of years up to twenty (20), but in no event ending later than the date on which the Participant shall attain age eighty-five (85). Installment payments shall be calculated on an annual basis but paid during the Plan Year at approximately monthly intervals as may be determined by the Committee, provided that such intervals shall not be less frequent than quarterly, except in the final year of payments when only one installment shall be made in January of such final Plan Year. Installment payments shall be based on the Participant's vested Account balance at the beginning of the payment period and shall be recalculated annually by dividing the Participant's vested Account balance as of the last day of the Plan Year by the number of remaining years in the payment period based on the Participant's retirement payment election. Accounts shall continue to be credited during the payment period based on the Participant's choice among Declared Rates as provided in Article 6.

(B) For Stock Unit Accounts, annual installments payable over a period of any number of years up to twenty (20), but in no event ending later than the date on which the Participant shall attain age eighty-five (85). Installment payments shall be based on the Participant's vested Stock Unit Account balance at the beginning of the payment period and shall be recalculated annually by dividing the Participant's vested Account balance as of the last day of the Plan Year by the number of remaining years in the payment period based on the Participant's retirement payment election. Distributions shall be made in the form of whole shares of Company stock with any fraction of a share remaining in the account for each installment prior to the final installment when any remaining fraction of a share shall be paid in cash. (For example, if 11.5 shares are credited to an account that provides for payment in 3 annual installments, 3 shares will be distributed in the first installment, 4 shares will be distributed in the second installment and the Participant shall receive 4 shares of stock and cash equal to ½ of a share in the final installment.)

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(C) In the event that any amounts credited to a Participant's Account vest after the end of the installment period, such amounts shall be paid in a single lump-sum on the Settlement Date next following the Participant's Termination of Employment. Notwithstanding the foregoing, an installment payout election shall not be available prior to the date that the Participant shall have completed five (5) Years of Participation.

(iii) Small Benefit Exception. Notwithstanding the foregoing, in the event that the total balance payable from all of a Participant's Accounts under this Plan (and any other plans aggregated with this Plan for purposes of Code Section 409A) is less than the applicable dollar amount under Code Section 402(g)(1)(B) for the calendar year of payment, the Committee shall have the discretion to pay all of the Participant's benefits under the Plan (and such other aggregated plans) in the form of a single lump-sum, at any time, subject to compliance with Treasury Regulation Section 1.409A-3(j)(4)(v).

If no election is made regarding the form of benefits from a particular Account, benefits from that Account shall be paid in a single lump-sum.

(b) Commencement of Payment of Benefits. The available commencement dates for payment from a Participant's Accounts shall be as follows:

(i) Upon the Settlement Date next following Termination of Employment;

(ii) In January of any specified Plan Year (without regard to Termination of Employment, except as provided in Section 7.3); or

(iii) Upon the earlier of January of a specified Plan Year or the Settlement Date next following Termination of Employment.

If a Participant does not elect a commencement date for benefits from a particular Account, benefits from such Account shall commence on the Settlement Date next following the Participant's Termination of Employment.

7.3 Early Termination Benefit. In the event of a Participant's Termination of Employment for any reason other than death, Disability, or prior to completion of five (5) Years of Participation, the Participant shall receive an Early Termination Benefit equal to the outstanding vested balance of each of the Participant's Accounts, credited with notional earnings as provided in Article 6, payable in the form of a single lump-sum distribution on the Settlement Date next following such early Termination of Employment. The Participant shall be entitled to no further Benefits under this Plan.

7.4 Disability Benefit. In the event of a Participant's Disability prior to complete distribution of all of the Participant's Accounts, the Participant shall receive a Disability Benefit equal to the outstanding vested balance of each of the Participant's Accounts, credited with notional earnings as provided in Article 6, payable in the form of a single lump-sum Distribution on the last day of the fifteenth (15th) month commencing after the month in which such Disability occurs, unless the Participant makes a timely election under Section 7.1(b), during the first three (3) months following Disability, to delay commencement of a particular Account by a

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minimum of five (5) years and to receive the benefits commencing in January of a later Plan Year in a form permitted under Section 7.2, in compliance with all requirements of Code Section 409A.

7.5 Survivor Benefits. In the event of a Participant's death prior to complete distribution of all of the Participant's Accounts, the Participant's Beneficiary shall receive a Survivor Benefit equal to the outstanding vested balance of each of the Participant's Accounts, credited with notional earnings as provided in Article 6, payable in the form of a single lump-sum Distribution on the last day of the fifteenth (15th) month commencing after the month in which the Participant's death occurs, unless the Beneficiary makes a timely election during the first three (3) months following the Participant's death, which is in compliance with Code Section 409A, to delay commencement of a particular Account by a minimum of five (5) years and to receive the benefits commencing in January of a later Plan Year, in a form permitted under Section 7.2.

7.6 Change of Control or other Benefit. In the event a Change in Control occurs before a Participant's Account has been fully distributed, the Participant shall receive an amount equal to the balance of the Account, credited with notional earnings as provided in Article 6, payable in the form of a single lump-sum distribution on the last day of the fifteenth (15th) month commencing after the month in which such Change in Control occurs, unless the Participant makes a timely election under Section 7.1(b), during the first three (3) months following such Change in Control, to delay commencement of a particular Account by a minimum of five (5) years and to receive the benefits commencing in January of a later Plan Year, in a form permitted under Section 7.2, in compliance with all requirements of Code Section 409A.

7.7 Unforeseeable Emergency. Upon a finding by the Committee that the Participant has suffered a Unforeseeable Emergency, subject to compliance with Code Section 409A, the Administrator may at the request of the Participant, approve cessation of current deferrals or accelerate distribution of benefits under the Plan in the amount reasonably necessary to alleviate such financial hardship. The amount distributed pursuant to this Section 7.7 with respect to an Unforeseeable Emergency shall not exceed the amount necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

**ARTICLE 8
BENEFICIARY DESIGNATION**

Each Participant and Beneficiary shall have the right, at any time, to designate any person or persons as Beneficiary or Beneficiaries to whom payment under this Plan shall be made in the event of death of the Participant or Beneficiary, as the case may be, prior to complete distribution of the Participant's Benefits due under the Plan. Each Beneficiary designation shall become effective only when filed in writing with the Administrator during the Participant's or Beneficiary's lifetime, as the case may be, on a form prescribed by the Administrator.

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The filing of a new Beneficiary designation form by a Participant will cancel and revoke all Beneficiary designations previously filed by such Participant.

If a Participant or Beneficiary, as the case may be, fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant or Beneficiary, as the case may be, or die prior to complete distribution of the Participant's Benefits, then the Administrator shall direct the distribution of such Benefits to the estate of the Participant or Beneficiary, as the case may be.

**ARTICLE 9
ADMINISTRATION OF THE PLAN**

9.1 Committee. A Committee consisting of three (3) or more members shall be appointed by the Company's Chief Executive Officer to administer the Plan, which shall have the exclusive right and full discretion (i) to appoint agents and service providers to act on its behalf, (ii) to interpret the Plan, (iii) to decide any and all matters arising hereunder (including the right to remedy possible ambiguities, inconsistencies, or admissions), (iv) to make, amend and rescind such rules and procedures as it deems necessary for the proper administration of the Plan and (v) to make all other determinations and resolve all questions of fact necessary or advisable for the administration of the Plan, including determinations regarding eligibility for benefits payable under the Plan. All interpretations of the Committee with respect to any matter hereunder shall be final, conclusive and binding on all persons affected thereby, subject to the provisions of this Article 9. All decisions of the Committee shall be by vote of at least a majority of its members. Members of the Committee shall be eligible to participate in the Plan while serving as members of the Committee, but a member of the Committee shall not vote or act upon any matter that relates solely to such member's interest in the Plan as a Participant. The current members of the Committee are the members of the Retirement Planning Committee. The Committee has designated the Vice President, Compensation and Benefits as the Administrator to carry out the day-to-day administration of the Plan. No member of the Committee or any other agent thereof including the Administrator shall be liable for any determination, decision, or action made in good faith with respect to the Plan. The Company shall indemnify and hold harmless the members of the Committee and the Administrator from and against any and all liabilities, costs, and expenses incurred by such persons as a result of any act, or omission, in connection with the performance of such persons' duties, responsibilities, and obligations under the Plan, other than such liabilities, costs, and expenses as may result from the bad faith, willful misconduct, or criminal acts of such persons.

9.2 Claims Procedure. Any Participant, former Participant or Beneficiary may file a written claim with the Administrator setting forth the nature of the Benefit claimed, the amount thereof, and the basis for claiming entitlement to such Benefit. The Administrator shall determine the validity of the claim and communicate a decision to the claimant promptly and, in any event, not later than ninety (90) days after the date of the claim. The claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within such ninety (90) day period. If additional information is necessary to make a determination on a claim, the claimant shall be advised of the need for such additional information within forty-five (45) days after the date of the claim. The claimant shall have up to one hundred and eighty (180) days to supplement the claim

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information, and the claimant shall be advised of the decision on the claim within forty-five (45) days after the earlier of the date the supplemental information is supplied or the end of the one hundred and eighty (180) day period. Every claim for Benefits that is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (i) the specific reason or reasons for the denial, (ii) specific reference to any provisions of the Plan (including any internal rules, guidelines, protocols, criteria, etc.) on which the denial is based, (iii) description of any additional material or information that is necessary to process the claim, and (iv) an explanation of the procedure for further reviewing the denial of the claim and shall include an explanation of the claimant's right to pursue legal action upon an adverse determination on review.

9.3 Review Procedures. Within sixty (60) days after the receipt of a denial on a claim, a claimant or his/her authorized representative may file a written request for review of such denial. Such review shall be undertaken by the Committee and shall be a full and fair review. The claimant shall have the right to review all pertinent documents, information and data. The Committee shall issue a decision not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred and twenty (120) days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of the Plan on which the decision is based and shall include an explanation of the claimant's right to pursue legal action upon an adverse determination on review.

**ARTICLE 10
AMENDMENT OR TERMINATION OF PLAN**

The Committee at the direction of the Chief Executive Officer or the Board of Directors of the Company, may amend the Plan; provided, however, that (i) no such amendment shall be effective to decrease the Benefits accrued by any Participant or Beneficiary of a deceased Participant (including, but not limited to, the rate of earnings credited on Accounts); (ii) no such amendment shall revise the substantive provisions of the Plan related to the calculation of Benefits (including, without limitation, the provisions of Article 6), the minimum number of Declared Rates or the manner or timing of payments to be made under the Plan so as to prejudice the rights of any Participant or Beneficiary, except to the extent required by law, and (iii) no amendment shall change the timing or form of Distributions or otherwise violate the provisions of Code Section 409A so as to result in the imposition of excise taxes. Notwithstanding the foregoing, the Company shall not terminate the Plan but may, in its complete and sole discretion, freeze the Plan and allow no further deferrals into this Plan on a prospective basis. Notwithstanding the foregoing, the Company or any Participating Subsidiary may accelerate distribution upon termination of the Plan or in the event of a Change in Control subject to compliance with all requirements of Code Section 409A.

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**ARTICLE 11
MAINTENANCE OF ACCOUNTS**

The Company shall keep, or cause to be kept, all such books of account, records and other data as may be necessary or advisable for the administration of this Plan, and to reflect properly the affairs thereof, and to determine the nature and amount of the interests of the respective Participants in each Account. Separate Accounts or records for the respective Participants' Accounts shall be maintained for operational and accounting purposes, but no such Account or record shall be considered as creating a lien of any nature whatsoever on or as segregating any of the assets with respect to the Accounts under this Plan from any other funds or property of the Company.

**ARTICLE 12
MISCELLANEOUS**

12.1 Applicable Law. Except to the extent preempted by ERISA and applicable substantive provisions of federal law, this Plan shall be governed and construed in accordance with the laws of the State of California applicable to agreements made and to be performed entirely therein.

12.2 Exempt ERISA Plan. The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of management or highly compensated employees within the meaning of Section 401 of ERISA, and therefore to be exempt from Parts 2, 3, and 4 of Title I of ERISA.

12.3 Captions. The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

12.4 Employment Not Guaranteed. Nothing contained in this Plan nor any action taken hereunder, shall be construed as a contract of employment or as giving any Employee any right to be retained in the employ of the Company.

12.5 Limitation. A Participant and the Participant's Beneficiary shall assume all risks in connection with the performance of any Declared Rate and any decrease in value of the Accounts, and none of the Company, any of its officers, employees, or directors, the Committee or the Administrator shall be liable or responsible therefor.

12.6 Notice. Any notice or filing required or permitted to be given to the Administrator under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Employer, directed to the attention of the Administrator with a copy to the Senior Vice President and General Counsel of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

12.7 Limits on Transfer. Other than by will, the laws of descent and distribution, or legal or judicial process related to dissolution of marriage, no right, title or interest of any kind in the Plan shall be transferable or assignable by a Participant or the Participant's Beneficiary or be

subject to alienation, anticipation, encumbrance, garnishment, attachment, levy, execution or other legal or equitable process, nor subject to the debts, contracts, alimony, liabilities or engagements, or torts of any Participant or Participant's Beneficiary. Any attempt to alienate, sell, transfer, assign, pledge, garnish, attach or take any other action subject to legal or equitable process or encumber or dispose of any interest in the Plan shall be void.

12.8 Satisfaction of Claims. Payments to any Participant or Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full or partial satisfaction of the Participant's and/or Beneficiary's claims against the Company for the compensation or other amounts deferred and relating to the Account and/or Benefits to which the payments relate.

12.9 Tax Withholding. The Participant or Beneficiary shall make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax withholding requirements and Social Security or other employee tax requirements applicable to the crediting and payment of Benefits under the Plan. If no other arrangements are made, the Company shall have the right to deduct from amounts otherwise credited or payable in settlement of an Account any sums that federal, state, local or foreign tax law requires to be withheld with respect to such credit or payment.

12.10 Participant Cooperation. Each Participant shall cooperate with the Employer by furnishing any and all information requested by the Administrator in order to facilitate the payment of Benefits hereunder, taking such physical examinations as the Administrator may deem necessary and taking such other relevant action as may be requested by the Employer. If a Participant refuses to so cooperate, the Employer shall have no further obligation to the Participant under the Plan, other than payment to such Participant of the cumulative deferrals theretofore made pursuant to this Plan. If a Participant commits suicide during the two (2) year period beginning on the first day on which he participates in the Plan or if the Participant makes any material misstatement of information or nondisclosure of medical history, then no Benefits will be payable hereunder to such Participant of the deferrals theretofore made pursuant to this Plan, provided, that in the Committee's sole discretion, Benefits may be payable in an amount reduced to compensate the Employer for any loss, cost, damage or expense suffered or incurred by the Employer as a result in any way of any such action, misstatement or nondisclosure.

12.11 Unfunded Status of Plan; Creation of Rabbi Trust. The Plan is intended to constitute an "unfunded" plan of deferred compensation and Participants shall rely solely on the unsecured promise of the Company for payment hereunder. With respect to any payment not yet made to a Participant under the Plan, nothing contained in the Plan shall give a Participant any rights that are greater than those of a general unsecured creditor of the Company. The Company has established the Avery Dennison Corporation Executive Compensation Trust ("Rabbi Trust"). The assets of the Rabbi Trust shall be subject to the claims of the Company's creditors. To the extent any Benefits provided under the Plan are actually paid to a Participant or Beneficiary from the Rabbi Trust, the Employer shall have no further obligation with respect thereto, but to the extent not so paid, such Benefits shall remain the obligation of, and shall be paid by, the Employer. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in or to any specific property or assets of the Employer, nor shall they be beneficiaries of, or have any rights, claims, or interests in any life insurance policies, annuity contracts, or the proceeds therefrom owned or which may be acquired by the

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Employer ("Policies"). Apart from the Rabbi Trust, such Policies or other assets of the Employer shall not be held under any trust for the benefit of Participants, their Beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of the Employer under this Plan. Any and all of the Employer's assets and Policies shall be, and shall remain, the general, un-pledged, unrestricted assets of the Employer. The Employer's obligations under the Plan shall be merely an unfunded and unsecured promise of The Employer to pay money in the future.

12.12 Waiver of Stay, Extension and Usury Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Company from paying all or any portion of the Benefits due hereunder, wherever such laws may be enacted, now or at any time hereafter in force, or which may affect the administration or performance of this Plan; and (to the extent that it may lawfully do so) the Company hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the realization of any Benefits to which the Participants hereunder are entitled, but will suffer and permit the realization of all such Benefits as though no such law had been enacted. The provisions of this Section 12.12 are not intended, however, to prevent compliance of the Plan with the provisions of Code Section 409A.

12.13 Validity. In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

12.14 Waiver of Breach. The waiver by any party of any breach of any provision of the Plan by any other party shall not operate or be construed as a waiver of any subsequent breach.

12.15 Gender, Singular and Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

EXHIBIT A

EVDRP DECLARED RATES

Pacific Select Fund

Fund Manager

Money Market

Pacific Life

Managed Bond	Pacific Investment Management Company (PIMCO)
Equity Index	Mercury Advisors
International Equity	Brandes Investment Partners, L.P.
Growth LT	Janus Capital Corporation
Small-Cap Index	Mercury Advisors
Large-Cap Value	Salomon Brothers
Diversified Research	Capital Guardian
Emerging Markets	Oppenheimer
Fixed Account	N/A – not a managed fund
Capital Appreciation	Frontier
Mid-Cap Value Fund	Lazard
Core Growth	Turner Investment Partners

AVERY DENNISON CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions)	Three Months Ended	
	March 30, 2013	March 31, 2012
Earnings:		
Income from continuing operations before taxes	\$ 81.1	\$ 62.3
Add: Fixed charges from continuing operations ⁽¹⁾	18.5	25.9
Amortization of capitalized interest	.9	.9
Less: Capitalized interest	(1.0)	(.9)
	\$ 99.5	\$ 88.2
Fixed charges from continuing operations: ⁽¹⁾		
Interest expense	\$ 12.2	\$ 18.3
Capitalized interest	1.0	.9
Interest portion of leases	5.3	6.7
	\$ 18.5	\$ 25.9
Ratio of Earnings to Fixed Charges	5.4	3.4

⁽¹⁾ The ratios of earnings to fixed charges were computed by dividing earnings by fixed charges from continuing operations. For this purpose, "earnings" consist of income from continuing operations before taxes plus fixed charges from continuing operations and amortization of capitalized interest, less capitalized interest. "Fixed charges from continuing operations" consist of interest expense, capitalized interest and the portion of rent expense (estimated to be 35%) on operating leases deemed representative of interest.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

CERTIFICATION

I, Dean A. Scarborough, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avery Dennison Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Dean A. Scarborough

Dean A. Scarborough

Chairman, President and Chief Executive Officer

May 6, 2013

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

CERTIFICATION

I, Mitchell R. Butier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avery Dennison Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Mitchell R. Butier

Mitchell R. Butier
Senior Vice President and
Chief Financial Officer

May 6, 2013

CERTIFICATION OF CHIEF EXECUTIVE OFFICER***PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Avery Dennison Corporation (the "Company") hereby certifies, to the best of his knowledge, that:

- (i) The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 6, 2013

/s/ Dean A. Scarborough

Dean A. Scarborough

Chairman, President and Chief Executive Officer

* The above certification accompanies the Company's Quarterly Report on Form 10-Q and is furnished, not filed, as provided in SEC Release 33-8238, dated June 5, 2003.

CERTIFICATION OF CHIEF FINANCIAL OFFICER***PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Avery Dennison Corporation (the "Company") hereby certifies, to the best of his knowledge, that:

- (i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 6, 2013

/s/ Mitchell R. Butier

Mitchell R. Butier

Senior Vice President and
Chief Financial Officer

* The above certification accompanies the Company's Quarterly Report on Form 10-Q and is furnished, not filed, as provided in SEC Release 33-8238, dated June 5, 2003.
