UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended October 3, 2015.

OR

o **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.)
207 Goode Avenue **Glendale, California** (Address of Principal Executive Offices)	**91203** (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 x 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 x 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Number of shares of $1 par value common stock outstanding as of October 31, 2015: 91,102,268

AVERY DENNISON CORPORATION

FISCAL THIRD QUARTER 2015 QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

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," "foresee," "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 the 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 January 3, 2015 and include, but are not limited to, risks and uncertainties relating to the following: fluctuations in demand affecting sales to customers; worldwide and local economic conditions; fluctuations in currency exchange rates and other risks associated with foreign operations, including in emerging markets; the financial condition and inventory strategies of customers; changes in customer preferences; fluctuations in cost and availability of raw materials; our ability to generate sustained productivity improvement; our ability to achieve and sustain targeted cost reductions; the impact of competitive products and pricing; loss of significant contracts or customers; collection of receivables from customers; selling prices; business mix shift; timely development and market acceptance of new products, including sustainable or sustainably-sourced products; investment in development activities and new production facilities; integration of acquisitions and completion of potential 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, including cyber-attacks or other intrusions to network security; successful installation of new or upgraded information technology systems; data security breaches; volatility of financial markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; our ability to obtain adequate financing arrangements and maintain access to capital; fluctuations in interest and tax rates; changes in tax laws and regulations, and uncertainties associated with interpretations of such laws and regulations; outcome of tax audits; fluctuations in pension, insurance, and employee benefit costs; the impact of legal and regulatory proceedings, including with respect to environmental, health and safety; changes in governmental laws and regulations; protection and infringement of intellectual property; changes in political conditions; the impact of epidemiological events on the economy and our customers and suppliers; acts of war, terrorism, and natural disasters; and other factors.

We believe that the most significant risk factors that could affect our financial performance in the near-term include: (1) the impacts of economic conditions on underlying demand for our products and foreign currency fluctuations; (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. We assume no duty to update these forward-looking statements to reflect new, changed or unanticipated events or circumstances, other than as may be required by law.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
(*Unaudited*)

(Dollars in millions)		October 3, 2015		January 3, 2015
Assets				
Current assets:				
Cash and cash equivalents	$	171.7	$	227.0
Trade accounts receivable, less allowances of $34.3 and $30.5 at October 3, 2015 and January 3, 2015, respectively		999.0		958.1
Inventories, net		512.4		491.8
Current deferred and refundable income taxes		103.6		107.5
Assets held for sale		–		.8
Other current assets		129.3		136.1
Total current assets		1,916.0		1,921.3
Property, plant and equipment		2,606.9		2,654.5
Accumulated depreciation		(1,766.3)		(1,779.2)
Property, plant and equipment, net		840.6		875.3
Goodwill		690.7		721.6
Other intangibles resulting from business acquisitions, net		50.7		67.4
Non-current deferred income taxes		312.4		320.9
Other assets		438.5		463.6
	$	4,248.9	$	4,370.1
Liabilities and Shareholders' Equity				
Current liabilities:				
Short-term borrowings and current portion of long-term debt and capital leases	$	85.1	$	204.3
Accounts payable		840.4		797.8
Current deferred and payable income taxes		44.3		64.9
Other current liabilities		499.7		530.8
Total current liabilities		1,469.5		1,597.8
Long-term debt and capital leases		968.5		945.3
Long-term retirement benefits and other liabilities		622.2		648.3
Non-current deferred and payable income taxes		133.4		127.8
Commitments and contingencies (see Note 15)				
Shareholders' equity:				
Common stock, $1 par value per share, authorized – 400,000,000 shares at October 3, 2015 and January 3, 2015; issued – 124,126,624 shares at October 3, 2015 and January 3, 2015; outstanding – 91,328,446 shares and 90,458,956 shares at October 3, 2015 and January 3, 2015, respectively		124.1		124.1
Capital in excess of par value		825.5		823.9
Retained earnings		2,244.3		2,116.5
Treasury stock at cost, 32,798,178 shares and 33,667,668 shares at October 3, 2015 and January 3, 2015, respectively		(1,483.5)		(1,471.3)
Accumulated other comprehensive loss		(655.1)		(542.3)
Total shareholders' equity		1,055.3		1,050.9
	$	4,248.9	$	4,370.1

See Notes to Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(*Unaudited*)

	Three Months Ended				Nine Months Ended			
(In millions, except per share amounts)		October 3, 2015		September 27, 2014		October 3, 2015		September 27, 2014
Net sales	$	1,468.1	$	1,559.6	$	4,512.1	$	4,725.5
Cost of products sold		1,062.2		1,158.9		3,258.6		3,489.4
Gross profit		405.9		400.7		1,253.5		1,236.1
Marketing, general and administrative expense		268.1		278.4		841.8		873.1
Interest expense		14.7		15.4		45.3		46.4
Other expense, net		7.0		7.8		49.0		53.6
Income from continuing operations before taxes		116.1		99.1		317.4		263.0
Provision for income taxes		34.8		38.2		99.5		85.5
Income from continuing operations		81.3		60.9		217.9		177.5
Income (loss) from discontinued operations, net of tax		.4		(.7)		(.6)		(3.0)
Net income	$	81.7	$	60.2	$	217.3	$	174.5
Per share amounts:								
Net income (loss) per common share:								

Continuing operations	$ .89	$ .65	$ 2.39	$ 1.87
Discontinued operations	–	–	–	(.03)
Net income per common share	$ .89	$ .65	$ 2.39	$ 1.84
Net income (loss) per common share, assuming dilution:				
Continuing operations	$ .87	$ .64	$ 2.35	$ 1.84
Discontinued operations	.01	(.01)	(.01)	(.03)
Net income per common share, assuming dilution	$ .88	$ .63	$ 2.34	$ 1.81
Dividends per common share	$ .37	$ .35	$ 1.09	$ .99
Weighted average number of shares outstanding:				
Common shares	91.5	93.3	91.1	94.7
Common shares, assuming dilution	93.2	95.2	92.9	96.6

See Notes to Unaudited Condensed Consolidated Financial Statements

Avery Dennison Corporation

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(*Unaudited*)

	Three Months Ended		Nine Months Ended	
(In millions)	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Net income	$ 81.7	$ 60.2	$ 217.3	$ 174.5
Other comprehensive loss, before tax:				
Foreign currency translation	(60.6)	(79.5)	(129.7)	(83.5)
Pension and other postretirement benefits	7.5	5.7	26.8	21.6
Cash flow hedges	(.3)	.5	(1.0)	(.1)
Other comprehensive loss, before tax	(53.4)	(73.3)	(103.9)	(62.0)
Income tax expense related to components of other comprehensive loss	2.3	.7	8.9	6.4
Other comprehensive loss, net of tax	(55.7)	(74.0)	(112.8)	(68.4)
Total comprehensive income (loss), net of tax	$ 26.0	$ (13.8)	$ 104.5	$ 106.1

See Notes to Unaudited Condensed Consolidated Financial Statements

Avery Dennison Corporation

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(*Unaudited*)

	Nine Months Ended	
(In millions)	October 3, 2015	September 27, 2014
Operating Activities		
Net income	$ 217.3	$ 174.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	95.3	99.0
Amortization	47.5	49.5
Provision for doubtful accounts and sales returns	36.6	32.7
Loss on sale of businesses	–	3.0
Indefinite-lived intangible asset impairment charge	–	3.0
Net losses from asset impairments and sales/disposals of assets	10.9	3.3
Stock-based compensation	18.4	22.1
Other non-cash expense and loss	38.9	32.1
Changes in assets and liabilities and other adjustments	(174.6)	(219.0)
Net cash provided by operating activities	290.3	200.2
Investing Activities		
Purchases of property, plant and equipment	(89.6)	(100.8)
Purchases of software and other deferred charges	(9.0)	(22.0)
Proceeds from sales of property, plant and equipment	7.1	4.1
Purchases of investments, net	(.2)	–
Other	1.5	–
Net cash used in investing activities	(90.2)	(118.7)
Financing Activities		

Net (decrease) increase in borrowings (maturities of 90 days or less)	(109.8)	86.3
Payments of debt (maturities longer than 90 days)	(6.2)	(1.1)
Dividends paid	(99.6)	(93.4)
Share repurchases	(108.5)	(247.3)
Proceeds from exercises of stock options, net	78.4	22.6
Other	(1.2)	(2.4)
Net cash used in financing activities	(246.9)	(235.3)
Effect of foreign currency translation on cash balances	(8.5)	(2.2)
Decrease in cash and cash equivalents	(55.3)	(156.0)
Cash and cash equivalents, beginning of year	227.0	351.6
Cash and cash equivalents, end of period	$ 171.7	$ 195.6

See Notes to Unaudited Condensed Consolidated Financial Statements

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General

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 2014 Annual Report on Form 10-K, which should be read in conjunction with this Quarterly Report on Form 10-Q. The accompanying unaudited Condensed Consolidated Financial Statements include normal recurring adjustments necessary for a fair statement of our interim results. Interim results of operations are not necessarily indicative of future results.

Fiscal Period

The third quarters of 2015 and 2014 consisted of thirteen-week periods ending October 3, 2015 and September 27, 2014, respectively. The nine months ended October 3, 2015 and September 27, 2014 consisted of thirty-nine-week periods.

Prior Period Financial Statement Revision

During the third quarter of 2015, we determined that certain of our benefit plans were not properly accounted for since their inception between 1984 and 1988. These plans were frozen between 1994 and 2003.

We assessed the materiality of these errors on prior periods' financial statements in accordance with the United States Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 99, *Materiality*, codified in the Accounting Standards Codification ("ASC") 250, *Presentation of Financial Statements*, and concluded that they were not material to any prior annual or interim periods. However, the aggregate amount of the prior period errors of approximately $24 million would have been material to our current interim Condensed Consolidated Statements of Income. Consequently, in accordance with ASC 250 (SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*), we have corrected these errors for all prior periods presented by revising the condensed consolidated financial statements and other financial information included herein. We also corrected the timing of immaterial previously recorded out-of-period adjustments and reflected them in the revised prior period financial statements, where applicable. Periods not presented herein will be revised, as applicable, in future filings.

The effects of this revision on our unaudited Condensed Consolidated Balance Sheets are as follows:

(In millions)	As Previously Reported January 3, 2015	Adjustment	As Revised January 3, 2015
Non-current deferred income taxes	$ 311.0	$ 9.9	$ 320.9
Total assets	4,360.2	9.9	4,370.1
Long-term retirement benefits and other liabilities	622.8	25.5	648.3
Retained earnings	2,137.1	(20.6)	2,116.5
Accumulated other comprehensive loss	(547.3)	5.0	(542.3)
Total shareholders' equity	1,066.5	(15.6)	1,050.9
Total liabilities and shareholders' equity	4,360.2	9.9	4,370.1

The effects of this revision on our unaudited Condensed Consolidated Statements of Income are as follows:

(In millions)	Three Months Ended September 27, 2014			Nine Months Ended September 27, 2014		
	As Previously	Adjustment	As Revised	As Previously	Adjustment	As Revised

	Reported			Reported		
Marketing, general and administrative expense	$ 276.3	$ 2.1	$ 278.4	$ 870.0	$ 3.1	$ 873.1
Income from continuing operations before taxes	101.2	(2.1)	99.1	266.1	(3.1)	263.0
Provision for income taxes	36.2	2.0	38.2	85.1	.4	85.5
Income from continuing operations	65.0	(4.1)	60.9	181.0	(3.5)	177.5
Loss from discontinued operations, net of tax	(.7)	–	(.7)	(3.0)	–	(3.0)
Net income	64.3	(4.1)	60.2	178.0	(3.5)	174.5
Per share amounts:						
Net income (loss) per common share:						
Continuing operations	$ .70	$ (.05)	$ .65	$ 1.91	$ (.04)	$ 1.87
Discontinued operations	(.01)	.01	–	(.03)	–	(.03)
Net income per common share	$ .69	$ (.04)	$ .65	$ 1.88	$ (.04)	$ 1.84
Net income (loss) per common share, assuming dilution:						
Continuing operations	$ .68	$ (.04)	$ .64	$ 1.87	$ (.03)	$ 1.84
Discontinued operations	–	(.01)	(.01)	(.03)	–	(.03)
Net income per common share, assuming dilution	$ .68	$ (.05)	$ .63	$ 1.84	$ (.03)	$ 1.81

The effects of this revision on our unaudited Condensed Consolidated Statements of Comprehensive Income are as follows:

	Three Months Ended September 27, 2014			Nine Months Ended September 27, 2014		
(In millions)	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
Net income	$ 64.3	$ (4.1)	$ 60.2	$ 178.0	$ (3.5)	$ 174.5
Pension and other postretirement benefits	5.7	–	5.7	16.6	5.0	21.6
Other comprehensive loss, before tax	(73.3)	–	(73.3)	(67.0)	5.0	(62.0)
Income tax expense related to components of other comprehensive loss	1.7	(1.0)	.7	5.5	.9	6.4
Other comprehensive loss, net of tax	(75.0)	1.0	(74.0)	(72.5)	4.1	(68.4)
Total comprehensive (loss) income, net of tax	(10.7)	(3.1)	(13.8)	105.5	.6	106.1

Note 2. Sale of Product Line and Discontinued Operations

Sale of Product Line

In May 2015, we sold certain assets and transferred certain liabilities associated with a product line in our Retail Branding and Information Solutions ("RBIS") reportable segment for $1.5 million. The pretax loss from the sale, when combined with exit costs related to the sale, totaled $8.5 million, including $.2 million in the third quarter of 2015. The exit costs included $3.4 million of severance costs, of which $1.2 million had been paid as of October 3, 2015. In the first quarter of 2015, we recorded an impairment

charge of approximately $2 million related to certain long-lived assets in this product line. This loss and these costs were included in "Other expense, net" in the unaudited Condensed Consolidated Statements of Income.

Discontinued Operations

Income (loss) from discontinued operations, net of tax, during the third quarter and nine months ended October 3, 2015 included tax benefits (expense) related to the completion of certain tax returns related to the sale of our former Office and Consumer Products ("OCP") and Designed and Engineered Solutions ("DES") businesses. Income (loss) from discontinued operations, net of tax, during the third quarter and nine months ended September 27, 2014 included costs related to the resolution of certain post-closing adjustments from the sale, including completion of the final purchase price allocation in the third quarter of 2014. We continue to be subject to certain indemnification obligations under the terms of the purchase agreement. In addition, the tax liability associated with the sale is subject to completion of remaining tax returns in certain foreign jurisdictions where we operated the OCP and DES businesses.

Note 3. Inventories

Net inventories consisted of:

(In millions)	October 3, 2015	January 3, 2015
Raw materials	$ 191.4	$ 183.6
Work-in-progress	153.1	150.4
Finished goods	167.9	157.8
Inventories, net	$ 512.4	$ 491.8

Note 4. Goodwill

Changes in the net carrying amount of goodwill for the nine months ended October 3, 2015, by reportable segment, were as follows:

(In millions)	Pressure-sensitive Materials	Retail Branding and Information Solutions	Total
Goodwill as of January 3, 2015	$ 306.6	$ 415.0	$ 721.6
Acquisition adjustments	–	(.3)	(.3)
Translation adjustments	(24.3)	(6.3)	(30.6)
Goodwill as of October 3, 2015	$ 282.3	$ 408.4	$ 690.7

The carrying amounts of goodwill at October 3, 2015 and January 3, 2015 were net of accumulated impairment losses of $820 million, which were included in our RBIS reportable segment.

There was no goodwill associated with our Vancive Medical Technologies reportable segment.

Note 5. Debt and Capital Leases

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 issuances and short-term lines of credit, approximates carrying value given the short duration of these obligations. The fair value of our total debt was $1.11 billion at October 3, 2015 and $1.22 billion at January 3, 2015. Fair value amounts were determined based primarily on Level 2 inputs, which are inputs other than quoted prices in active markets that are either directly or indirectly observable.

Our various loan agreements contain financial covenants requiring that we maintain specified ratios of total debt and interest expense in relation to certain measures of income. We were in compliance with our financial covenants as of October 3, 2015.

In May 2015, we extended and amended the lease on our Mentor, Ohio facility for an additional ten years. This facility is used primarily as the North American headquarters and research center of our Materials Group business. Because ownership of the facility transfers to us at the end of the lease term, it was accounted for as a capital lease. The carrying value of the lease at October 3, 2015 was approximately $26 million, of which approximately $24 million was included in "Long-term debt and capital leases" and approximately $2 million was included in "Short-term borrowings and current portion of long-term debt and capital leases" in the unaudited Condensed Consolidated Balance Sheets at October 3, 2015.

Note 6. Pension and Other Postretirement Benefits

Defined Benefit Plans

We sponsor a number of defined benefit plans, the accrual of benefits under some of which has been 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.

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

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

	Pension Benefits							
	Three Months Ended				Nine Months Ended			
	October 3, 2015		September 27, 2014		October 3, 2015		September 27, 2014	
(In millions)	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
Service cost	$ .1	$ 3.3	$ .1	$ 3.3	$ .3	$ 10.3	$ .3	$ 10.0
Interest cost	10.8	4.3	11.1	5.8	32.5	13.1	33.5	18.0
Expected return on plan assets	(12.8)	(5.4)	(12.9)	(6.6)	(38.6)	(16.2)	(38.9)	(19.6)
Recognized net actuarial loss	5.2	2.4	4.1	1.3	15.4	7.2	12.2	3.9
Amortization of prior service cost (credit)	.2	–	.2	.1	.8	(.1)	.8	.3
Amortization of transition obligation	–	–	–	.1	–	–	–	.1
Recognized loss on curtailment[(1)]	–	–	–	–	–	–	–	.6
Recognized loss on settlement[(2)]	–	–	–	–	–	3.8	–	–
Net periodic benefit cost	$ 3.5	$ 4.6	$ 2.6	$ 4.0	$ 10.4	$ 18.1	$ 7.9	$ 13.3

[(1)] Recognized loss on curtailment related to a pension plan in the Netherlands and was recorded in "Other expense, net" in the unaudited Condensed Consolidated Statements of Income.

[(2)] Recognized loss on settlement related to pension plans in Germany and France as a result of the sale of a product line in our RBIS reportable segment. The loss on settlement was recorded in "Other expense, net" in the unaudited Condensed Consolidated Statements of Income.

	U.S. Postretirement Health Benefits			
	Three Months Ended		Nine Months Ended	
(In millions)	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Interest cost	$ .1	$ .1	$ .2	$ .2
Recognized net actuarial loss	.5	.7	1.6	2.1
Amortization of prior service credit	(.8)	(.8)	(2.4)	(2.4)
Net periodic benefit credit	$ (.2)	$ –	$ (.6)	$ (.1)

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. All of the contributions made in the first nine months of 2015 and 2014 were made to meet minimum funding requirements.

The following table sets forth our contributions to our defined benefit plans:

	Nine Months Ended	
(In millions)	October 3, 2015	September 27, 2014
U.S.	$ 2.9	$ 3.9
Int'l	11.2	12.8
U.S. postretirement health benefits	.7	1.2

Note 7. Research and Development

Research and development expense from continuing operations was $22.2 million and $70.6 million for the three and nine months ended October 3, 2015, respectively, and $25.1 million and $77 million for the three and nine months ended September 27, 2014, respectively. This expense was included in "Marketing, general and administrative expense" in the unaudited Condensed Consolidated Statements of Income.

Note 8. Long-Term Incentive Compensation

Equity Awards

Stock-based compensation expense from continuing operations was $5.2 million and $18.4 million for the three and nine months ended October 3, 2015, respectively, and $7.6 million and $22.1 million for the three and nine months ended September 27, 2014, respectively. This expense was included in "Marketing, general and administrative expense" in the unaudited Condensed Consolidated Statements of Income.

As of October 3, 2015, we had approximately $32 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 two years.

Cash Awards

Compensation expense from continuing operations related to long-term incentive units was $1.4 million and $16.7 million for the three and nine months ended October 3, 2015, respectively, and $2 million and $11.9 million for the three and nine months ended September 27, 2014, respectively. This expense was included in "Marketing, general and administrative expense" in the unaudited Condensed Consolidated Statements of Income.

Note 9. Cost Reduction Actions

2015/2016 Actions

We recorded $6.6 million in restructuring charges related to restructuring actions initiated during the third quarter of 2015, which we expect to continue through 2016 ("2015/2016 Actions"). These charges consisted of severance and related costs for the reduction of approximately 85 positions, lease cancellation costs, and asset impairment charges.

No employees impacted by our 2015/2016 Actions taken through October 3, 2015 remained employed with us as of such date. We expect charges and payments related to these actions to be substantially completed in 2016.

2014/2015 Actions

During the nine months ended October 3, 2015, we recorded $33.9 million in restructuring charges, net of reversals, related to restructuring actions we initiated in 2014 that continued through the second quarter of 2015 ("2014/2015 Actions"). These charges consisted of severance and related costs for the reduction of approximately 605 positions, lease cancellation costs, and asset impairment charges.

In 2014, we recorded $66.5 million in restructuring charges, net of reversals, related to our 2014/2015 Actions. These charges consisted of severance and related costs for the reduction of approximately 1,420 positions, lease cancellation costs, and asset impairment charges.

Approximately 180 employees impacted by our 2014/2015 Actions remained employed with us as of October 3, 2015. We expect charges and payments related to these actions to be substantially completed in 2016.

Accruals for severance and related costs and lease cancellation costs were included in "Other current liabilities" in the unaudited Condensed Consolidated Balance Sheets. Asset impairment charges were based on the estimated market value of the assets. Restructuring costs were included in "Other expense, net" in the unaudited Condensed Consolidated Statements of Income.

During the nine months ended October 3, 2015, restructuring charges and payments were as follows:

(In millions)

	Accrual at January 3, 2015	Charges (Reversals), net	Cash Payments	Non-cash Impairment	Foreign Currency Translation	Accrual at October 3, 2015
2015/2016 Actions						
Severance and related costs	$ –	$ 4.8	$ (2.3)	$ –	$ –	$ 2.5
Asset impairment charges	–	1.7	–	(1.7)	–	–
Lease cancellation costs	–	.1	(.1)	–	–	–
2014/2015 Actions						
Severance and related costs	16.8	30.2	(39.4)	–	(.9)	6.7
Asset impairment charges	–	3.4	–	(3.4)	–	–
Lease cancellation costs	.1	.3	(.3)	–	–	.1
2012 Program						
Severance and related costs	.8	–	–	–	(.1)	.7
Total	$ 17.7	$ 40.5	$ (42.1)	$ (5.1)	$ (1.0)	$ 10.0

The table below shows the total amount of restructuring costs incurred by reportable segment and Corporate.

	Three Months Ended		Nine Months Ended	
(In millions)	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Restructuring costs by reportable segment and Corporate				
Pressure-sensitive Materials	$ 1.1	$ 2.1	$ 15.5	$ 35.7
Retail Branding and Information Solutions	3.7	4.1	19.4	16.3
Vancive Medical Technologies	1.7	.1	3.4	.1
Corporate	.1	.4	2.2	.4
	$ 6.6	$ 6.7	$ 40.5	$ 52.5

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 futures contracts to hedge certain price fluctuations for a portion of our anticipated domestic purchases of natural gas. The maximum length of time for which we hedge our exposure to the variability in future cash flows for forecasted transactions is 36 months.

As of October 3, 2015, the aggregate U.S. dollar equivalent notional value of our outstanding commodity contracts and foreign exchange contracts was $2.6 million and $1.2 billion, respectively.

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 designate foreign exchange contracts on existing balance sheet items as fair value hedges.

Table of Contents

The following table provides the fair value and balance sheet locations of derivatives as of October 3, 2015:

	Asset		Liability	
(In millions)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Other current assets	$ 4.4	Other accrued liabilities	$ 8.1
Commodity contracts	Other current assets	–	Other accrued liabilities	.8
			Long-term retirement benefits and other liabilities	.1
		$ 4.4		$ 9.0

The following table provides the fair value and balance sheet locations of derivatives as of January 3, 2015:

	Asset		Liability	
(In millions)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Other current assets	$ 10.3	Other accrued liabilities	$ 10.5
Commodity contracts	Other current assets	–	Other accrued liabilities	1.0
			Long-term retirement benefits and other liabilities	.2
		$ 10.3		$ 11.7

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 material net impact to income.

The following table provides the components of net 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 Net Gains (Losses) in Income	Three Months Ended October 3, 2015	Three Months Ended September 27, 2014	Nine Months Ended October 3, 2015	Nine Months Ended September 27, 2014
Foreign exchange contracts	Cost of products sold	$ 2.3	$ –	$ 3.3	$ (3.0)
Foreign exchange contracts	Marketing, general and administrative expense	(19.9)	(25.7)	(15.9)	(28.2)
		$ (17.6)	$ (25.7)	$ (12.6)	$ (31.2)

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 impacts 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 October 3, 2015	Three Months Ended September 27, 2014	Nine Months Ended October 3, 2015	Nine Months Ended September 27, 2014
Foreign exchange contracts	$ 2.7	$ .7	$ 1.2	$ (1.5)
Commodity contracts	(1.7)	(.3)	(.5)	(.1)
	$ 1.0	$ .4	$ .7	$ (1.6)

The amount of gain or loss recognized in income related to the ineffective portion of, and the amount excluded from, effectiveness testing for cash flow hedges and derivatives not designated as hedging instruments were not material for the three and nine months ended October 3, 2015 and September 27, 2014, respectively.

As of October 3, 2015, we expected a net gain of approximately $1 million 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 following table summarizes our income from continuing operations before taxes, provision for income taxes from continuing operations, and effective tax rate:

(Dollars in millions)	Three Months Ended October 3, 2015	Three Months Ended September 27, 2014	Nine Months Ended October 3, 2015	Nine Months Ended September 27, 2014
Income from continuing operations before taxes	$ 116.1	$ 99.1	$ 317.4	$ 263.0
Provision for income taxes	34.8	38.2	99.5	85.5
Effective tax rate	30.0%	38.5%	31.3%	32.5%

The effective tax rate for continuing operations for the three and nine months ended October 3, 2015 included $4.2 million of tax benefit resulting from return to provision adjustments pursuant to the completion of the 2014 U.S. federal tax return and $.9 million of tax benefit from a favorable foreign tax law change. Additionally, the effective tax rate for the nine months ended October 3, 2015 included $1.6 million of net tax benefit related to changes in the effective tax rates in certain foreign municipalities; $4.2 million of tax benefit due to decreases in certain tax reserves as a result of closing tax years; and $5.4 million of tax expense associated with the tax cost to repatriate non-permanently reinvested 2015 earnings of certain foreign subsidiaries.

The effective tax rate for continuing operations for the three and nine months ended September 27, 2014 included $4.2 million and $20 million of tax benefit as a result of changes in certain tax reserves and valuation allowances, respectively; and $4.6 million of tax expense from the taxable inclusion of a net foreign currency gain related to the revaluation of certain intercompany loans. Additionally, the effective tax rate for the nine months ended September 27, 2014 included $6 million of tax expense related to our change in estimate of the potential outcome of uncertain tax issues in China.

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 the 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 uncertain tax positions, including interest and penalties, of approximately $15 million, primarily as a result of closing tax years.

Note 12. Net Income Per Common Share

Net income per common share was computed as follows:

	Three Months Ended		Nine Months Ended	
(In millions, except per share amounts)	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
(A) Income from continuing operations	$ 81.3	$ 60.9	$ 217.9	$ 177.5
(B) Income (loss) from discontinued operations, net of tax	.4	(.7)	(.6)	(3.0)
(C) Net income available to common shareholders	$ 81.7	$ 60.2	$ 217.3	$ 174.5
(D) Weighted average number of common shares outstanding	91.5	93.3	91.1	94.7
Dilutive shares (additional common shares issuable under stock-based awards)	1.7	1.9	1.8	1.9
(E) Weighted average number of common shares outstanding, assuming dilution	93.2	95.2	92.9	96.6
Net income (loss) per common share:				
Continuing operations (A) ÷ (D)	$ .89	$ .65	$ 2.39	$ 1.87
Discontinued operations (B) ÷ (D)	–	–	–	(.03)
Net income per common share (C) ÷ (D)	$ .89	$ .65	$ 2.39	$ 1.84
Net income (loss) per common share, assuming dilution:				
Continuing operations (A) ÷ (E)	$ .87	$ .64	$ 2.35	$ 1.84
Discontinued operations (B) ÷ (E)	.01	(.01)	(.01)	(.03)
Net income per common share, assuming dilution (C) ÷ (E)	$ .88	$ .63	$ 2.34	$ 1.81

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 .5 million shares and 1 million shares for the three and nine months ended October 3, 2015, respectively, and approximately 3 million shares for both the three and nine months ended September 27, 2014.

Note 13. Comprehensive Income

The changes in "Accumulated other comprehensive loss" (net of tax) for the nine-month period ended October 3, 2015 were as follows:

(In millions)	Foreign Currency Translation	Pension and Other Postretirement Benefits	Cash Flow Hedges	Total
Balance as of January 3, 2015	$ (16.7)	$ (525.6)	$ –	$ (542.3)
Other comprehensive loss before reclassifications, net of tax	(129.7)	.5	.6	(128.6)
Reclassifications to net income, net of tax	–	17.2	(1.4)	15.8
Net current-period other comprehensive (loss) income, net of tax	(129.7)	17.7	(.8)	(112.8)
Balance as of October 3, 2015	$ (146.4)	$ (507.9)	$ (.8)	$ (655.1)

Table of Contents

The changes in "Accumulated other comprehensive loss" (net of tax) for the nine-month period ended September 27, 2014 were as follows:

(In millions)	Foreign Currency Translation	Pension and Other Postretirement Benefits	Cash Flow Hedges	Total
Balance as of December 28, 2013	$ 137.1	$ (417.3)	$ (1.0)	$ (281.2)
Other comprehensive (loss) income before reclassifications, net of tax	(82.6)	2.2	(1.2)	(81.6)
Reclassifications to net income, net of tax	–	12.1	1.1	13.2
Net current-period other comprehensive (loss) income, net of tax	(82.6)	14.3	(.1)	(68.4)
Balance as of September 27, 2014	$ 54.5	$ (403.0)	$ (1.1)	$ (349.6)

The amounts reclassified from "Accumulated other comprehensive loss" to increase (decrease) income from continuing operations were as follows:

	Amounts Reclassified from Accumulated Other Comprehensive Loss				
	Three Months Ended		Nine Months Ended		
(In millions)	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014	Affected Line Item in the Statements Where Net Income is Presented

Cash flow hedges:					
Foreign exchange contracts	$ 1.4	$ (.2)	$ 2.7	$ (1.7)	Cost of products sold
Commodity contracts	(.1)	–	(.9)	.2	Cost of products sold
Interest rate contracts	(.1)	–	(.1)	–	Interest expense
	1.2	(.2)	1.7	(1.5)	Total before tax
	(.2)	.2	(.3)	.4	Provision for income taxes
	1.0	–	1.4	(1.1)	Net of tax
Pension and other postretirement benefits[1]	(7.5)	(5.7)	(26.3)	(17.6)	
	2.4	1.6	9.1	5.5	Provision for income taxes
	(5.1)	(4.1)	(17.2)	(12.1)	Net of tax
	$ (4.1)	$ (4.1)	$ (15.8)	$ (13.2)	Total, net of tax

[1] See Note 6, "Pension and Other Postretirement Benefits," for more information.

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

	Three Months Ended		Nine Months Ended	
(In millions)	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Foreign currency translation	$ –	$ (1.0)	$ –	$ (.9)
Pension and other postretirement benefits	2.4	1.6	9.1	7.3
Cash flow hedges	(.1)	.1	(.2)	–
Income tax expense related to components of other comprehensive loss	$ 2.3	$ .7	$ 8.9	$ 6.4

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 October 3, 2015:

		Fair Value Measurements Using		
(In millions)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Trading securities	$ 18.1	$ 9.6	$ 8.5	$ –
Derivative assets	4.4	–	4.4	–
Liabilities				
Derivative liabilities	$ 9.0	$ .9	$ 8.1	$ –

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of January 3, 2015:

		Fair Value Measurements Using		
(In millions)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Trading securities	$ 17.9	$ 7.6	$ 10.3	$ –
Derivative assets	10.3	–	10.3	–
Liabilities				
Derivative liabilities	$ 11.7	$ 1.2	$ 10.5	$ –

Trading 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 October 3, 2015, trading securities of $.6 million and $17.5 million were included in "Cash and cash equivalents" and "Other current assets," respectively, in the unaudited Condensed Consolidated Balance Sheets. As of January 3, 2015, trading securities of $.8 million and $17.1 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 classified within Level 1 of the valuation hierarchy. Derivatives measured based on foreign exchange rate 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 expenses to resolve these matters could be higher than the liabilities we have accrued; however, we are unable to reasonably estimate a range of potential expenses. If information were to become available that allowed us to reasonably estimate a range of potential expenses in an amount

higher or lower than what we have accrued, we would adjust our accrued liabilities accordingly. Additional lawsuits, claims, inquiries, and other regulatory and compliance matters could arise in the future. The range of expenses for resolving any future matters would be assessed as they arise; until then, a range of potential expenses for such resolution cannot be determined. Based upon current information, we believe that the impact of the resolution of these matters would not be, individually or in the aggregate, material to our financial position, results of operations or cash flows.

Environmental
As of October 3, 2015, 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 thirteen 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 these 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 expenses to remediate these sites could be higher than the liabilities we have accrued; however, we are unable to reasonably estimate a range of potential expenses. If information were to become available that allowed us to reasonably estimate a range of potential expenses in an amount higher or lower than what we have accrued, we would adjust our environmental liabilities accordingly. In addition, we may be identified as a PRP at additional sites in the future. The range of expenses for remediation of any future-identified sites would be addressed as they arise; until then, a range of expenses for such remediation cannot be determined.

The activity for the nine months ended October 3, 2015 related to our environmental liabilities was as follows:

(In millions)		
Balance at January 3, 2015	$	26.2
Charges (reversals), net		1.4
Payments		(6.3)
Balance at October 3, 2015	$	21.3

As of October 3, 2015, approximately $8 million of the balance was classified as short-term and included in "Other current liabilities" in the unaudited Condensed Consolidated Balance Sheets.

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 October 3, 2015, the outstanding amount guaranteed was approximately $17 million. We believe our exposure to these guarantees is not material.

Unused letters of credit (primarily standby) outstanding with various financial institutions were approximately $43 million at October 3, 2015.

Note 16. Segment Information

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

	Three Months Ended				Nine Months Ended			
(In millions)		October 3, 2015		September 27, 2014		October 3, 2015		September 27, 2014
Net sales to unaffiliated customers								
Pressure-sensitive Materials	$	1,083.7	$	1,157.0	$	3,318.4	$	3,481.4
Retail Branding and Information Solutions		366.8		383.9		1,138.7		1,186.0
Vancive Medical Technologies		17.6		18.7		55.0		58.1
Net sales to unaffiliated customers	$	1,468.1	$	1,559.6	$	4,512.1	$	4,725.5
Intersegment sales								
Pressure-sensitive Materials	$	14.6	$	16.2	$	46.5	$	49.1
Retail Branding and Information Solutions		.3		.5		1.5		1.9
Vancive Medical Technologies		1.2		2.7		4.4		7.5

Intersegment sales	$	16.1	$	19.4	$	52.4	$	58.5
Income from continuing operations before taxes								
Pressure-sensitive Materials	$	130.5	$	116.6	$	383.2	$	315.1
Retail Branding and Information Solutions		25.1		20.6		54.3		65.5
Vancive Medical Technologies		(1.2)		(2.9)		(4.7)		(7.2)
Corporate expense		(23.6)		(19.8)		(70.1)		(64.0)
Interest expense		(14.7)		(15.4)		(45.3)		(46.4)
Income from continuing operations before taxes	$	116.1	$	99.1	$	317.4	$	263.0
Other expense, net by reportable segment								
Pressure-sensitive Materials	$	1.1	$	2.1	$	13.8	$	36.3
Retail Branding and Information Solutions		3.9		5.2		29.4		16.8
Vancive Medical Technologies		1.7		.1		3.4		.1
Corporate		.3		.4		2.4		.4
Other expense, net	$	7.0	$	7.8	$	49.0	$	53.6
Other expense, net by type								
Restructuring costs:								
Severance and related costs	$	4.7	$	5.1	$	35.0	$	48.0
Asset impairment charges and lease cancellation costs		1.9		1.6		5.5		4.5
Other items:								
Indefinite-lived intangible asset impairment charge		–		3.0		–		3.0
Loss on sale of product line and related exit costs		.2		–		10.5		–
Gain on sale of assets		–		(1.9)		(1.7)		(2.5)
Loss from curtailment of pension obligation		–		–		–		.6
Legal settlement		.2		–		(.3)		–
Other expense, net	$	7.0	$	7.8	$	49.0	$	53.6

Note 17. Recent Accounting Requirements

In July 2015, the Financial Accounting Standards Board (“FASB”) amended guidance to simplify the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those fiscal years. We do not anticipate that adoption of this amended guidance will have a significant impact on our financial position, results of operations, cash flows, or disclosures.

In May 2015, the FASB amended guidance to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Additionally, the amended guidance removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. This guidance is effective for annual periods beginning after December 15, 2015, and interim periods within those fiscal years, and applied retrospectively. Early adoption is permitted. Most of the assets in our U.S. and international pension plans are invested in funds that are valued at net asset value. Although we do not anticipate that adoption of this guidance will have a significant impact on our financial position, results of operations, or cash flows, the adoption of this amended guidance may result in a significant amount of plan assets not being disclosed within the fair value hierarchy.

In April 2015, the FASB issued guidance about accounting for fees paid in a cloud computing arrangement. Examples of cloud computing arrangements include software as a service, platform as a service, infrastructure as a service, and other similar hosting arrangements. As clarified in the guidance, if a cloud computing arrangement includes a software license, the software license element of the arrangement should be accounted for consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the arrangement should be accounted for as a service contract. This guidance is effective for annual periods beginning after December 15, 2015, and interim periods within those fiscal years, and may be adopted prospectively or retrospectively. We do not anticipate that adoption of this guidance will have a significant impact on our financial position, results of operations, cash flows, or disclosures.

In April 2015, the FASB revised guidance to allow employers with fiscal year-ends that do not coincide with a calendar month-end to make an accounting policy election to measure defined benefit plan assets and obligations as of the end of the calendar month closest to their fiscal year-end. Employers that make this election must apply the alternative measurement date to all defined benefit plans. The guidance also allows all employers to elect to remeasure defined plan assets and obligations in interim periods at the closest calendar month-end to an event that triggers the remeasurement. This revised guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those fiscal years. We do not anticipate that adoption of this revised guidance will have a significant impact on our financial position, results of operations, cash flows, or disclosures.

In April 2015, the FASB revised guidance on the presentation of debt issuance costs. Under this revised guidance, debt issuance costs should be presented in the balance sheet as a direct deduction from the carrying value of the associated debt, consistent with the presentation of a debt discount. In August 2015, this guidance was further revised to allow for debt issuance costs related to line-of-credit arrangements to be classified as assets and amortized ratably over the term of the arrangement. This revised guidance is effective for annual periods beginning after December 15, 2015, and interim periods within those fiscal years. We do not anticipate that adoption of this revised guidance will have a significant impact on our financial position, results of operations, cash flows, or disclosures.

In May 2014, the FASB issued revised guidance on revenue recognition. This revised guidance provides a single comprehensive model for accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This revised guidance will require an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of contract(s), which includes (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. This revised guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including qualitative and quantitative information about contracts with customers, significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This revised guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, and can be applied retrospectively either to each prior reporting period presented or with the cumulative effect of adoption recognized at the date of initial application. Early adoption is permitted for fiscal periods beginning after December 15, 2016. Based on the information we have evaluated to date, we do not anticipate that the adoption of this revised guidance will have a significant impact on our financial position, results of operations or cash flows.

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

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

NON-GAAP FINANCIAL MEASURES

We report financial results in conformity with accounting principles generally accepted in the United States of America, or GAAP, and also communicate with investors using certain non-GAAP financial measures. These non-GAAP financial measures are not in accordance with, nor are they a substitute for or superior to, the comparable GAAP financial measures. These non-GAAP financial measures are intended to supplement 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. The measures we use 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. 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 performance, as well as to facilitate comparison to the results of competitors for a single period. While some of the items we exclude from GAAP financial measures recur, they tend to be disparate in amount, frequency, or timing.

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

· *Organic sales change* refers to the increase or decrease in sales excluding the estimated impact of currency translation, product line exits, acquisitions and divestitures, and, where applicable, an extra week in the current or preceding fiscal year. The estimated impact of currency translation is calculated on a constant currency basis, with prior-period results translated at current period average exchange rates to exclude the impact of 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 payments for property, plant and equipment, software and other deferred charges, plus proceeds from sales of property, plant and equipment, plus (minus) net proceeds from sales (purchases) of investments. Free cash flow excludes uses of cash that do not directly or immediately support our underlying business, such as discretionary debt reductions, dividends, share repurchases, and certain effects of acquisitions and divestitures (e.g., cash flow from discontinued operations, taxes, and transaction costs).
· *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 to assess our working capital 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, or timing, and that may increase the volatility of working capital as a percentage of sales from period to period. Additionally, the excluded items are not significantly influenced by our day-to-day activities managed at the operating level and may not reflect the underlying trends in our operations.

OVERVIEW AND OUTLOOK

Overview

Sales
Our sales decreased 5% in the first nine months of 2015 compared to the same period last year.

	Three Months Ended	Nine Months Ended
	October 3, 2015	
Estimated change in sales due to		
Organic sales change	5%	4%
Extra week in prior fiscal year	–	1
Foreign currency translation	(10)	(9)
Product line divestiture	(1)	(1)
Reported sales change	(6)%	(5)%

Income from Continuing Operations
Income from continuing operations increased approximately $20 million and $40 million in the third quarter and first nine months of 2015, respectively, compared to the same periods last year. Major factors affecting income from continuing operations in the first nine months of 2015 included:

Positive factors:
- Benefits from productivity initiatives, including savings from restructuring actions, net of transition costs
- Higher volume and improved product mix
- Lower restructuring costs

Offsetting factors:
- Higher employee-related costs
- Foreign currency translation
- Higher income taxes
- Loss on sale of a product line in our RBIS reportable segment and related exit costs

Prior Period Financial Statement Revision
Certain prior period amounts have been revised to reflect the impact of adjustments made to certain of our benefit plan balances and to correct the timing of previously recorded out-of-period adjustments. Refer to Note 1, “General,” to the unaudited Condensed Consolidated Financial Statements for more information.

Sale of Product Line
In May 2015, we sold certain assets and transferred certain liabilities associated with a product line in our RBIS reportable segment. Refer to Note 2, “Sale of Product Line and Discontinued Operations,” to the unaudited Condensed Consolidated Financial Statements for more information.

Cost Reduction Actions
2015/2016 Actions
We recorded $6.6 million in restructuring charges related to restructuring actions initiated during the third quarter of 2015, which we expect to continue through 2016 (“2015/2016 Actions”). These charges consisted of severance and related costs for the reduction of approximately 85 positions, lease cancellation costs, and asset impairment charges.

No employees impacted by our 2015/2016 Actions taken through October 3, 2015 remained employed with us as of such date. We expect charges and payments related to these actions to be substantially completed in 2016.

2014/2015 Actions
During the nine months ended October 3, 2015, we recorded $33.9 million in restructuring charges, net of reversals, related to restructuring actions we initiated in 2014 that continued through the second quarter of 2015 (“2014/2015 Actions”). These charges consisted of severance and related costs for the reduction of approximately 605 positions, lease cancellation costs, and asset impairment charges.

In 2014, we recorded $66.5 million in restructuring charges, net of reversals, related to our 2014/2015 Actions. These charges consisted of severance and related costs for the reduction of approximately 1,420 positions, lease cancellation costs, and asset impairment charges.

Approximately 180 employees impacted by our 2014/2015 Actions remained employed with us as of October 3, 2015. We expect charges and payments related to these actions to be substantially completed in 2016.

In 2015, we expect to realize at least $70 million in savings, net of transition costs from our 2015/2016 Actions and 2014/2015 Actions. We anticipate approximately $75 million in incremental savings from these actions in 2016.

Restructuring costs are included in “Other expense, net” in the unaudited Condensed Consolidated Statements of Income. Refer to Note 9, “Cost Reduction Actions,” to the unaudited Condensed Consolidated Financial Statements for more information.

Free Cash Flow

	Nine Months Ended	
(In millions)	October 3, 2015	September 27, 2014
Net cash provided by operating activities	$ 290.3	$ 200.2
Purchases of property, plant and equipment	(89.6)	(100.8)

Purchases of software and other deferred charges		(9.0)		(22.0)
Proceeds from sales of property, plant and equipment		7.1		4.1
Purchases of investments, net		(.2)		–
Plus: cash outflow from discontinued operations		.6		.6
Free cash flow	$	199.2	$	82.1

Free cash flow in the first nine months of 2015 improved compared to 2014 primarily due to higher net income, the timing of vendor payments, lower incentive compensation paid in 2015 for the 2014 performance year, and lower capital and software expenditures in 2015.

2015 Outlook

Certain factors that we believe may contribute to results for 2015 are described below:

- We expect organic sales growth of approximately 4% in 2015 compared to 2014.
- We expect earnings to increase in 2015 compared to 2014.
- We expect our full year 2015 tax rate to be in the low to mid-thirty percent range.
- We estimate cash restructuring costs of approximately $60 million in 2015. We anticipate our capital and software expenditures in 2015 to be approximately $150 million.

Table of Contents

ANALYSIS OF RESULTS OF OPERATIONS FOR THE THIRD QUARTER

Income from Continuing Operations before Taxes

	Three Months Ended			
(Dollars in millions)	October 3, 2015		September 27, 2014	
Net sales	$	1,468.1	$	1,559.6
Cost of products sold		1,062.2		1,158.9
Gross profit		405.9		400.7
Marketing, general and administrative expense		268.1		278.4
Interest expense		14.7		15.4
Other expense, net		7.0		7.8
Income from continuing operations before taxes	$	116.1	$	99.1
As a Percentage of Sales				
Gross profit		27.6%		25.7%
Marketing, general and administrative expense		18.3		17.9
Income from continuing operations before taxes		7.9		6.4

Gross Profit Margin
Gross profit margin for the third quarter of 2015 increased compared to the same period last year reflecting benefits from productivity initiatives, including savings from restructuring, net of transition costs, the impact of changes in foreign currency rates, higher volume, and the net impact of pricing and raw material input costs, partially offset by higher employee-related costs.

Marketing, General and Administrative Expense
Marketing, general and administrative expense decreased in the third quarter of 2015 compared to the same period last year reflecting the impact of currency, and benefits from productivity initiatives, including savings from restructuring, net of transition costs, partially offset by higher employee-related costs.

Other Expense, net

	Three Months Ended			
(In millions)	October 3, 2015		September 27, 2014	
Other expense, net by type				
Restructuring costs:				
Severance and related costs	$	4.7	$	5.1
Asset impairment charges and lease cancellation costs		1.9		1.6
Other items:				
Indefinite-lived intangible asset impairment charge		–		3.0
Loss on sale of product line and related exit costs		.2		–
Gain on sale of assets		–		(1.9)
Legal settlement		.2		–
Other expense, net	$	7.0	$	7.8

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

Net Income and Earnings per Share

(Dollars in millions, except per share amounts)	Three Months Ended	
	October 3, 2015	September 27, 2014
Income from continuing operations before taxes	$ 116.1	$ 99.1
Provision for income taxes	34.8	38.2
Income from continuing operations	81.3	60.9
Income (loss) from discontinued operations, net of tax	.4	(.7)
Net income	$ 81.7	$ 60.2
Net income per common share	$ .89	$ .65
Net income per common share, assuming dilution	.88	.63
Net income as a percentage of sales	5.6%	3.9%
Effective tax rate for continuing operations	30.0	38.5

Provision for Income Taxes

The effective tax rate for continuing operations for the three months ended October 3, 2015 included $4.2 million of tax benefit resulting from return to provision adjustments pursuant to the completion of the 2014 U.S. federal tax return and $.9 million of tax benefit from a favorable foreign tax law change.

The effective tax rate for continuing operations for the three months ended September 27, 2014 included $4.2 million of tax benefit as a result of changes in certain tax reserves and valuation allowances and $4.6 million of tax expense from the taxable inclusion of a net foreign currency gain related to the revaluation of certain intercompany loans.

Our effective tax rate can vary widely from quarter to quarter due to interim reporting requirements, the recognition of discrete events and the timing of repatriation of foreign earnings. Refer to Note 11, "Taxes Based on Income," to the unaudited Condensed Consolidated Financial Statements for further information.

RESULTS OF OPERATIONS BY REPORTABLE SEGMENT FOR THE THIRD QUARTER

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

Pressure-sensitive Materials

(In millions)	Three Months Ended	
	October 3, 2015	September 27, 2014
Net sales including intersegment sales	$ 1,098.3	$ 1,173.2
Less intersegment sales	(14.6)	(16.2)
Net sales	$ 1,083.7	$ 1,157.0
Operating income(1)	130.5	116.6
(1) Included costs associated with restructuring in both quarters	$ 1.1	$ 2.1

Net Sales

In the third quarter of 2015, sales in our Pressure-sensitive Materials segment decreased approximately 6% compared to the same period last year, reflecting the unfavorable impact of foreign currency translation, partially offset by higher sales on an organic basis. On an organic basis, sales increased approximately 5% primarily due to higher volume. On an organic basis, sales increased at mid-single digit rates in North America, Western Europe, and emerging markets.

In the third quarter of 2015, sales on an organic basis increased at a mid-single digit rate for the Materials product group and at a low-single digit rate for the Performance Tapes product group.

Operating Income

Operating income increased in the third quarter of 2015 compared to the same period last year due to benefits from productivity initiatives, including savings from restructuring, net of transition costs, higher volume and improved product mix, and the net impact of pricing and raw material input costs, partially offset by higher employee-related costs and the unfavorable impact of foreign currency translation.

Retail Branding and Information Solutions

(In millions)	Three Months Ended	
	October 3, 2015	September 27, 2014
Net sales including intersegment sales	$ 367.1	$ 384.4
Less intersegment sales	(.3)	(.5)
Net sales	$ 366.8	$ 383.9
Operating income(1)	25.1	20.6
(1) Included costs associated with restructuring in both quarters, loss on sale of product line and	$ 3.9	$ 5.2

related exit costs in 2015, indefinite-live intangible asset impairment charge in 2014, and gain on sale of asset in 2014.

Net Sales
In the third quarter of 2015, sales in our RBIS segment decreased approximately 5% compared to the same period last year due to the unfavorable impact of foreign currency translation and a product line sale, partially offset by higher sales on an organic basis. On an organic basis, sales increased 4% primarily due to higher volume, including strong growth of radio-frequency identification products.

Operating Income
Operating income increased in the third quarter of 2015 primarily reflecting benefits from productivity initiatives, including savings from restructuring actions, net of transition costs, partially offset by higher employee-related costs.

Table of Contents

Vancive Medical Technologies

(In millions)	Three Months Ended October 3, 2015	Three Months Ended September 27, 2014
Net sales including intersegment sales	$ 18.8	$ 21.4
Less intersegment sales	(1.2)	(2.7)
Net sales	$ 17.6	$ 18.7
Operating loss[1]	(1.2)	(2.9)
[1] Included costs associated with restructuring in both quarters.	$ 1.7	$ .1

Net Sales
In the third quarter of 2015, sales in our Vancive Medical Technologies segment decreased approximately 6% compared to the same period last year, reflecting the unfavorable impact of foreign currency translation, partially offset by higher sales on an organic basis. On an organic basis, sales increased approximately 3% due to higher volume and pricing.

Operating Loss
Operating loss decreased in the third quarter of 2015 compared to the same period last year primarily due to a reduction in operating costs, including reduced spending associated with a discontinued new product platform.

Table of Contents

<u>ANALYSIS OF RESULTS OF OPERATIONS FOR THE NINE MONTHS YEAR-TO-DATE</u>

Income from Continuing Operations before Taxes

(Dollars in millions)	Nine Months Ended October 3, 2015	Nine Months Ended September 27, 2014
Net sales	$ 4,512.1	$ 4,725.5
Cost of products sold	3,258.6	3,489.4
Gross profit	1,253.5	1,236.1
Marketing, general and administrative expense	841.8	873.1
Interest expense	45.3	46.4
Other expense, net	49.0	53.6
Income from continuing operations before taxes	$ 317.4	$ 263.0

As a Percentage of Sales		
Gross profit	27.8%	26.2%
Marketing, general and administrative expense	18.7	18.5
Income from continuing operations before taxes	7.0	5.6

Gross Profit Margin
Gross profit margin for the first nine months of 2015 increased compared to the same period last year reflecting benefits from productivity initiatives, including savings from restructuring, net of transition costs, the impact of changes in foreign currency rates, the net impact of pricing and raw material input costs, and higher volume. The increase was partially offset by higher employee-related costs.

Marketing, General and Administrative Expense
Marketing, general and administrative expense decreased in the first nine months of 2015 compared to the same period last year due to the favorable impact of foreign currency translation and benefits from productivity initiatives, including savings from restructuring, net of transition costs, partially offset by higher employee-related costs and other items.

Other Expense, net

(In millions)	Nine Months Ended October 3, 2015	Nine Months Ended September 27, 2014
Other expense, net by type		
Restructuring costs:		
Severance and related costs	$ 35.0	$ 48.0
Asset impairment charges and lease cancellation costs	5.5	4.5
Other items:		
Indefinite-lived intangible asset impairment charge	–	3.0
Loss on sale of product line and related exit costs	10.5	–
Gain on sale of assets	(1.7)	(2.5)
Loss from curtailment of pension obligation	–	.6
Legal settlement	(.3)	–
Other expense, net	$ 49.0	$ 53.6

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

Net Income and Earnings per Share

(Dollars in millions, except per share amounts)	Nine Months Ended October 3, 2015	Nine Months Ended September 27, 2014
Income from continuing operations before taxes	$ 317.4	$ 263.0
Provision for income taxes	99.5	85.5
Income from continuing operations	217.9	177.5
Loss from discontinued operations, net of tax	(.6)	(3.0)
Net income	$ 217.3	$ 174.5
Net income per common share	$ 2.39	$ 1.84
Net income per common share, assuming dilution	2.34	1.81
Net income as a percentage of sales	4.8%	3.7%
Effective tax rate for continuing operations	31.3	32.5

Provision for Income Taxes

The effective tax rate for continuing operations for the nine months ended October 3, 2015 included $4.2 million of tax benefit resulting from return to provision adjustments pursuant to the completion of the 2014 U.S. federal tax return; $.9 million of tax benefit from a favorable foreign tax law change; $5.4 million of tax expense associated with the tax cost to repatriate non-permanently reinvested 2015 earnings of certain foreign subsidiaries; $1.6 million of net tax benefit related to changes in the effective tax rates in certain foreign municipalities; and $4.2 million of tax benefit due to decreases in certain tax reserves as a result of closing tax years.

The effective tax rate for continuing operations for the nine months ended September 27, 2014 included $20 million of net tax benefit as a result of changes in certain tax reserves and valuation allowances; $4.6 million of tax expense from the taxable inclusion of a net foreign currency gain related to the revaluation of certain intercompany loans; and $6 million of tax expense related to our change in estimate of the potential outcome of uncertain tax issues in China.

Our effective tax rate can vary widely from quarter to quarter due to interim reporting requirements, the recognition of discrete events and the timing of repatriation of foreign earnings. Refer to Note 11, "Taxes Based on Income," to the unaudited Condensed Consolidated Financial Statements for further information.

RESULTS OF OPERATIONS BY REPORTABLE SEGMENT FOR THE NINE MONTHS YEAR-TO-DATE

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

Pressure-sensitive Materials

(In millions)	Nine Months Ended October 3, 2015	Nine Months Ended September 27, 2014
Net sales including intersegment sales	$ 3,364.9	$ 3,530.5
Less intersegment sales	(46.5)	(49.1)
Net sales	$ 3,318.4	$ 3,481.4
Operating income[(1)]	383.2	315.1

(1) Included costs associated with restructuring in both years, gain on sale of asset in 2015, and loss from curtailment of pension obligation in 2014.	$	13.8	$	36.3

Net Sales
In the first nine months of 2015, sales in our Pressure-sensitive Materials segment decreased approximately 5% compared to the same period last year, reflecting the unfavorable impact of foreign currency translation, partially offset by higher sales on an organic basis and the impact of the extra week in our prior fiscal year. On an organic basis, sales increased approximately 5% due to higher volume and improved product mix. On an organic basis, sales increased at mid-single digit rates in North America, Western Europe, and emerging markets.

In the first nine months of 2015, sales on an organic basis increased at mid-single digit rates for both the Materials and Performance Tapes product groups.

Operating Income
Operating income increased in the first nine months of 2015 compared to the same period last year primarily reflecting higher volume and improved product mix, benefits from productivity initiatives, including savings from restructuring, net of transition costs, lower restructuring costs, and the net impact of pricing and raw material input costs, partially offset by the unfavorable impact of currency translation and higher employee-related costs.

Retail Branding and Information Solutions

	Nine Months Ended			
(In millions)	October 3, 2015		September 27, 2014	
Net sales including intersegment sales	$	1,140.2	$	1,187.9
Less intersegment sales		(1.5)		(1.9)
Net sales	$	1,138.7	$	1,186.0
Operating income(1)		54.3		65.5
(1) Included costs associated with restructuring in both years, loss on sale of a product line and related exit costs in 2015, legal settlement in 2015, indefinite-lived intangible asset impairment charge in 2014, and gain on sale of assets in 2014.	$	29.4	$	16.8

Net Sales
In the first nine months of 2015, sales in our RBIS segment decreased approximately 4% compared to the same period last year, reflecting the unfavorable impact of foreign currency translation and a product line sale, partially offset by higher sales on an organic basis and the impact from the extra week in our prior fiscal year. On an organic basis, sales increased approximately 1% primarily due to higher volume.

Operating Income
Operating income decreased in the first nine months of 2015 primarily reflecting higher employee-related costs, the loss on sale of a product line and related exit costs, and the impact of unfavorable product mix and pricing, partially offset by benefits from productivity initiatives, including savings from restructuring actions, net of transition costs.

Table of Contents

Vancive Medical Technologies

	Nine Months Ended			
(In millions)	October 3, 2015		September 27, 2014	
Net sales including intersegment sales	$	59.4	$	65.6
Less intersegment sales		(4.4)		(7.5)
Net sales	$	55.0	$	58.1
Operating loss(1)		(4.7)		(7.2)
(1) Included costs associated with restructuring in both years.	$	3.4	$	.1

Net Sales
In the first nine months of 2015, sales in our Vancive Medical Technologies segment decreased approximately 5% compared to the same period last year reflecting the unfavorable impact of foreign currency translation, partially offset by higher sales on an organic basis. On an organic basis, sales increased approximately 4% primarily due to higher volume.

Operating Loss
Operating loss decreased in the first nine months of 2015 compared to the same period last year primarily due to a reduction in operating costs, including reduced spending associated with a discontinued new product platform.

Table of Contents

FINANCIAL CONDITION

Liquidity

Cash Flow from Operating Activities

(In millions)	Nine Months Ended October 3, 2015	Nine Months Ended September 27, 2014
Net income	$ 217.3	$ 174.5
Depreciation and amortization	142.8	148.5
Provision for doubtful accounts and sales returns	36.6	32.7
Loss on sale of businesses	–	3.0
Indefinite-lived intangible asset impairment charge	–	3.0
Net losses from asset impairments and sales/disposals of assets	10.9	3.3
Stock-based compensation	18.4	22.1
Other non-cash expense and loss	38.9	32.1
Changes in assets and liabilities and other adjustments[1]	(174.6)	(219.0)
Net cash provided by operating activities	$ 290.3	$ 200.2

[1] 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 nine months of 2015, cash flow provided by operating activities increased compared to the same period last year primarily due to higher net income, the timing of vendor payments, as well as lower incentive compensation paid in 2015 for the 2014 performance year.

Cash Flow for Investing Activities

(In millions)	Nine Months Ended October 3, 2015	Nine Months Ended September 27, 2014
Purchases of property, plant and equipment	$ (89.6)	$ (100.8)
Purchases of software and other deferred charges	(9.0)	(22.0)
Proceeds from sales of property, plant and equipment	7.1	4.1
Purchases of investments, net	(.2)	–
Other	1.5	–
Net cash used in investing activities	$ (90.2)	$ (118.7)

Capital and Software Spending
During the first nine months of 2015 and 2014, we invested in new equipment to support growth, primarily in Asia and Europe, and to improve manufacturing productivity.

Information technology investments in the first nine months of both 2015 and 2014 were primarily associated with standardization initiatives.

Other
In May 2015, we received $1.5 million from the sale of a product line in our RBIS reportable segment.

Cash Flow for Financing Activities

(In millions)	Nine Months Ended October 3, 2015	Nine Months Ended September 27, 2014
Net (decrease) increase in borrowings (maturities of 90 days or less)	$ (109.8)	$ 86.3
Payments of debt (maturities longer than 90 days)	(6.2)	(1.1)
Dividends paid	(99.6)	(93.4)
Share repurchases	(108.5)	(247.3)
Proceeds from exercises of stock options, net	78.4	22.6
Other	(1.2)	(2.4)
Net cash used in financing activities	$ (246.9)	$ (235.3)

Borrowings and Repayment of Debt
Given the seasonality of our cash flow, during the first nine months of 2015 and 2014, our commercial paper borrowings were used mainly to fund share repurchase activity, dividends, and capital and software expenditures. In addition, during the second quarter of 2015, we repaid a $5 million medium-term note.

Dividend Payments
We paid dividends of $1.09 per share in the first nine months of 2015 compared to $.99 per share in the same period last year. In April 2015, we increased our quarterly dividend to $.37 per share, representing a 6% increase from our previous dividend rate of $.35 per share.

Share Repurchases
During the first nine months of 2015, we repurchased approximately 1.9 million shares of our common stock at an aggregate cost of $108.5 million. During the first nine months of 2014, we repurchased approximately 5 million shares of our common stock at an aggregate cost of $247.3 million.

As of October 3, 2015, shares of our common stock in the aggregate amount of approximately $491 million remained authorized for repurchase under outstanding board authorizations.

Analysis of Selected Balance Sheet Accounts

Long-lived Assets
In the nine months ended October 3, 2015, goodwill decreased by approximately $31 million to $691 million as result of the impact of foreign currency translation.

In the nine months ended October 3, 2015, other intangibles resulting from business acquisitions, net, decreased by approximately $17 million to $51 million, which primarily reflected current year amortization expense.

Refer to Note 4, "Goodwill," to the unaudited Condensed Consolidated Financial Statements for more information.

In the nine months ended October 3, 2015, other assets decreased by approximately $25 million to $439 million, which reflected amortization expense related to software and other deferred charges, net of purchases, as well as the impact of foreign currency translation.

Shareholders' Equity Accounts
In the nine months ended October 3, 2015, the balance of our shareholders' equity increased by approximately $4 million to $1.06 billion, which primarily reflected net income and the use of treasury shares to settle exercises of stock options and vesting of stock-based awards and fund contributions to our U.S. defined contribution plan, largely offset by the unfavorable impact of foreign currency translation, share repurchases, and dividend payments.

Impact of Foreign Currency Translation

(In millions)	Nine Months Ended October 3, 2015	Nine Months Ended September 27, 2014
Change in net sales	$ (398)	$ (11)
Change in income from continuing operations	(26)	(1)

International operations generated approximately 74% of our net sales during the nine months ended October 3, 2015. 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.

The unfavorable impact of foreign currency translation on net sales in the first nine months of 2015 compared to the same period last year was primarily related to euro-denominated sales.

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 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 and Operational Working Capital Ratios
Working capital (current assets minus current liabilities and net assets held for sale), as a percentage of annualized net sales, increased in the first nine months of 2015 compared to the same period last year, primarily due to decreases in short-term and the current portion of long-term debt and capital leases, accounts payable and other accrued liabilities, which more than offset the effect of decreases in net trade accounts receivable and inventories.

Operational working capital, as a percentage of annualized net sales, is reconciled with working capital below. Our objective is to minimize our investment in operational working capital, as a percentage of annualized net sales, to maximize cash flow and return on investment.

(Dollars in millions)	Nine Months Ended October 3, 2015	Nine Months Ended September 27, 2014
(A) Working capital	$ 446.5	$ 436.0
Reconciling items:		
Cash and cash equivalents	(171.7)	(195.6)
Current deferred and refundable income taxes and other current assets	(232.9)	(238.5)
Short-term borrowings and current portion of long-term debt and capital leases	85.1	167.1
Current deferred and payable income taxes and other current accrued liabilities	544.0	598.8
(B) Operational working capital	$ 671.0	$ 767.8
(C) Annualized net sales (year-to-date sales, divided by three and multiplied by four)	$ 6,016.1	$ 6,300.7
Working capital, as a percentage of annualized net sales (A) ÷ (C)	7.4%	6.9%
Operational working capital, as a percentage of annualized net sales (B) ÷ (C)	11.2%	12.2%

As a percentage of annualized net sales, operational working capital for the first nine months of 2015 improved 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 61 days in the first nine months of 2015 compared to 63 days in the first nine months of 2014. The average number of days outstanding was calculated using the three-quarter average trade accounts receivable balance divided by the average daily sales for the first nine months of 2015 and 2014, respectively. The current year average number of days sales outstanding primarily reflected the timing of collections and the effect of foreign currency translation.

Inventory Ratio
Average inventory turnover increased modestly to 8.5 in the first nine months of 2015 from 8.4 in the first nine months of 2014. The average inventory turnover was calculated using the annualized cost of sales (cost of sales for the first nine months, divided by three and multiplied by four) divided by the three-quarter average inventory balance.

Accounts Payable Ratio
The average number of days payable outstanding was 71 days in the first nine months of 2015 compared to 68 days in the first nine months of 2014. The average number of days payable outstanding was calculated using the three-quarter average accounts payable balance divided by the average daily cost of products sold for the first nine months of 2015 and 2014, respectively. The increase in current year average number of days payable outstanding primarily reflected the timing of vendor payments and effect of foreign currency translation.

Capital Resources

Capital resources include cash flows from operations, cash and cash equivalents and debt financing. At October 3, 2015, we had cash and cash equivalents of $171.7 million held in accounts at third-party financial institutions.

Our cash balances are held in numerous locations throughout the world. At October 3, 2015, the majority of our cash and cash equivalents was held by 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 foreign earnings. However, if we were to repatriate incremental foreign earnings, we could be subject to additional taxes in the U.S.

Our $700 million revolving credit facility (the “Revolver”), which is used as a back-up facility for our commercial paper program and can be used to finance other corporate requirements, matures on October 3, 2019. The maturity date may be extended for additional

one-year periods under certain circumstances. The commitments under the Revolver may be increased by up to $325 million, subject to lender approval and other customary requirements. As of October 3, 2015, there was no balance outstanding under the Revolver. Refer to Note 5, “Debt and Capital Leases,” to the unaudited Condensed Consolidated Financial Statements for more information.

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 decreased by approximately $96 million in the first nine months of 2015 to $1.05 billion, primarily reflecting a decrease in commercial paper borrowings used to fund share repurchase activity and capital and software expenditures given the seasonality of our cash flow during the year, a decrease in short-term borrowings and the repayment of a medium-term note. These were partially offset by financing of our Mentor, Ohio facility as a capital lease.

Credit ratings are a significant factor in our ability to raise short- 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 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 maintaining 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.

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 January 3, 2015.

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 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 Glendale, 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 assess our internal control environment. During 2014, we began a phased implementation of a new transactional system in our RBIS segment that is expected to continue through 2017. Processes affected by this implementation include, among other things, order management, pricing, shipping, general accounting and planning. Where appropriate, we are reviewing related internal controls and making changes. Except for this implementation, there have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

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 January 3, 2015.

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 Exchange Act) of registered equity securities in the three fiscal months of the third quarter of 2015 are listed in the following table.

Period[1]	Total number of shares purchased[2]	Average price paid per share	Total number of shares purchased as part of publicly announced plans[2][3]	Approximate dollar value of shares that may yet be purchased under the plans[4]
July 5, 2015 – August 1, 2015	154.0	$ 61.71	154.0	
August 2, 2015 – August 29, 2015	277.9	61.72	277.9	
August 30, 2015 – October 3, 2015	350.5	58.04	350.5	
Total	782.4	$ 60.07	782.4	$ 490.9

[1] The periods shown are our fiscal periods during the thirteen-week quarter ended October 3, 2015.

[2] Shares in thousands.

[3] On December 4, 2014, our Board of Directors authorized the repurchase of shares of our common stock in the aggregate amount of up to $500 million (exclusive of any fees, commissions or other expenses related to such purchases), in addition to any outstanding shares authorized under any previous Board authorization. This authorization will remain in effect until the shares authorized thereby have been repurchased.

[4] Dollars in millions.

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

Table of Contents

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS

Exhibit 3.1(ii)*	Amended and Restated Bylaws, effected as of October 22, 2015
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

* Filed herewith.
** Furnished herewith.

Table of Contents

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/ Anne L. Bramman
Anne L. Bramman
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)

AMENDED AND RESTATED BYLAWS

OF

AVERY DENNISON CORPORATION

(a Delaware Corporation)

Avery Dennison Corporation (hereinafter called the “corporation), pursuant to the provisions of Section 109 of the General Corporation Law of the State of Delaware (the “General Corporation Law”) adopts these Amended and Restated Bylaws (hereinafter, the “Bylaws”), which restate, amend and supersede the bylaws of the corporation, as previously amended, in their entirety as described below:

ARTICLE I

OFFICES

Section 1. *Registered Office*.

The registered office of the corporation in the State of Delaware shall be at 1209 Orange Street, in the City of Wilmington, County of New Castle, and the name of the registered agent at that address shall be The Corporation Trust Company.

Section 2. *Principal Office*.

The principal executive office for the transaction of the business of the corporation is hereby fixed and located in Los Angeles County, California. The board of directors is hereby granted full power and authority to change said principal executive office from one location to another within or without the State of California.

Section 3. *Other Offices*.

The corporation may also have offices at such other places within or without the State of Delaware as the board of directors may from time to time determine, or the business of the corporation may require.

ARTICLE II

STOCKHOLDERS

Section 1. *Place of Meetings*.

Meetings of stockholders shall be held at any place, if any, within or outside the State of Delaware designated by the board of directors. In the absence of any such designation, stockholders’ meetings shall be held at the principal executive office of the corporation.

Section 2. *Annual Meetings of Stockholders*.

The annual meeting of stockholders shall be held on the last Thursday in April of each year at 1:30 p.m. of said day, or on such other day, which shall not be a legal holiday, and at such other time as shall be determined by the board of directors. Any previously scheduled annual meeting of stockholders may be postponed, rescheduled or cancelled by resolution of the board of directors upon public notice given prior to the date previously scheduled for such annual meeting of stockholders.

Section 3. *Special Meetings*.

A special meeting of the stockholders may be called at any time by the board of directors, or by a majority of the directors or by a committee authorized by the board to do so. Any previously scheduled special meeting of the stockholders may be postponed, rescheduled or cancelled by resolution of the board of directors upon public notice given prior to the date previously scheduled for such special meeting of the stockholders. Business transacted at any special meeting of the stockholders shall be limited to the purpose stated in the notice of meeting.

Section 4. *Notice of Stockholders’ Meetings*.

All notices of meetings of stockholders shall be sent or otherwise given in accordance with Section 5 of this Article II not less than ten (10) nor more than sixty (60) days before the date of the meeting being noticed, unless otherwise required by law. The notice shall specify the place, if any, date and hour of the meeting and (i) in case of a special meeting, the purpose or purposes for which the meeting is called, or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the stockholders. The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees who, at the time of the notice, management intends to present for election.

Section 5. *Manner of Giving Notice; Affidavit of Notice*.

Notice of any meeting of stockholders shall be given either personally or by mail or telegraphic or other written communication or by electronic transmission, charges prepaid, addressed to the stockholder at the address of such stockholder appearing on the books of the corporation or given by the stockholder to the corporation for the purpose of notice. Whenever notice is required to be given to any stockholder to whom (1) notice of 2 consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such 2 consecutive annual meetings, or (2) all, and at least 2, payments (if sent by first-class mail) of dividends or interests or securities during a 12 month period, have been mailed addressed to such person at such person’s address as shown on the records of the corporation and have been returned undeliverable, the giving of such notice shall not be required. If any such person shall deliver to the corporation a written notice setting forth such person’s then current address, the requirement that notice be given to such person shall be reinstated. If mailed, notice shall be deemed to have been given at the time when deposited in the United States mail, or if delivered personally or sent by means of electronic transmission, notice shall be deemed to have been given at the time provided in accordance with applicable law.

An affidavit of the mailing or other means of giving any notice of any stockholders' meeting shall be executed by the secretary, assistant secretary or any transfer agent of the corporation giving such notice, and shall be filed and maintained in the minute book of the corporation.

Section 6. *Quorum*.

The presence in person or by proxy of the holders of a majority of the voting power of the outstanding shares entitled to vote at any meeting of stockholders shall constitute a quorum for the transaction of business. The stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 7. *Adjourned Meeting and Notice Thereof*.

Any stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned or recessed from time to time by the Chairman of the meeting**,** but in the absence of a quorum, no other business may be transacted at such meeting, except as provided in Section 6 of this Article II.

When any meeting of stockholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, thereof (and, in the event that the adjourned meeting is to be conducted by means of remote communications, the means of remote communication by which stockholders and proxy holders may be deemed to be present in person and to vote at the meeting) are announced at the meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than thirty (30) days. Notice of any such adjourned meeting, if required, shall be given to each stockholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 4 and 5 of this Article II. At any adjourned meeting the corporation may transact any business which might have been transacted at the original meeting.

Section 8. *Voting*.

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 11 of this Article II. Such vote may be by voice vote or by ballot, at the discretion of the Chairman of the meeting. If a quorum is present, the affirmative vote of a majority in voting power of the shares represented at the meeting and entitled to vote on any matter shall be the act of the stockholders, unless otherwise provided by the General Corporation Law, the certificate of incorporation (including the certificate of designations of preferences as to any preferred stock), these Bylaws, or the rules and regulations of any stock exchange

applicable to the corporation, or applicable law or pursuant to any rule or regulation applicable to the corporation or its securities.

At a stockholders' meeting involving the election of directors, no stockholder shall be entitled to cumulate (i.e., cast for any one or more candidates a number of votes greater than the number of the stockholder's shares). The required vote for the election of directors shall be as set forth in Section 15 of this Article II.

Section 9. *Waiver of Notice or Consent by Absent Stockholders*.

The actions of stockholders taken at any meeting thereof, either annual or special, however called and noticed, and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, not present in person or by proxy, gives a waiver of notice or a consent to the holding of the meeting, or an approval of the minutes thereof. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of stockholders. All such waivers, consents or approvals shall be filed with the corporate records or made part of the minutes of the meeting.

Attendance of a person at a meeting shall also constitute a waiver of notice of such meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if such objection is expressly made at the meeting.

Section 10. *No Stockholder Action by Written Consent Without a Meeting*.

Stockholders may take action only at a regular or special meeting of stockholders.

Section 11. *Record Date for Stockholder Notice and Voting*.

For purposes of determining the holders entitled to notice of any meeting or to vote, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days prior to the date of any such meeting, and in such case only stockholders of record on the date so fixed are entitled to notice and to vote, notwithstanding any transfer of any shares on the books of the corporation after the record date fixed as aforesaid, except as otherwise provided in the General Corporation Law.

If the board of directors does not so fix a record date, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

Section 12. *Proxies*.

Every person entitled to vote for directors or on any other matter shall have the right to do so either in person or by one or more agents authorized by proxy. Without limiting the manner in which a proxy may be granted, a stockholder may grant a proxy in the following manners: (i) by executing a writing authorizing another person or persons to act for such stockholder as proxy or (ii) by transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to a person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided however that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. A written proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or electronic transmission or otherwise) by the stockholder or the stockholder's attorney in fact. A proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, prior to the vote pursuant thereto, by a writing or electronic transmission delivered to the corporation stating that the proxy is revoked or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy, or (ii) notice of the death or incapacity of the maker of such proxy is received by the corporation before the vote pursuant thereto is counted; provided, however, that no such proxy shall be valid after the expiration of three years from the date of such proxy, unless otherwise provided in the proxy.

Section 13. *Inspectors of Election; Opening and Closing the Polls.*

The board of directors by resolution shall appoint one or more inspectors, which inspector or inspectors may include individuals who serve the corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at the meetings of stockholders and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act or is able to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by law.

The chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

Section 14. *Nomination and Stockholder Business.*

(A) Annual Meetings of Stockholders. (1) Nominations of persons for election to the board of directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders only (a) pursuant to the corporation's notice of meeting (or any supplement thereto), (b) by or at the direction of the board of directors or any committee thereof or (c) by the proper request of any stockholder of the corporation who was a stockholder of record of the corporation at the time the notice provided for in this Bylaw is delivered to the secretary of the corporation and at the time of the annual meeting, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw. The immediately preceding sentence shall be the exclusive means for a stockholder to make nominations or other business proposals (other than matters properly brought under Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and included in the corporation's notice of meeting) before an annual meeting of stockholders.

(2) Without qualification or limitation, for any nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Bylaw, the stockholder must have given timely notice thereof and timely updates and supplements thereof in writing to the secretary of the corporation and any such proposed business other than the nominations of persons for election to the board of directors must constitute a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the secretary at the principal executive offices of the corporation not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90 th day prior to such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to such annual meeting, the 10th day following the day on which public announcement of the date of such meeting is first made by the corporation). In no event shall any adjournment or postponement of an annual meeting, or the public announcement thereof, commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(3) Notwithstanding anything in the immediately preceding paragraph to the contrary, in the event that the number of directors to be elected to the board of directors of the corporation is increased, effective at the annual meeting, and there is no public announcement by the corporation naming the nominees for the additional directorships or specifying the size of the increased board of directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for the additional directorships created by such increase, if it shall be delivered to the secretary at the principal executive offices of the corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the corporation.

In addition, to be timely, a stockholder's notice shall further be updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct

as of the record date for the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to the secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for the meeting in the case of the update and supplement required to be made as of the record date, and not later than eight (8) business days prior to the date for the meeting, any adjournment or postponement thereof in the case of the update and supplement required to be made as often (10) business days prior to the meeting or any adjournment or postponement thereof.

(B) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the corporation's notice of meeting. Nominations of persons for election to the board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting (1) by or at the direction of the board of directors or (2) provided that the board of directors has determined that directors shall be elected at such meeting, by any stockholder of the corporation who is a stockholder of record both at the time the notice provided for in this Bylaw is delivered to the secretary of the corporation and at the time of the meeting, who is entitled to vote at the meeting and upon such election and who complies with the notice procedures set forth in this Bylaw. In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the board of directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice with respect to any nomination (including the completed and signed questionnaire, representation and agreement required by Section 16 of this Article II of these Bylaws) shall be delivered to the secretary at the principal executive offices of the corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to such annual meeting, the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall any adjournment or postponement of a special meeting, or the public announcement thereof, commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(C) Disclosure Requirements. (1) To be proper in form, a stockholder's notice (whether given pursuant to paragraph (A) or paragraph (B) of this Bylaw) to the secretary must include the following, as applicable.

(a) As to each person, if any, whom the stockholder proposes to nominate for election or reelection as a director, in addition to the matters set forth in paragraph (c) below: (i) all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (ii) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected and (iii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder and beneficial owner on whose behalf the nomination is being made, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant;

(b) As to any other business that the stockholder proposes to bring before the meeting other than a nomination of a director or directors, in addition to the matters set forth in paragraph (c) below: (i) a brief description of the business desired to be brought before the meeting, (ii) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the corporation, the language of the proposed amendment), (iii) the reasons for conducting such business at the meeting, and (iv) any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made and a description of all

agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such stockholder;

(c) As to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made: (i) the name and address of such stockholder, as they appear on the corporation's books, and the name and address of such beneficial owner, if any, and of their respective affiliates or associates or others acting in concert therewith, (ii) (A) the class or series and number of shares of the corporation which are, directly or indirectly, owned beneficially and of record by such stockholder, such beneficial owner and their respective affiliates or associates or others acting in concert therewith, (B) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the corporation or with a value derived in whole or in part from the value of any class or series of shares of the corporation, any derivative or synthetic arrangement having the characteristics of a long position in any class or series of shares of the corporation, or any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any class or series of shares of the corporation, including due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of shares of the corporation, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of shares of the corporation, through the delivery of cash or other property, or otherwise, and without regard of whether the stockholder of record, the beneficial owner, if any, or any affiliates or associates or others acting in concert therewith, may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right (a "Derivative Instrument") directly or indirectly owned beneficially by such stockholder, the beneficial owner, if any, or any affiliates or associates or others acting in concert therewith and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the corporation, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder has a right to vote any class or series of shares of the corporation, (D) any agreement, arrangement, understanding, relationship or otherwise, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such stockholder, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any class or series of the shares of the corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such stockholder with respect to any class or series of the shares of the corporation, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of any class or series of the shares of the corporation ("Short Interests"), (E) any rights to dividends on the shares of the corporation owned beneficially by such stockholder that are separated or separable from the underlying shares of the corporation, (F) any proportionate interest in shares of the corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner of such general or limited partnership, (G) any performance-related fees (other than an asset-based fee) that such stockholder is entitled to based on any increase or decrease in the value of shares of the corporation or Derivative Instruments, if any, as of the date of such notice and any updates and supplements thereof, including without limitation any such interests held by members of such stockholder's immediate family sharing the same household, (H) any significant equity interests or any Derivative Instruments or Short Interests in any principal competitor of the corporation held by such stockholder, and (I) any direct or indirect interest of such stockholder in any contract with the corporation, any affiliate of the corporation or any principal competitor of the corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), and (iii) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, (iv) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (y) otherwise to solicit proxies from stockholders in support of such proposal or nomination and (v) any other information relating to such stockholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or

for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and

(d) With respect to each person, if any, whom the stockholder proposes to nominate for election or reelection to the board of directors, a stockholder's notice must, in addition to the matters set forth in paragraphs (a) and (c) above, also include the completed and signed questionnaire, representation and agreement required by Section 16 of this Article II of these Bylaws. The corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as an independent director of the corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

(2) For purposes of this Bylaw, "public announcement" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(3) Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw; provided, however, that any references in this Bylaw to the Exchange

Act or the rules promulgated thereunder are not intended to and shall not limit the requirements applicable to nominations or proposals as to any other business to be considered pursuant to paragraph (A) or paragraph (B) of this Bylaw (other than, as provided in the last sentence of (A)(1), matters brought properly under and in compliance with Rule 14a-8 of the Exchange Act, as may be amended from time to time). Nothing in this Bylaw shall be deemed to affect any rights (a) of stockholders to request inclusion of proposals or nominations in the corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act or (b) of the holders of any series of Preferred Stock to elect directors, if and to the extent provided for under law, pursuant to any applicable provisions of the certificate of incorporation or these Bylaws.

(D) General. (1) Only such persons who have been properly nominated in accordance with the procedures set forth in this Bylaw shall be eligible to be elected at an annual or special meeting of stockholders of the corporation to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by law, the certificate of incorporation or these Bylaws, the chairman of the meeting shall have the power and duty (a) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Bylaw (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by clause (C)(1)(c)(iv) of this Bylaw) and (b) if any proposed nomination or business was not made or proposed in compliance with this Bylaw, to declare that such proposed nomination or business shall be disregarded and no action shall be taken on such proposed nomination or business. Notwithstanding the foregoing provisions of this Bylaw, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the corporation. For purposes of this Bylaw, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

Section 15. *Required Vote for Directors*.

(A) Majority Vote. Except as otherwise required by law or by the certificate of incorporation, each director shall be elected by the vote of the majority of the votes cast with respect to the director at any meeting for the election of directors at which a quorum is present; provided, however, that if the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a

plurality of the votes of shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. For purposes of this Bylaw, "a majority of the votes cast" shall mean that the number of shares voted "for" a director's election exceeds the number of votes cast "against" that director's election (with "abstentions" and "broker nonvotes" not counted as votes cast either "for" or "against" that director's election).

(B) If a nominee who is an incumbent director is not elected and no successor has been elected at such meeting, the director shall promptly tender his or her resignation to the board of directors in accordance with the agreement contemplated by Section 16 of this Article II of these Bylaws. The Governance and Social Responsibility Committee shall make a recommendation to the board of directors on whether to accept or reject the tendered resignation, or whether other action should be taken. The board of directors shall act on the tendered resignation, taking into account the Committee's recommendation and publicly disclose (in a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results.

The Governance and Social Responsibility Committee in making its recommendation, and the board of directors in making its decision, may each consider any factors or other information that it considers appropriate and relevant. The director who tenders his or her resignation shall not participate in the recommendation of the Governance and Social Responsibility Committee or the decision of the board of directors with respect to his or her resignation. If such incumbent director's resignation is not accepted by the board of directors, such director shall continue to serve until the end of his or her term and until his or her successor is duly elected, or his or her earlier resignation or removal. If a director's resignation is accepted by the board of directors pursuant to this Bylaw, or if a nominee for director is not elected and the nominee is not an incumbent director, then the board of directors, in its sole discretion, may fill any resulting vacancy pursuant to the provisions of Section 4 of Article III of these Bylaws or may decrease the size of the board of directors pursuant to the provisions of Section 2 of Article III of these Bylaws.

Section 16. *Submission of Questionnaire, Representation and Agreement*.

To be eligible to be a nominee for election or reelection as a director of the corporation, a person must deliver (in accordance with the time periods prescribed for delivery of notice under Section 14 of this Article II) to the secretary at the principal executive offices of the corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the secretary upon written request) and a written representation and agreement (in the form provided by the secretary upon written request) that such person (A) will abide by the requirements of Section 15 of this Article II, (B) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the corporation or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the corporation, with such person's fiduciary duties under applicable law, (C) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, (D) agrees to comply with the corporation's outside directors stock ownership policies, if any, and (E) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the corporation, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the corporation.

ARTICLE III

DIRECTORS

Section 1. *Powers*.

Subject to the provisions of the General Corporation Law and any limitations in the certificate of incorporation and these Bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the directors shall have the power and authority to:

(a) Select and remove all officers, agents and employees of the corporation, prescribe such powers and duties for them as may not be inconsistent with law, the certificate of incorporation or these Bylaws, fix their compensation, and require from them security for faithful service.

(b) Change the principal executive office or the principal business office in the State of California from one location to another; cause the corporation to be qualified to do business in any other state, territory, dependency, or foreign country and conduct business within or outside the State of California; designate any place within or without the State of California for the holding of any stockholders' meeting or meetings, including annual meetings; adopt, make and use a corporate seal, and prescribe the forms of certificates of stock, and alter the form of such seal and of such certificates from time to time as in their judgment they may deem best, provided that such forms shall at all times comply with the provisions of law.

(c) Authorize the issuance of shares of stock of the corporation from time to time, upon such terms as may be lawful, in consideration of money paid, labor done or services actually rendered, debts or securities canceled or tangible or intangible property actually received.

(d) Borrow money and incur indebtedness for the purpose of the corporation, and cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, or other evidences of debt and securities therefor.

Section 2. *Number and Qualification of Directors*.

The number of directors of the corporation shall be no less than eight (8) and no more than twelve (12), with the exact number to be fixed from time to time by resolution duly approved by the board of directors.

Section 3. *Election and Term of Office of Directors*.

Subject to the certificate of incorporation, directors shall be elected at each annual meeting of the stockholders, but if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of stockholders held for that purpose. All directors shall hold office for a term of one year or until their respective successors are duly elected and qualified, subject to such director's earlier death, resignation, disqualification or removal. Irrespective of the preceding sentence, a director shall automatically be retired on the date of the expiration of the first annual meeting following his or her 72nd birthday.

Section 4. *Vacancies and Newly Created Directorships*.

Vacancies and newly created directorships on the board of directors may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director. Each director elected to fill a vacancy shall hold office for the remainder of the term of the person whom he or she succeeds until a successor has been elected and qualified.

A vacancy or vacancies in the board of directors shall be deemed to exist in the case of the death, retirement, resignation, disqualification or removal of any director, or if the authorized number of directors be increased.

Any director may resign or voluntarily retire upon giving written notice to the chairman of the board, the president, the secretary or the board of directors. Such retirement or resignation shall be effective upon the giving of the notice, unless the notice specifies a later time for its effectiveness. If such retirement or resignation is effective at a future time, the board of directors may elect a successor to take office when the retirement or resignation becomes effective.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his or her term of office.

Section 5. *Place of Meetings and Telephonic Meetings*.

Regular meetings of the board of directors may be held at any place within or without the State of Delaware that has been designated from time to time by resolution of the board. In the absence of such designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board shall be held at any place within or without the State of Delaware that has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, at the principal executive office of the corporation. Any meeting, regular or special, may be held by conference telephone or other communication equipment, so long as all directors participating in such meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting.

Section 6. *Annual Meetings*.

Immediately following each annual meeting of stockholders, the board of directors shall hold a regular meeting for the purpose of organization, any desired election of officers and transaction of other business. Notice of this meeting shall not be required.

Section 7. *Other Regular Meetings*.

Other regular meetings of the board of directors shall be held at such time as shall from time to time be determined by the board of directors. Such regular meetings may be held without notice provided that notice of any change in the determination of time of such meeting shall be sent to all of the directors. Notice of a change in the determination of the time shall be given to each director in the same manner as for special meetings of the board of directors.

Section 8. *Special Meetings*.

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board or the president or any vice president or the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone or by electronic transmission to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at his or her address as it is shown upon the records of the corporation. In case such notice is mailed, it shall be deposited in the United States mail at least four (4) days prior to the time of the holding of the meeting. In case such notice is delivered personally, or by telephone, telegram or other form of electronic transmission, it shall be delivered personally, or by telephone, or transmitted by other electronic transmission at least forty-eight (48) hours prior to the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated to either the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose of the meeting nor the place if the meeting is to be held at the principal executive office of the corporation.

Section 9. *Quorum*.

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the board of directors.

Section 10. *Waiver of Notice*.

The actions of the board of directors at any meeting thereof, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if a quorum be present and if, either before or after the meeting, each of the directors not present gives a waiver of notice, a consent to holding the meeting or an approval of the minutes thereof. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director.

Section 11. *Adjournment*.

A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting

to another time and place.

Section 12. *Notice of Adjournment*.

Notice of the time and place of an adjourned meeting need not be given if the time and place thereof are announced at the adjourned meeting, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of such time and place shall be given prior to the time of the adjourned meeting, in the manner specified in Section 8 of this Article III, to the directors who were not present at the time of the adjournment.

Section 13. *Action Without Meeting*.

Any action required or permitted to be taken by the board of directors may be taken without a meeting, if all members of the board shall consent to such action in compliance with applicable law.

Section 14. *Fees and Compensation of Directors*.

Directors and members of committees may receive such compensation, if any, for their services and such reimbursement of expenses, as may be fixed or determined by resolution of the board of directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation for such services.

Section 15. *Chairman of the Board*.

The board of directors may, by resolution, select a member of the board of directors to act as chairman of the board. The chairman of the board shall preside over the meetings of the board of directors and shall have such other duties as may be delegated to the chairman by the board of directors. The chairman of the board shall not be an officer of the corporation, unless otherwise provided by resolution of the board of directors.

ARTICLE IV

COMMITTEES

Section 1. *Committees of Directors*.

The board of directors may, by resolution adopted by the board of directors, designate one or more committees, including an executive committee, each consisting of two or more directors, to serve at the pleasure of the board. The board may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board, shall have all the authority of the board, except with respect to:

(a) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the General Corporation Law to be submitted to the stockholders for approval; or

(b) adopting, amending or repealing any Bylaw of the corporation.

Section 2. *Meetings and Action of Committees*.

Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these Bylaws, Sections 5 (place of meetings), 7 (regular meetings), 8 (special meetings and notice), 9 (quorum), 10 (waiver of notice), 11 (adjournment), 12 (notice of adjournment) and 13 (action without meetings), with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the board of directors and its members, except that the time of regular meetings of committees may be determined by resolution of the board of directors as well as the committee, special meetings of committees may also be called by resolution of the board of directors, and notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE V

OFFICERS

Section 1. *Officers*.

The officers of the corporation shall be the chief executive officer, the president, a vice president, a secretary and a chief financial officer or treasurer. The corporation may also have, at the discretion of the chief executive officer or the board of directors, one or more additional vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article V. Any number of offices may be held by the same person.

Section 2. *Election of Officers*.

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article V, shall be chosen annually by the board of directors, and each shall hold his or her office until he or she shall resign or be removed or otherwise disqualified to serve or his or her successor shall be elected and qualified.

Section 3. *Subordinate Officers, etc*.

The chief executive officer or the board of directors may appoint such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the chief executive officer or the board of directors may from time to time determine.

Section 4. *Removal and Resignation of Officers*.

Any officer may be removed, either with or without cause, by the board of directors, at any regular or special meeting thereof, or, except in case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. *Vacancies in Office*.

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 6. *Chief Executive Officer*.

The chief executive officer shall, subject to the control of the board of directors, have general supervision, direction and control of the business and affairs of the corporation. If so determined by resolution of the board of directors, the chairman of the board shall also be the chief executive officer.

Section 7. *President*.

The president shall exercise and perform such powers and duties with respect to the administration of the business and affairs of the corporation as may from time to time be assigned to him by the chief executive officer or by the board of directors, or as may be prescribed by the Bylaws. If so determined by resolution of the board of directors, the president shall also be the chief executive officer and/or the chief operating officer.

Section 8. *Vice Presidents*.

In the absence or disability of the president, a vice president designated by the board of directors shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors or the Bylaws.

Section 9. *Secretary*.

The secretary shall keep or cause to be kept, at the principal executive office or such other place as the board of directors may order, a book of minutes of all meetings and actions of directors, committees of

directors and stockholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at directors' and committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a stock register, or a duplicate register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the board of directors required by the Bylaws or by law to be given, and he or she shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by the Bylaws.

Section 10. *Chief Financial Officer; Treasurer*.

The chief financial officer or treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall be open at all reasonable times to inspection by any director.

The chief financial officer or treasurer shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the chief executive officer or the board of directors. He or she shall disburse the funds of the corporation as may be ordered by the chief executive officer or the board of directors, shall render to the chief executive officer or the board of directors, whenever they request it, an account of all of his or her transactions as treasurer and of the financial condition of the corporation, and shall have other powers and perform such other duties as may be prescribed by the chief executive officer, the board of directors or the Bylaws.

Section 11. *Assistant Secretaries and Assistant Treasurers*.

Any assistant secretary may perform any act within the power of the secretary, and any assistant treasurer may perform any act within the power of the treasurer, subject to any limitations which may be imposed in these Bylaws or in board resolutions.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

Section 1. *Indemnification and Insurance*.

(A) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit, or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the corporation, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the General Corporation Law as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in paragraph (C) of this

Bylaw, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors. The right to indemnification conferred in this Bylaw shall be a contract right that vests at the time that such person's service to or at the request of the corporation commences and includes the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the corporation within 20 days after the receipt by the corporation of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, that if the General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of an undertaking by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Bylaw or otherwise.

(B) To obtain indemnification under this Bylaw, a claimant shall submit to the corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this paragraph (B), a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (1) if requested by the claimant, by independent counsel (as hereinafter defined), or (2) if no request is made by the claimant for a determination by independent counsel, (i) by the board of directors by a majority vote of a quorum consisting of disinterested directors (as hereinafter defined), or (ii) by a committee of disinterested directors designated by disinterested directors, even though less than a quorum, or (iii) if a quorum of the board of directors consisting of disinterested directors is not obtainable or, even if obtainable, such quorum of disinterested directors so directs, by independent counsel in a written opinion to the board of directors, a copy of which shall be delivered to the claimant, or (iv) if a quorum of disinterested directors so directs, by the stockholders of the corporation. In the event the determination of entitlement to indemnification is to be made by independent counsel at the request of the claimant, the independent counsel shall be selected by the board of directors unless there shall have occurred within two years prior to the date of the commencement of the action, suit or proceeding for which indemnification is claimed a "Change of Control" as defined in the Amended and Restated Stock Option and Incentive Plan, in which case the independent counsel shall be selected by the claimant unless the claimant shall request that such selection be made by the board of directors. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within 10 days after such determination.

(C) If a claim under paragraph (A) of this Bylaw is not paid in full by the corporation within 30 days after a written claim pursuant to paragraph (B) of this Bylaw has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim, including attorney's fees to the fullest extent permitted by law. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has not met the standard of conduct which makes it permissible under the General Corporation Law for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law, nor an actual determination by the corporation (including its board of directors, independent counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(D) If a determination shall have been made pursuant to paragraph (B) of this Bylaw that the claimant is entitled to indemnification, the corporation shall be bound by such determination in any judicial proceeding commenced pursuant to paragraph (C) of this Bylaw.

(E) The corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to paragraph (C) of this Bylaw that the procedures and presumptions of this Bylaw are not valid, binding and enforceable and shall stipulate in such proceeding that the corporation is bound by all the provisions of this Bylaw.

(F) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Bylaw (i) shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise and (ii) cannot be terminated by the corporation, the board of directors or the stockholders of the corporation with respect to a person's service prior to the date of such termination. No repeal or modification of this Bylaw shall in any way diminish or adversely affect the rights of any current or former director, officer, employee or agent of the corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

(G) The corporation may maintain insurance, at its expense, to protect itself and any current or former director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law. To the extent that the corporation maintains any policy or policies providing such insurance, each such current or former director or officer, and each such agent or employee to which rights to indemnification have been granted as provided in paragraph (H) of this Bylaw, shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such current or former director, officer, employee or agent.

(H) The corporation may, to the extent authorized from time to time by the board of directors or the chief executive officer, grant rights to indemnification, and rights to be paid by the corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any current or former employee or agent of the corporation to the fullest extent of the provisions of this Bylaw with respect to the indemnification and advancement of expenses of current or former directors and officers of the corporation.

(I) If any provision or provisions of this Bylaw shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Bylaw (including, without limitation, each portion of any paragraph of this Bylaw containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Bylaw (including, without limitation, each such portion of any paragraph of this Bylaw containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

(J) For purposes of this Bylaw:

(1) "disinterested director" means a director of the corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(2) "independent counsel" means a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporation law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the corporation or the claimant in an action to determine the claimant's rights under this Bylaw.

(K) Any notice, request or other communication required or permitted to be given to the corporation under this Bylaw shall be in writing and either delivered in person or sent by telecopy, telex, telegram, overnight mail or courier service, or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the corporation and shall be effective only upon receipt by the Secretary.

Section 2. *Fiduciaries of Corporate Employee Benefit Plan*.

This Article VI does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the corporation as defined in Section 1 of this Article VI. Nothing contained in this Article VI shall limit any right to indemnification to which such a trustee, investment manager or other fiduciary may be entitled by contract or otherwise, which shall be enforceable to the extent permitted by Section 410 of the Employee Retirement Income Security Act of 1974, as amended, other than this Article VI.

ARTICLE VII

GENERAL CORPORATE MATTERS

Section 1. *Record Date for Purposes Other Than Notice and Voting*.

For purposes of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days prior to any such action, and in such case only stockholders of record on the date so fixed are entitled to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date fixed as aforesaid, except as otherwise provided in the General Corporation Law.

If the board of directors does not so fix a record date, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board adopts the resolution relating thereto.

Section 2. *Checks, Drafts, Evidences of Indebtedness*.

All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the corporation shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the board of directors.

Section 3. *Corporate Contracts and Instruments; How Executed*.

The board of directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances; and, unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 4. *Stock Certificates*.

The shares of the corporation shall be represented by certificates, provided that the board of directors may provide by resolution or resolutions that some or all of any or all classes or series of stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman or Vice Chairman of the board of directors, if any, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the corporation certifying the number of shares owned by such holder in the corporation. Any of or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were such officer, transfer agent, or registrar at the date of issue.

Section 5. *Lost Certificates*.

Except as hereinafter in this Section 5 provided, no new stock certificate shall be issued in lieu of an old certificate unless the latter is surrendered to the corporation and canceled at the same time. The board of directors may in case any stock certificate or certificate for any other security is lost, stolen or destroyed, authorize the issuance of a new certificate in lieu thereof, upon such terms and conditions as the board of directors may require, including provision for indemnification of the corporation secured by a bond or other adequate security sufficient to protect the corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction of such certificate or the issuance of such new certificate.

Section 6. *Representation of Stock of Other Corporations*.

The chairman of the board, the president, or any vice president, or any other person authorized by resolution of the board of directors by any of the foregoing designated officers, is authorized to vote on

behalf of the corporation any and all stock or other equity interest of any other corporation or corporations, foreign or domestic, standing in the name of the corporation. The authority herein granted to said officers to vote or represent on behalf of the corporation any and all stock by the corporation in any other corporation or corporations, or other entity or entities, may be exercised by any such officer in person or by any person authorized to do so by proxy duly executed by said officer.

Section 7. *Construction and Definitions*.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the General Corporation Law shall govern the construction of the Bylaws. Without limiting the generality of the foregoing, the singular number includes the plural, the plural number includes the singular, and the term “person” includes both a corporation and a natural person.

Section 8. *Seal*.

The seal of the corporation shall be round and shall bear the name of the corporation and words and figures denoting its organization under the laws of the State of Delaware and year thereof, and otherwise shall be in such form as shall be approved from time to time by the board of directors.

ARTICLE VIII

AMENDMENTS

Section 1. *Amendment by Stockholders*.

New Bylaws may be adopted or these Bylaws may be amended or repealed by the majority of votes cast by the stockholders, considered for purposes of this Section 1 as one class, provided that a quorum exists as defined by Article II, Section 6 of these Bylaws.

Section 2. *Amendment by Directors*.

Subject to the rights of the stockholders as provided in Section 1 of this Article VIII, to adopt, amend or repeal Bylaws, Bylaws may be adopted, amended or repealed by the board of directors.

Amended and restated effective as of October 22, 2015.

Exhibit 12

Avery Dennison Corporation

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

	Three Months Ended		Nine Months Ended	
(Dollars in millions)	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Earnings:				
Income from continuing operations before taxes	$ 116.1	$ 99.1	$ 317.4	$ 263.0
Add: Fixed charges[1]	21.4	22.7	65.4	68.1
Amortization of capitalized interest	1.2	1.0	3.5	3.0
Less: Capitalized interest	(.9)	(1.2)	(2.5)	(3.3)
	$ 137.8	$ 121.6	$ 383.8	$ 330.8
Fixed charges:[1]				
Interest expense	$ 14.7	$ 15.4	$ 45.3	$ 46.4
Capitalized interest	.9	1.2	2.5	3.3
Interest portion of leases	5.8	6.1	17.6	18.4
	$ 21.4	$ 22.7	$ 65.4	$ 68.1
Ratio of Earnings to Fixed Charges	6.4	5.4	5.9	4.9

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

Exhibit 31.1

Avery Dennison Corporation

**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 and Chief Executive Officer

November 3, 2015

Exhibit 31.2

Avery Dennison Corporation

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

CERTIFICATION

I, Anne L. Bramman, 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/ Anne L. Bramman
Anne L. Bramman
Senior Vice President and Chief Financial Officer

November 3, 2015

Exhibit 32.1

Avery Dennison Corporation

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 October 3, 2015 (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: November 3, 2015

/s/ Dean A. Scarborough
Dean A. Scarborough
Chairman 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.

Exhibit 32.2

Avery Dennison Corporation

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 her knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended October 3, 2015 (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: November 3, 2015

/s/ Anne L. Bramman

Anne L. Bramman

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.