Analyst Meeting

Avery Dennison Corporation

March 2017

Forward-Looking Statements

Certain statements contained in this document are "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements, and financial or other business targets, are subject to certain risks and uncertainties. Actual results and trends may differ materially from historical or anticipated results depending on a variety of factors, including but are not limited to, risks and uncertainties relating to the following: fluctuations in demand affecting sales to customers; worldwide and local economic conditions; changes in political conditions; changes in governmental laws and regulations; fluctuations in 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; execution and integration of acquisitions and completion of potential dispositions; timely development and market acceptance of new products, including sustainable or sustainably-sourced products; investment in development activities and new production facilities; amounts of future dividends and share repurchases; customer and supplier concentrations; successful implementation of new manufacturing technologies and installation of manufacturing equipment; disruptions in information technology systems, including cyber-attacks or other intrusions to network security; successful installation of new or upgraded information technology systems; data security breaches; volatility of financial markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; our ability to obtain adequate financing arrangements and maintain access to capital; fluctuations in interest and tax rates; changes in tax laws and regulations, and uncertainties associated with interpretations of such laws and regulations; outcome of tax audits; fluctuations in pension, insurance, and employee benefit costs; the impact of legal and regulatory proceedings, including with respect to environmental, health and safety; protection and infringement of intellectual property; the impact of epidemiological events on the economy and our customers and suppliers; acts of war, terrorism, and natural disasters; and other factors.

We believe that the most significant risk factors that could affect our financial performance in the near-term include: (1) the impacts of global economic conditions and political uncertainty on underlying demand for our products and foreign currency fluctuations; (2) competitors' actions, including pricing, expansion in key markets, and product offerings; (3) the degree to which higher costs can be offset with productivity measures and/or passed on to customers through selling price increases, without a significant loss of volume; and (4) the execution and integration of acquisitions.

For a more detailed discussion of these and other factors, see “Risk Factors” and “Management’s Discussion and Analysis of Results of Operations and Financial Condition” in our 2016 Form 10-K, filed on February 23, 2017 with the Securities and Exchange Commission. The forward-looking statements included in this document are made only as of the date of this document, and we undertake no obligation to update these statements to reflect subsequent events or circumstances, other than as may be required by law.

Use of Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures as defined by SEC rules. 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 investors and financial analysts, we believe that the supplemental non-GAAP financial measures we provide are useful to their assessment of our performance and operating trends, as well as our liquidity. In accordance with Regulation G, reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures, including limitations associated with these non-GAAP financial measures, are provided in Appendix B of this document.

Creating superior long-term value

- **Consistently delivering against our long-term financial targets**
- **#1 player in primary businesses, leveraging strong competitive advantages**
- **Catalysts for consistent GDP+ growth**
- **Successfully executing key strategies:**
  - Driving outsized growth in high value categories
  - Growing profitably in our base business
  - Continuing our relentless focus on productivity
  - Deploying capital effectively
- **Raising the bar with new long-term growth and margin targets**

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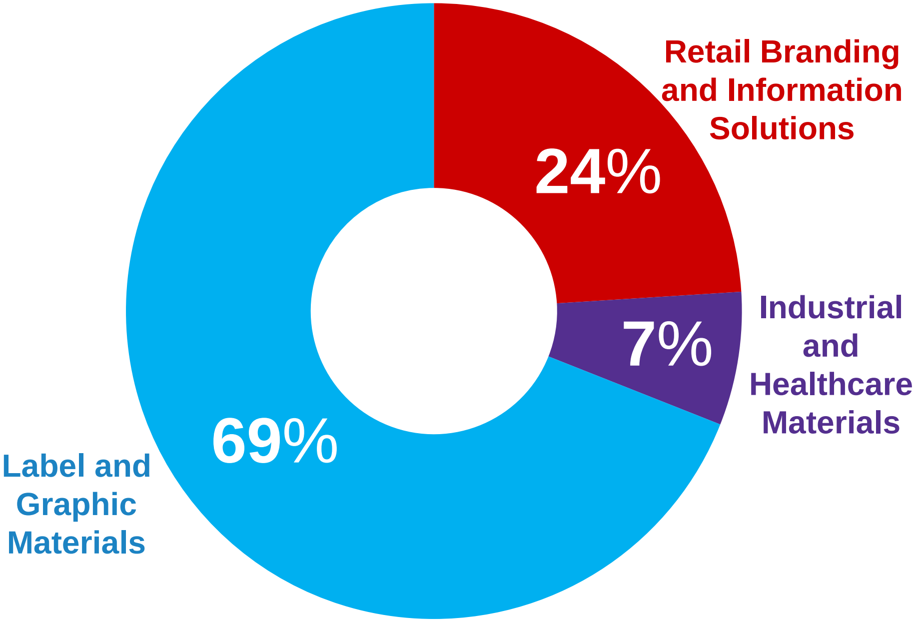
Avery Dennison at a glance

- **Recognized industry leader**
  - More than 25,000 employees
  - Operations in more than 50 countries
- **Sustainable competitive advantages**
  - Global scale; 180+ operating locations
  - Materials science capabilities focused on pressure-sensitive adhesives
  - Innovative process technology
  - Operational and commercial excellence

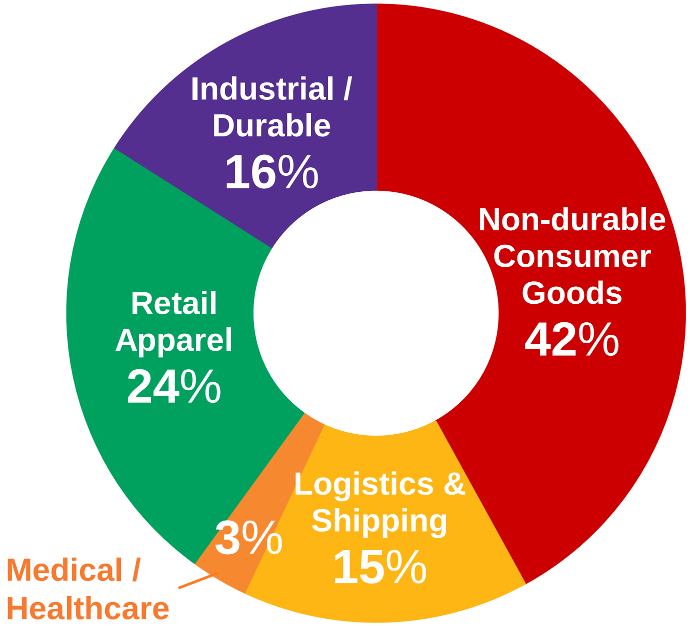
2016 Sales by Segment



2016 Net Sales = $6.1 billion

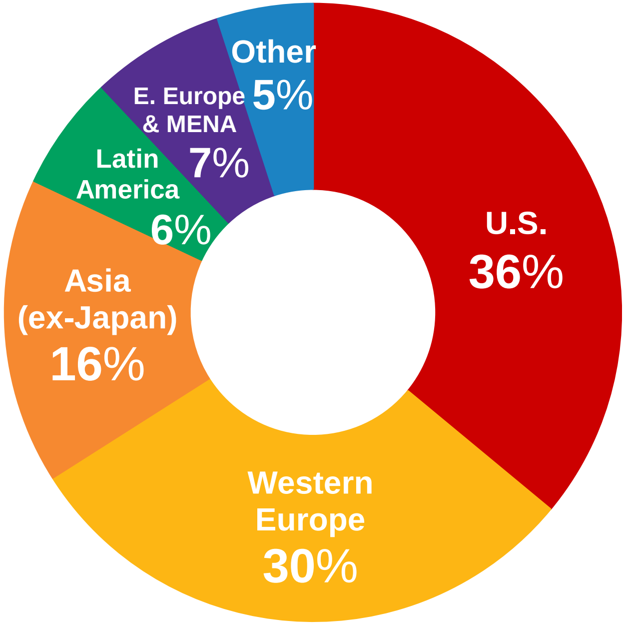
Broad exposure to diverse end markets

2016 Sales by Product Category



2016 Sales by Geography[1]

Emerging Markets ~30%



(1) Sales by end demand region. See Appendix A for comparison to actual invoiced sales by geography. Other includes: Canada, Japan, S. Africa, Australia, and New Zealand

Building on our strengths, positioned to win

2016
- Create IHM to capture opportunities in high value adjacencies
- Increase pace of investment, close first acquisitions
- RFID achieves ~$250 mil. run rate by Y/E

2015
- Initiate segmented approach and multi-year transformation in RBIS
- Begin to build acquisition pipeline

2014
- Raise the bar with new long-term goals through 2018
- Implement segmented approach to win in base/high value categories of LGM

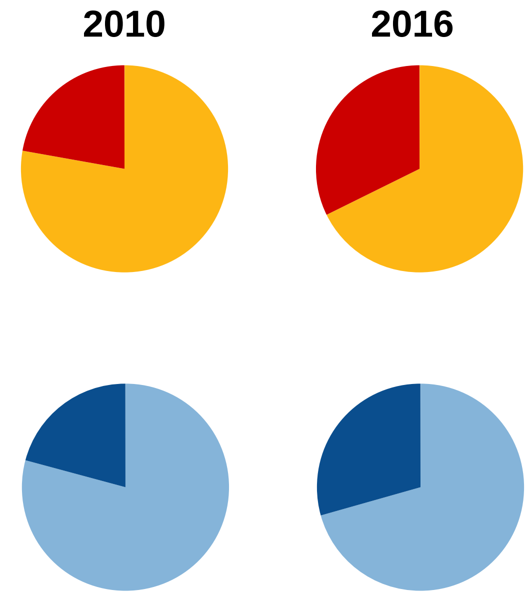
2013
- Divest Office and Consumer Products / Designed & Engineered Solutions
- With de-levering complete, accelerate disciplined share repurchase strategy

2012
- Publicly commit to first set of long-term goals to achieve superior TSR
- Growth/operational strategies return to fundamentals
- Initiate Company-wide restructuring program

Catalysts for consistent GDP+ top line growth

Portfolio Shift

(% of total sales[1])



High Value Categories ~$2.0B

- Secular trends drive GDP+ growth
- Tapes, RFID, Graphics, Specialty Labels

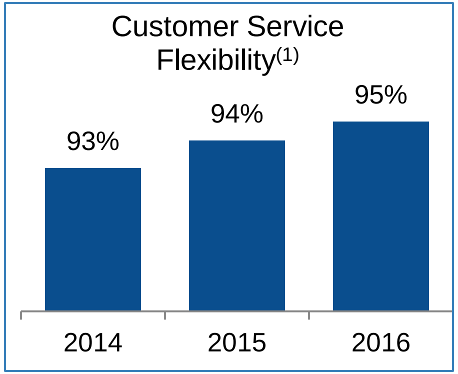
Emerging Markets ~$1.8B[2]

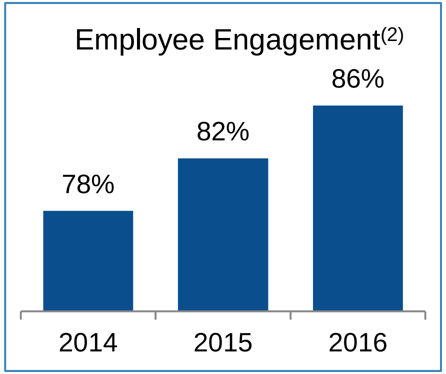
- Further penetration of self-adhesive label technology
- Increased per capita consumption

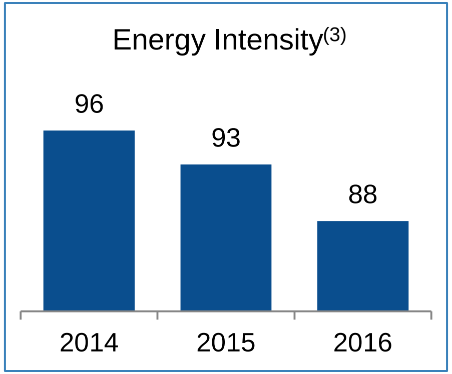
(1) Constant currency
(2) Approximately one-third of emerging market sales are in high value categories, included in the ~$2B above.

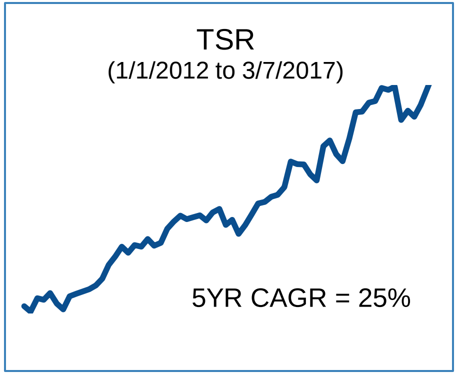
Focused on creating value for all our stakeholders

Customers	Employees	Community	Shareholders
• Deliver industry leading service, quality, and innovation	• Engage and develop our people • Maintain safe working environment	• Reduce greenhouse gas emissions • Responsibly source paper, films, and chemicals • Eliminate waste	• Deliver superior total shareholder return • Strong corporate governance



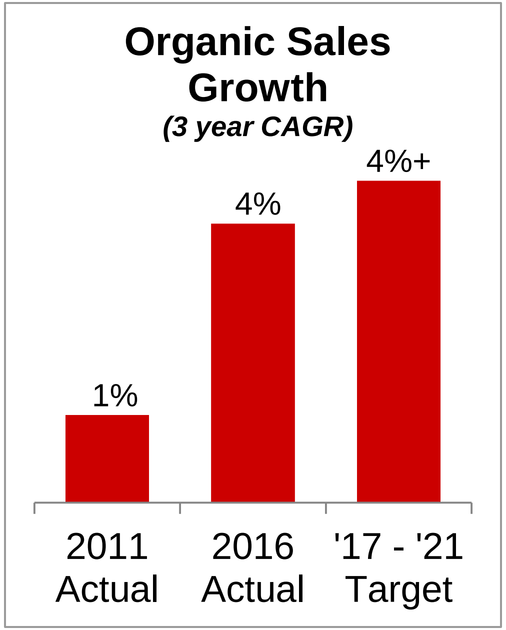


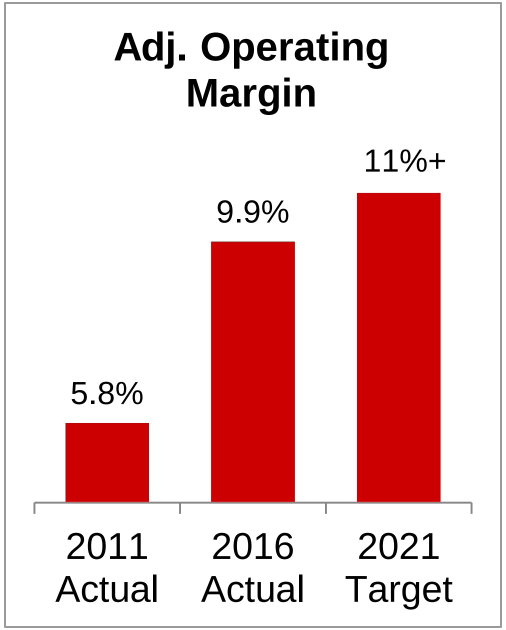


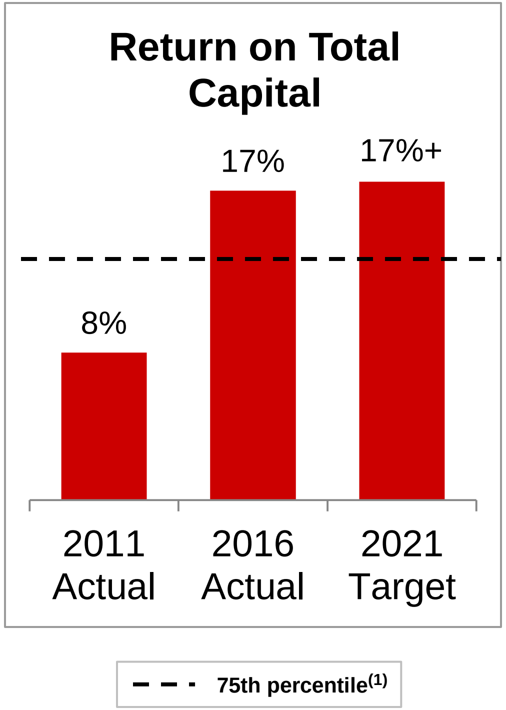


(1) Measure of stock delivery flexibility for Label & Packaging Materials
(2) Composite engagement score based on motivation level, confidence in strategy, and likelihood of recommending Avery Dennison as a place to work
(3) Energy Intensity measured in megawatt hours per million square meters produced in the Materials businesses; absolute greenhouse gas emissions reduced by ~12% in 2016

Achievement of new long-term financial targets expected to drive continued superior value creation







(1) 75th percentile refers to MTIP peer group (see Avery Dennison's Proxy Statement for definition)

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M&A accelerates strategy

- Targeting high value categories and near adjacencies
- Leveraging our global scale and core competencies
- Disciplined investment with clear financial criteria

Recap

- **#1 player in primary businesses, leveraging strong competitive advantages**
- **Catalysts for consistent GDP+ growth**
- **Successfully executing key strategies:**
  - Driving outsized growth in high value categories
  - Growing profitably in our base business
  - Continuing our relentless focus on productivity
  - Deploying capital effectively

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Label and Graphic Materials

Georges Gravanis
President

LGM delivers consistent growth and high returns

- **Leader in growing self-adhesive labels industry (~2.5X next largest competitor)**
- **Clear and sustainable competitive advantages**
  - Global scale, materials science, and process technology
  - Operational and commercial excellence
- **Catalysts for growth above GDP and the industry**
  - Industry leading innovations driving decoration transfer
  - Unparalleled presence in emerging markets
  - Leveraging strengths to win in high value product categories
  - Disciplined approach to profitable growth in our base business
- **Relentless focus on productivity and capital efficiency**

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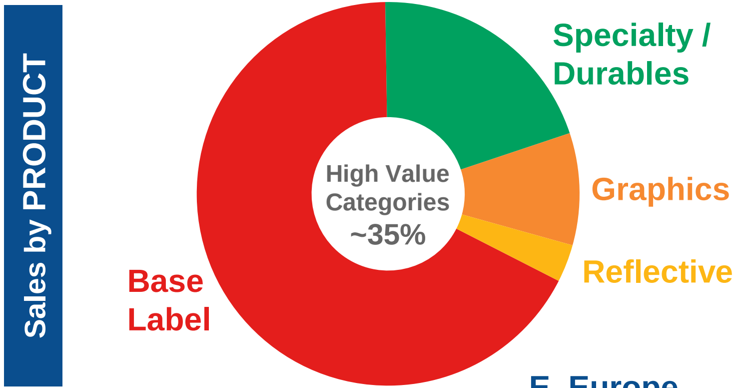
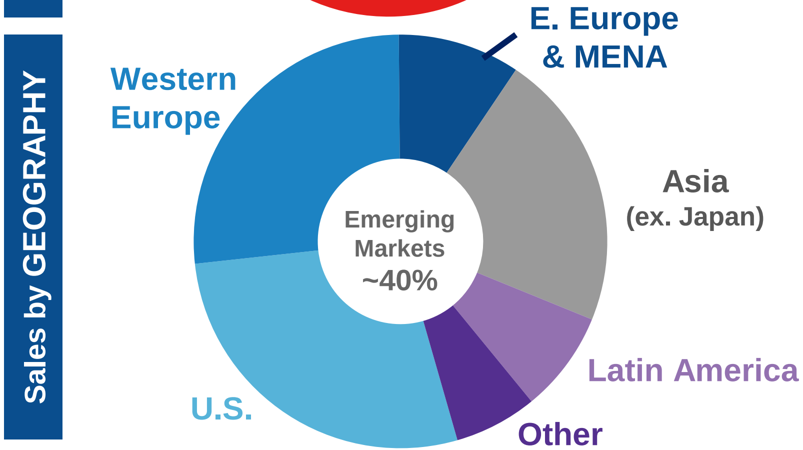
LGM at a glance

FINANCIAL SNAPSHOT	
2016 Sales	$4.2 bil.
Organic Sales Change	5.5%
Adjusted Operating Margin	12.6%





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Industry Snapshot

Product Category and Region	Industry Size(1)	AVY Relative Share (vs. next largest competitor)	Projected Industry Unit CAGR
Labels *Mature Markets* (~50% of LGM)	~$6B	~2x	2-3%
Labels *Emerging Markets* (~35% of LGM)	~$3B	~4x	5-7%
Graphics and Reflective (~15% of LGM(2))	~$4B	< 1x	3-4%

(1) Source: TLMI, FINAT, publicly available information, and internal analysis
(2) Approximately one-third of Graphics and Reflective sales are in emerging markets, bringing total LGM emerging markets to ~40%.

Global industry leader in self-adhesive labels

- Extensive presence in every region
- Industry leading innovation
  - Process technology
  - Polymerization/adhesive formulation
- Unmatched end-user and application insights
- Leader in customer service, responsiveness and technical support

Leadership in innovation driving growth

- Expanding IP-protected technology platforms in adhesives and top coats
- Reducing costs through materials and process reengineering to enhance competitiveness
- Expanding technology scouting efforts
- Embedding sustainability throughout our innovation and reengineering programs

Clean Flake


Peel – Reseal

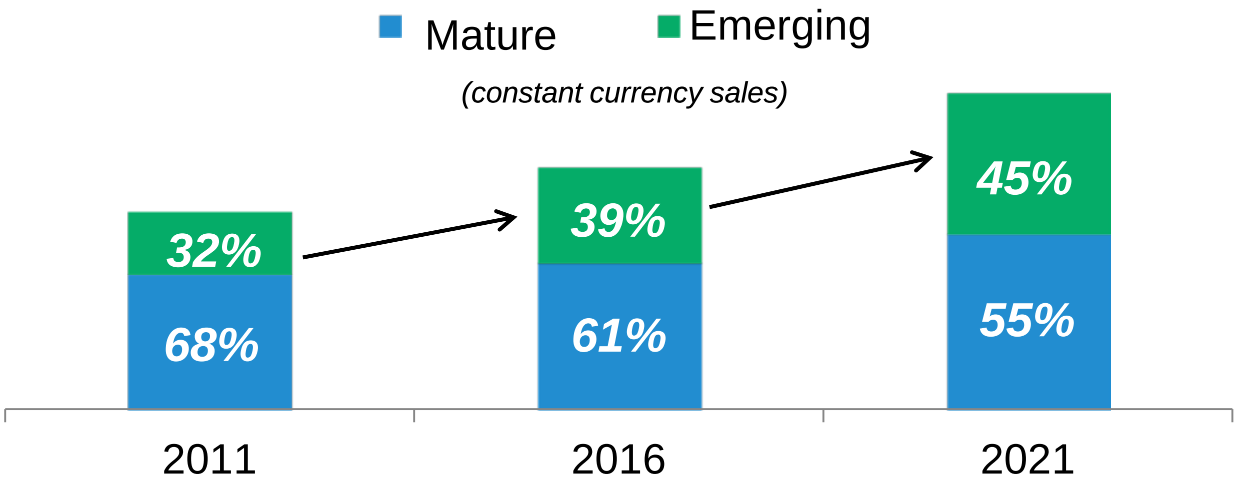

Supreme Wrap Color Flow


Digital Textured Wall Film


Select Solutions

Traffic Jet Print System

Leadership in emerging markets



- Emerging markets growing above GDP driven by consumption trends and decoration transfer
- Penetration still low; consumption of 1 to 4 SQM per capita compared to >10 SQM in US/W. Europe

Opportunity for share gain in Graphics and Reflective

Product portfolio consists of pressure-sensitive films for:

- Advertising
- Signage
- Architecture
- Fleet/Auto Wrapping

- ~$600 mil. business growing faster than segment avg.
- Global addressable market ~$4B, growing GDP+
- Increased scale and complementary products with Mactac and Hanita acquisitions
- Targeting high single digit growth over the long term; gaining share through:
  - Leveraging Label and Packaging Materials foundation
  - Unique expertise in films and micro-replication technology
  - Strong distributor relationships

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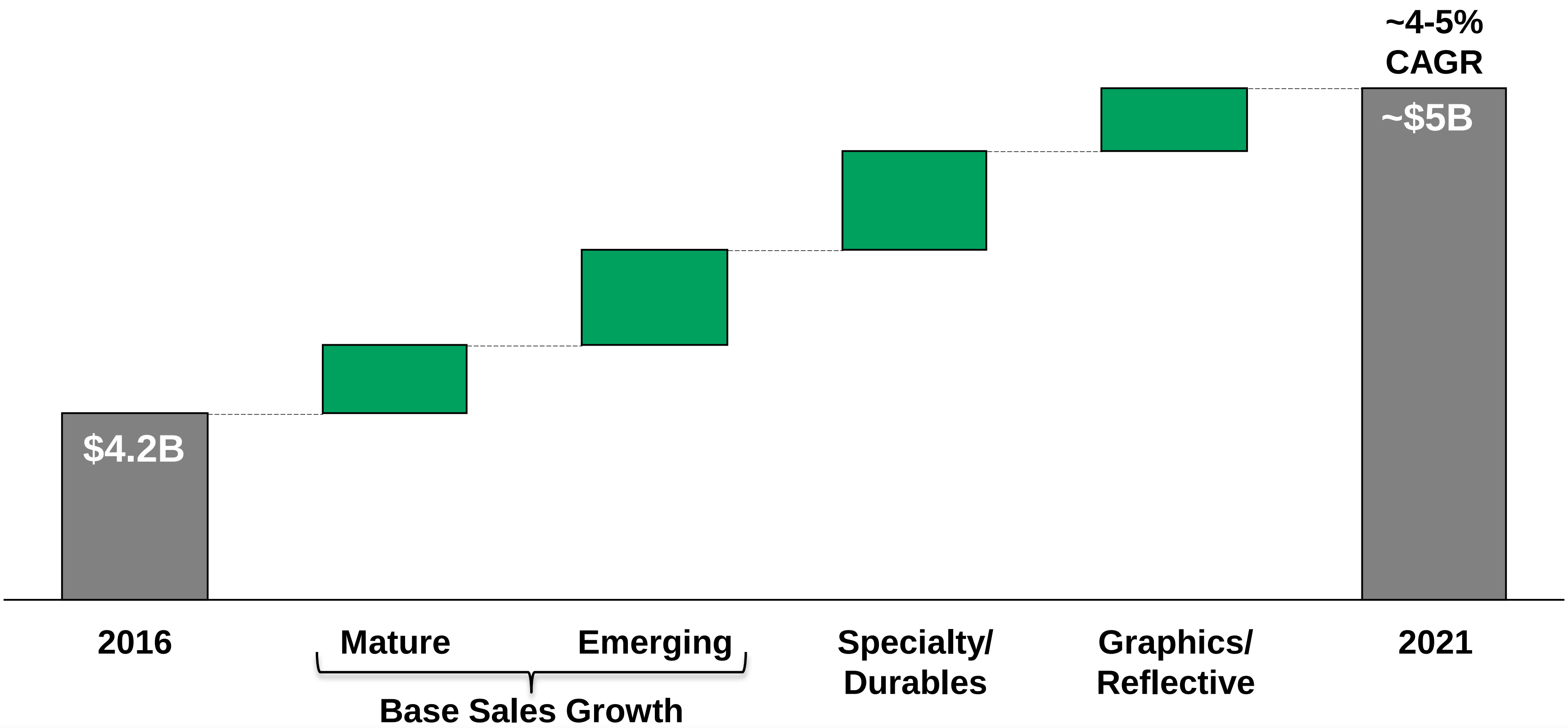
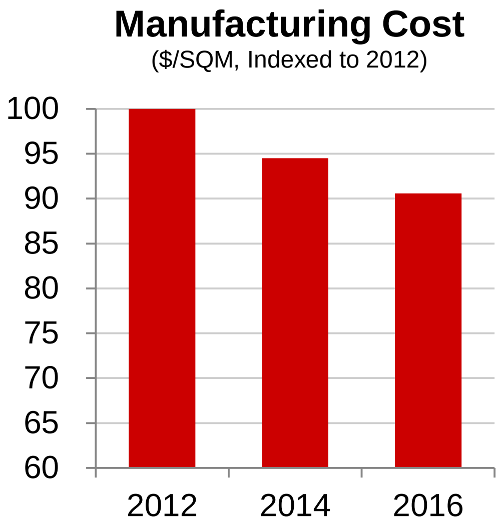
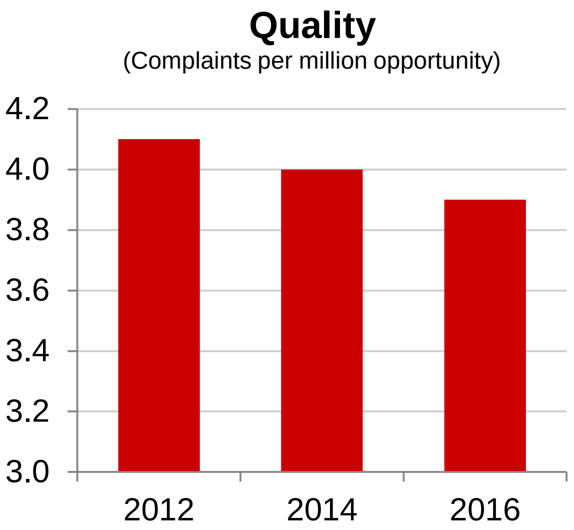
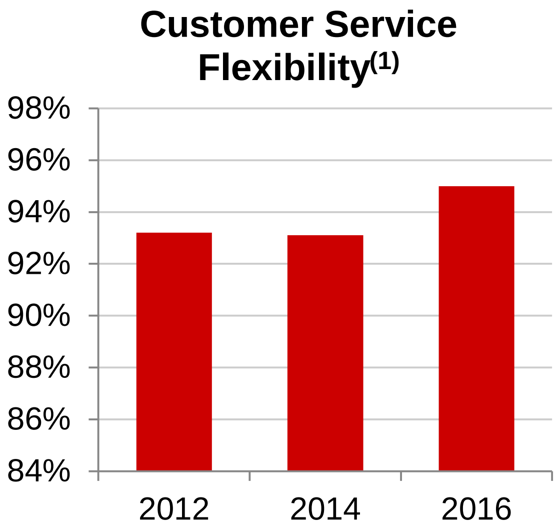
Sources of organic sales growth



Relentless focus on cost, quality, and customer service

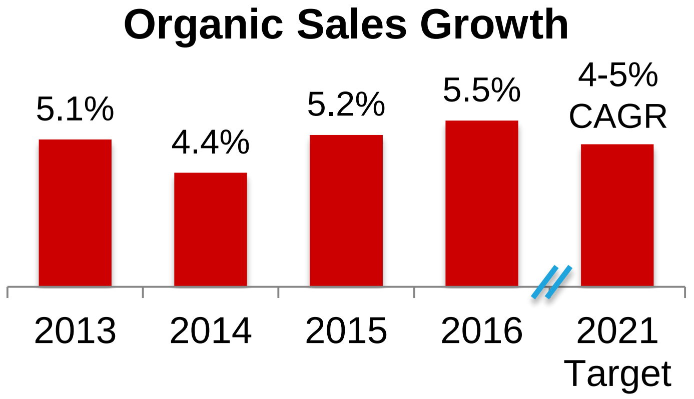


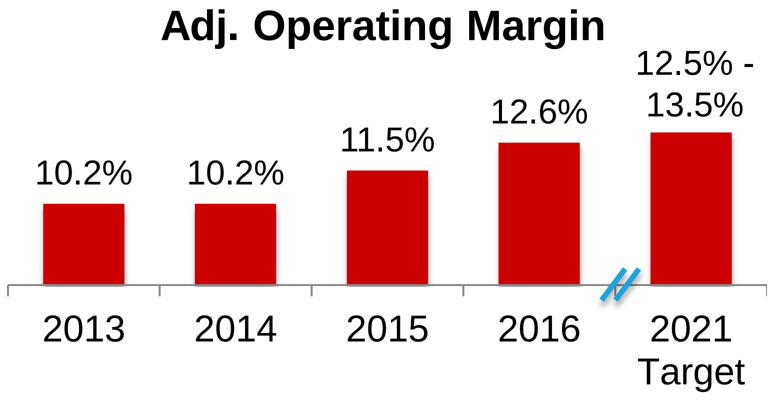




(1) Measure of stock delivery flexibility for Label & Packaging Materials

Our strategy is working





- Market-leading position with sustainable competitive advantages
- Continued GDP+ growth driven by emerging markets and high value categories
- Operational excellence driving productivity and capital efficiency

Industrial and Healthcare Materials

Mike Johansen

Vice President and General Manager

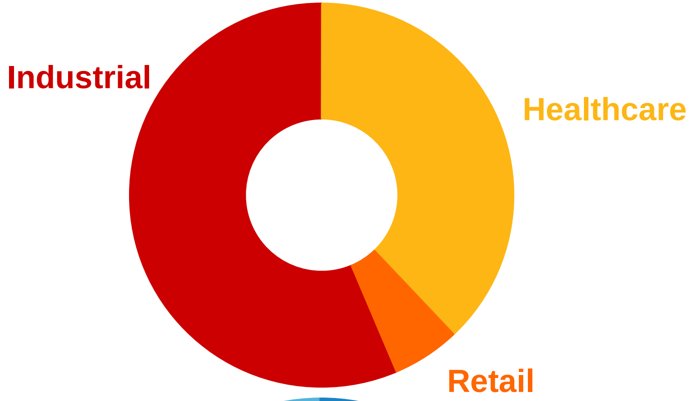
IHM positioned for superior long-term value creation

- **Application-based, specified functional materials businesses serving common markets**
- **Share gain opportunity in large, attractive markets:**
  - Favorable secular trends drive GDP+ growth
  - Custom engineered solutions support high margins and strong customer retention rate
  - Industrial business gaining share (4 year organic sales CAGR of 5% through 2016)
  - Turnaround underway for Healthcare business; recently launched products offer significant upside
- **Strong core capabilities; leveraging LGM's manufacturing/R&D strengths**
- **Compelling opportunity to invest and acquire; expanding scale/capabilities**
- **Targeting 4-5%+ organic growth, 12.5%-13.5%+ adjusted operating margin by 2021**

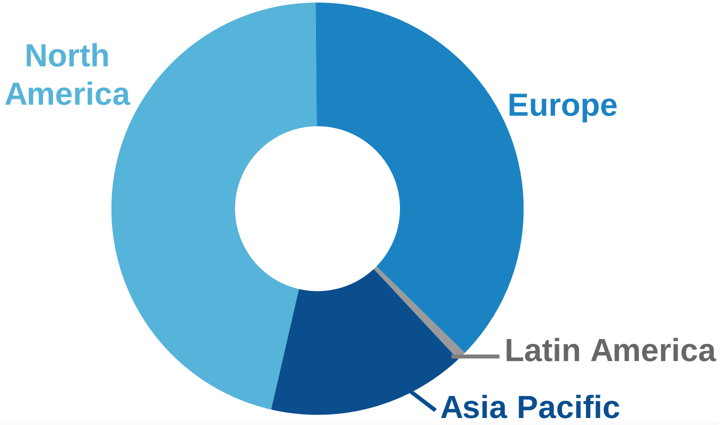
IHM at a glance

FINANCIAL SNAPSHOT	
2016 Sales	$454 mil.
Organic Sales Change	-7.5%
Adjusted Operating Margin	12.5%

Sales by PRODUCT



Sales by GEOGRAPHY



Key market segments: large profit pools growing GDP+






	Industrial				Healthcare	
INDUSTRY	**Automotive**	**Electronics/ Electrical**	**Building & Construction**	**General Industrial**	**Personal Care**	**Medical/ Wound Care**
Estimated Size	~$4B	~$3B	~$3B	~$8B	<$1B	~$1B
LT Growth Outlook	6%-8%	3%-5%	5%-7%	1%-3%	2%-3%	4%-6%
Trend driving GDP+ growth	Light-weighting, demand for reduced noise/vibration	Smaller, more powerful handhelds	Energy efficiency, waterproofing, tape substitute for glue	n/a	n/a	Aging population, chronic disease
Application Solutions	• Wire harnessing • Noise/vibration dampening tapes	• Lens bonding • Heat mgmt. • EMI shielding	• HVAC & insulation • Flooring attaching • Window sealing	• Splicing & flexo • Packaging • Noise/vibration dampening	• Diaper closures • Hygiene packaging	• Wound dressing • Surgical drapes • Patches

Sources: Marketline, S&P Capital IQ, IHS Global, and internal analysis

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Strong core capabilities

Specified bonding and functional materials that deliver:

Performance
Innovative technology, performance-engineered materials that enhance customers’ product performance

Efficiency
Deep application expertise, a broad product portfolio, and custom development optimized to make our customers’ manufacturing process more efficient

Service
Fast, flexible, responsive: rapid prototyping, global footprint, and local technical support to provide our customers with exceptional service in everything we do

Leveraging LGM’s $4B adhesive platform: R&D, Materials Science, Operational Excellence

Key Strategies

- **Accelerate sustainable organic growth of Industrial business**
  - Expand aggressively in Automotive through acquired wire harnessing business, leveraging Yongle OEM relationships and building stronger commercial focus with increased scale
  - Expand commercial resources and capability to strengthen position in our target markets
  - Build new, breakthrough adhesive platforms for targeted applications
- **Return Healthcare business to solid growth and profitability by 2H17**
  - Rebuild customer relationships and strengthen new product development pipeline
  - Drive aggressive productivity improvement
  - Execute innovative new wound care platforms: CHG and TASA
- **Drive scale and build capabilities through additional M&A**
  - Create value through operational excellence, vertical integration in adhesives, technical capabilities

Yongle Tape Acquisition Summary

- **Leading provider of cable harnessing and insulation tapes**
  - 2016 Revenue of ~$160M; EPS impact post-integration > $0.10
  - Key segments: Automotive (~50%), Electrical & General Industrial (~40%)
  - Strong relationships with OEMs and OEM suppliers in the U.S. and China
- **Strategic fit**
  - Specified, low-cost wire harnessing solution
  - Complementary to plastic fasteners and cable ties
  - Attractive profit margins with limited product line customization
- **Opportunities for value creation**
  - Builds significant scale in high value categories (tapes adjacency)
  - Further reduction in manufacturing costs through process innovation (under development)
  - Provides platform for expansion in Automotive (all regions)

Key Takeaways

- Above-average growth potential for high value businesses
  - Favorable industry trends
  - Gaining share
- Strong foundation of core competencies, with ability to leverage LGM's $4B adhesive platform
- Investing organically and through acquisitions to build scale and expand capabilities

2021 Targets

Organic Sales Growth: 4% - 5%+

Adj. Operating Margin: 12.5% - 13.5%+

Accelerating growth in high value categories

Retail Branding and Information Solutions

Deon Stander

Vice President and General Manager

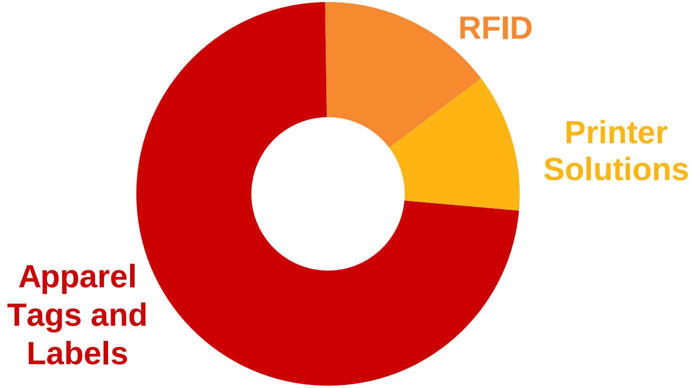
RBIS multi-year transformation on track

- Leading global player in branding and information solutions for apparel
- Attractive growth catalysts in RFID and external embellishments
- Positioning base apparel business for sustainable, profitable growth
  - Dramatically improving delivery cycle times
  - Localizing material sourcing
  - Core volume growth ahead of apparel unit imports over last 18 months
- Aggressively reducing fixed costs to improve margins
  - Expanded adjusted operating margin by ~180 bps since 2014
- Confident in ability to achieve double-digit operating margins

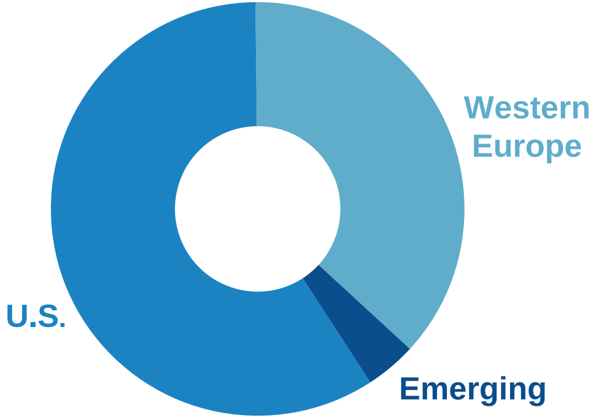
RBIS at a glance

FINANCIAL SNAPSHOT	
2016 Sales	$1.4 bil.
Organic Sales Change	3.5%
Adjusted Operating Margin	7.8%

Sales by PRODUCT



Sales by END MARKET



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Industry Overview

- **Global garment industry is large and growing (~2% unit growth annually)**
  - Omni-channel strategy driving retailer focus
  - Performance apparel and fast fashion retailers are winning
  - Challenging environment for contemporary and department stores
- **Apparel labeling is ~$8B with unit growth of ~1% per year**
  - Growth driven by RFID adoption and emerging market consumption
  - RBIS is market leader in differentiated tag and label solutions

Industry themes and RBIS competitive advantages

Apparel Industry Trends	RBIS Competitive Advantage
Velocity is denominator of retailer and brand owner success	Globally-integrated supply chain, high-speed, flexible service model, and RFID leadership
Performance athletic, **specialty retailers, and pure online players** challenging traditional retailers	Market-leading account partnerships; customized innovation and creative design capability
Growth of omni-channel retail, social media influence, and Internet of Things	Industry-leading RFID solutions and "smart" device applications
Data management is key to unlocking value	Deep industry data capability supports custom solutions
Sustainable and safe practices and products	Ethical business practices and partnerships and leading sustainable products and solutions

Transformation strategy drives competitiveness and profitability

Center to region

- Faster business/customer decision making
- Reduction in overlap with regional businesses

Customer Segmentation

- Driving share through partnership and innovation
- Resource allocation based on buying decisions
- Service/support segmentation based on value

G&A reduction

- Functional excellence
- Process automation
- Shared service utilization

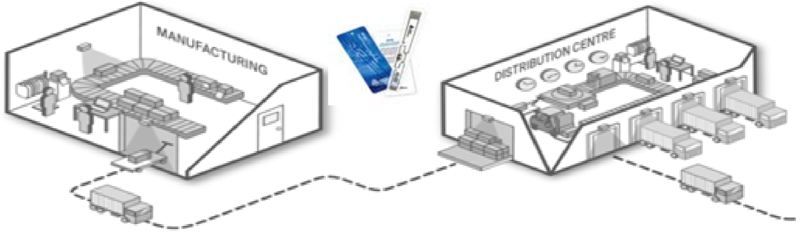
Footprint and supply chain optimization

- Increased investment in mfg. automation
- Improved balance of Fast Response and Key Hubs
- Use of strategic outsourcing

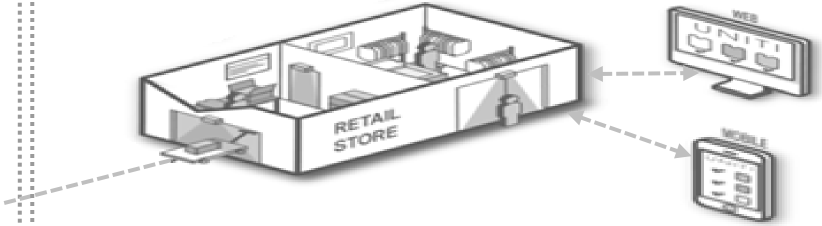
RFID – Industry benefits and RBIS competitive advantages

Process

Apparel Supply Chain



In-Store + Web/Mobile



RFID Benefits

Apparel Supply Chain:

- Reduced errors, cost, losses
- Seamless integration into existing trim
- 80% improvement on ship/pack accuracy

In-Store + Web/Mobile:

- 99+% inventory accuracy (vs. ~65% without RFID)
- 60-80% reduction in out-of-stock items
- 2-12% overall sales lift, 10% shrink reduction
- Enables omni-channel retail and Internet of Things

Competitive Advantages

Apparel Supply Chain:

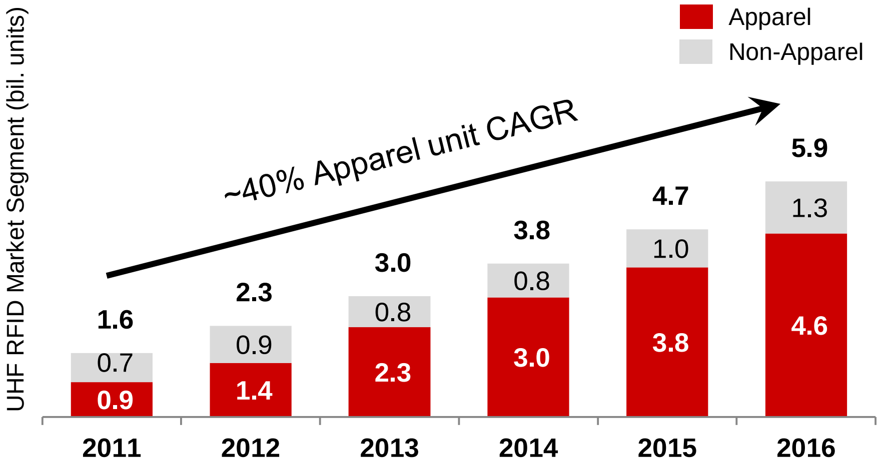
- 800+ RFID patents
- Global service bureaus, world-class quality
- In-plant capabilities for speed advantage

In-Store + Web/Mobile:

- Proven five-step adoption process
- Most experienced market development team
- Global PMO, piloting, advance ROI model

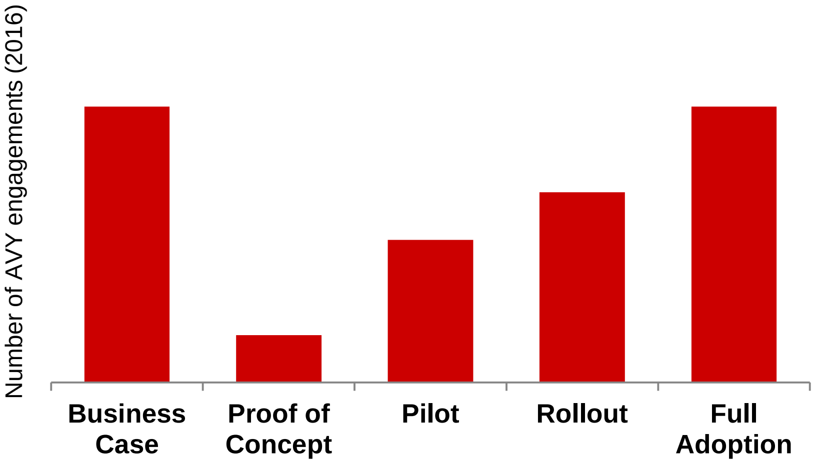
Accelerated RFID adoption driving significant growth

Industry Growth[1]



Apparel Pipeline Robust

2016 (n≈100)



Key Strategies

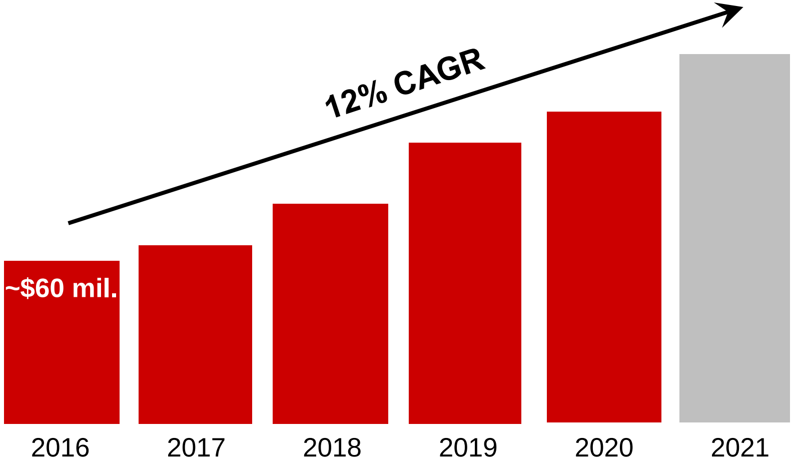
- Drive RFID adoption as key enabler for omni-channel retailing
- Invest in innovation/technology to address market needs and drive category expansion
- Extend adoption into non-Apparel verticals (Intelligent Labels)

(1) Sources: IDTechEx, "RFID Forecasts, Players and Opportunities 2016-2026“, and internal analysis

Improved external embellishment portfolio offers opportunity for share gain

$2B Market Segment (~3% share)

Segment Forecast



Key Strategies

- Accelerate market share wins from increased pace of innovation
- Increase share through focused strategic customer partnerships
- Extend reach in adjacent categories with unique products (component weave)

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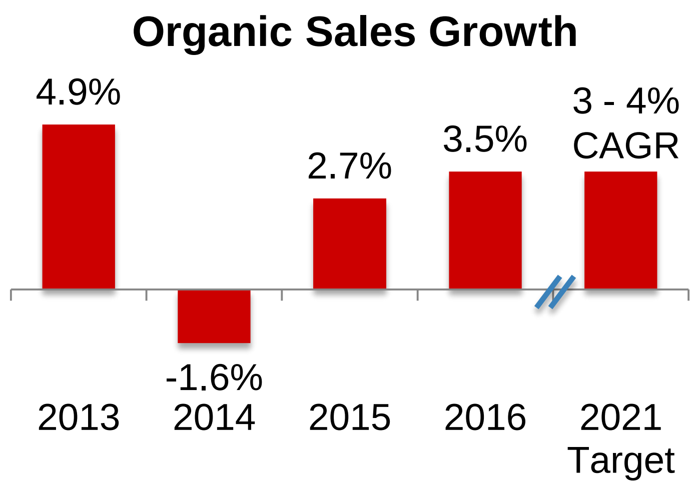
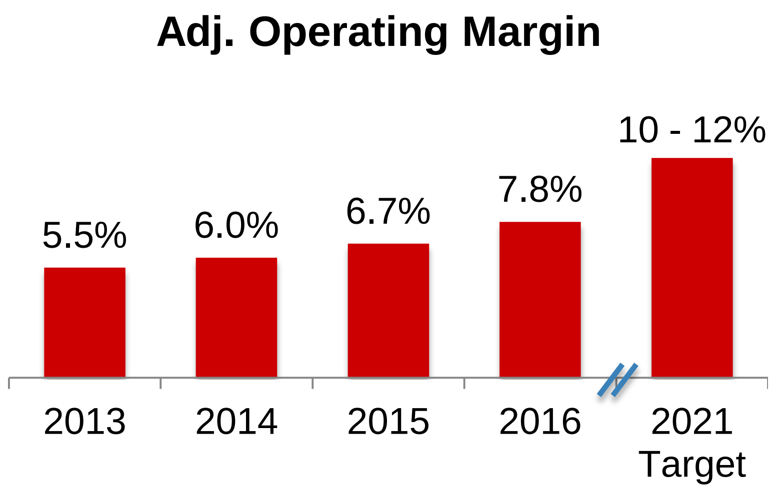
Creating a sustainably growing, value-accretive business





- Create an EVA positive business, even in low growth scenario
- Accelerate transformation to dramatically lower fixed costs and optimize footprint
- Deliver strategic growth drivers – RFID, external embellishments
- Achieve double-digit adjusted operating margin target

Avery Dennison

Anne Bramman
Senior Vice President and Chief Financial Officer

On track to achieve 2018 targets

	2014 – 2018 TARGETS	2014 – 2016 RESULTS
Organic Sales Growth	4% – 5% CAGR[1]	4% 3 Yr CAGR
Operating Margin	9%–10% in 2018 (up ~2 pts vs 2013)	8.8% in 2016 Adj[2]: 9.9% in 2016
Adjusted[2] EPS Growth	12% – 15%+ CAGR[1]	14% 3 Yr CAGR
Return on Total Capital (ROTC)	16%+ in 2018	17% in 2016
Net Debt to Adjusted[2] EBITDA	1.7x to 2.0x	1.4x in 2016

(1) Reflects five-year compound annual growth rates, with 2013 as the base period
(2) Excluding restructuring charges and other items

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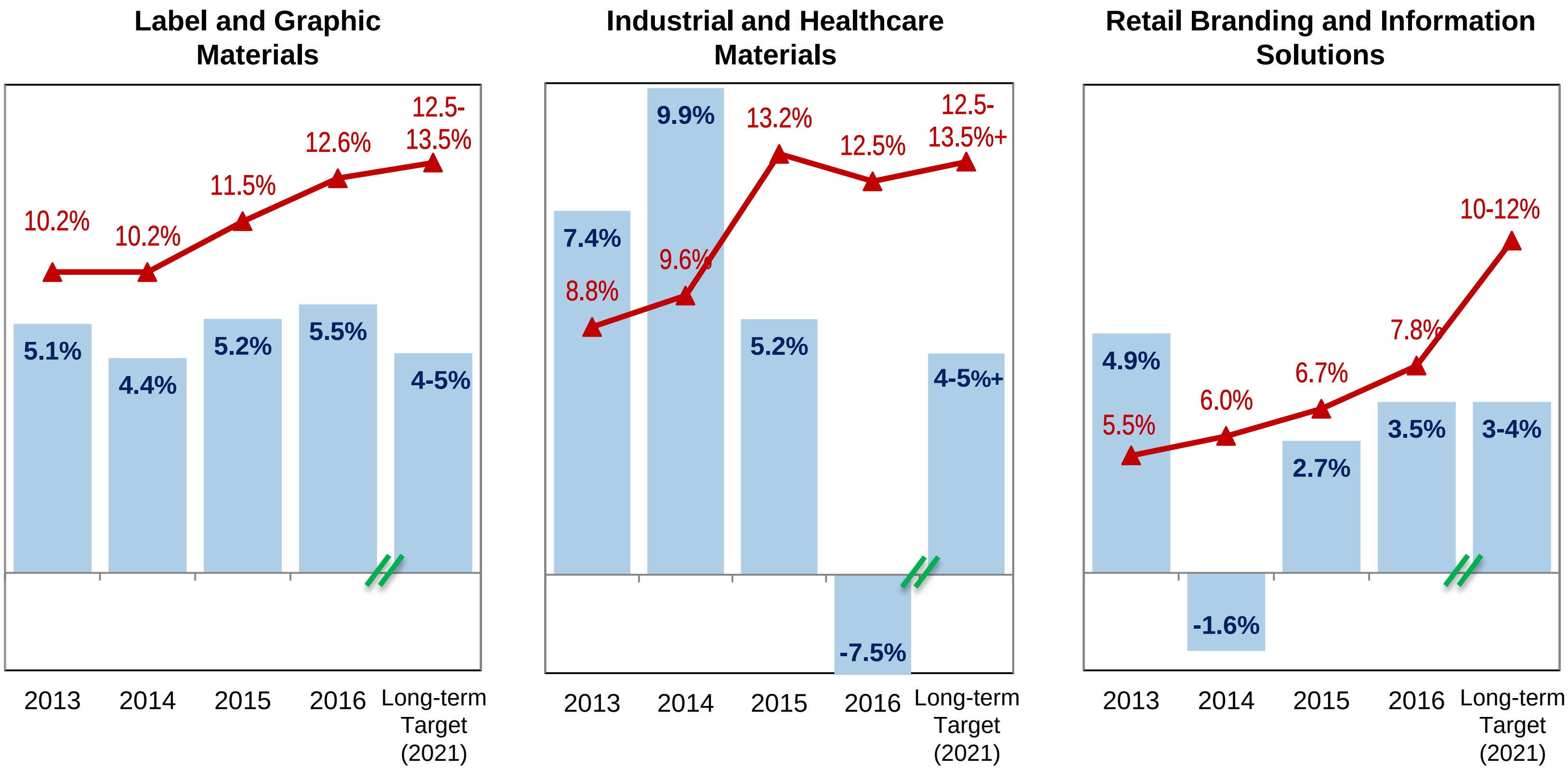
Targeting continued growth and margin expansion

	2014 – 2016 RESULTS	2017 – 2021 TARGETS
Sales Growth	**4%** 3 Yr CAGR	**4%+ Organic**(1) **5%+ with M&A**(1,2)
Operating Margin	**8.8%** in 2016 **Adj**(3)**: 9.9%** in 2016	**11%+** in 2021
Adjusted(2) EPS Growth	**14%** 3 Yr CAGR	**10%+** CAGR(1)
Return on Total Capital (ROTC)	**17%** in 2016	**17%+** in 2021
Net Debt to Adjusted(2) EBITDA	**1.4x** in 2016	**1.7x to 2.0x**

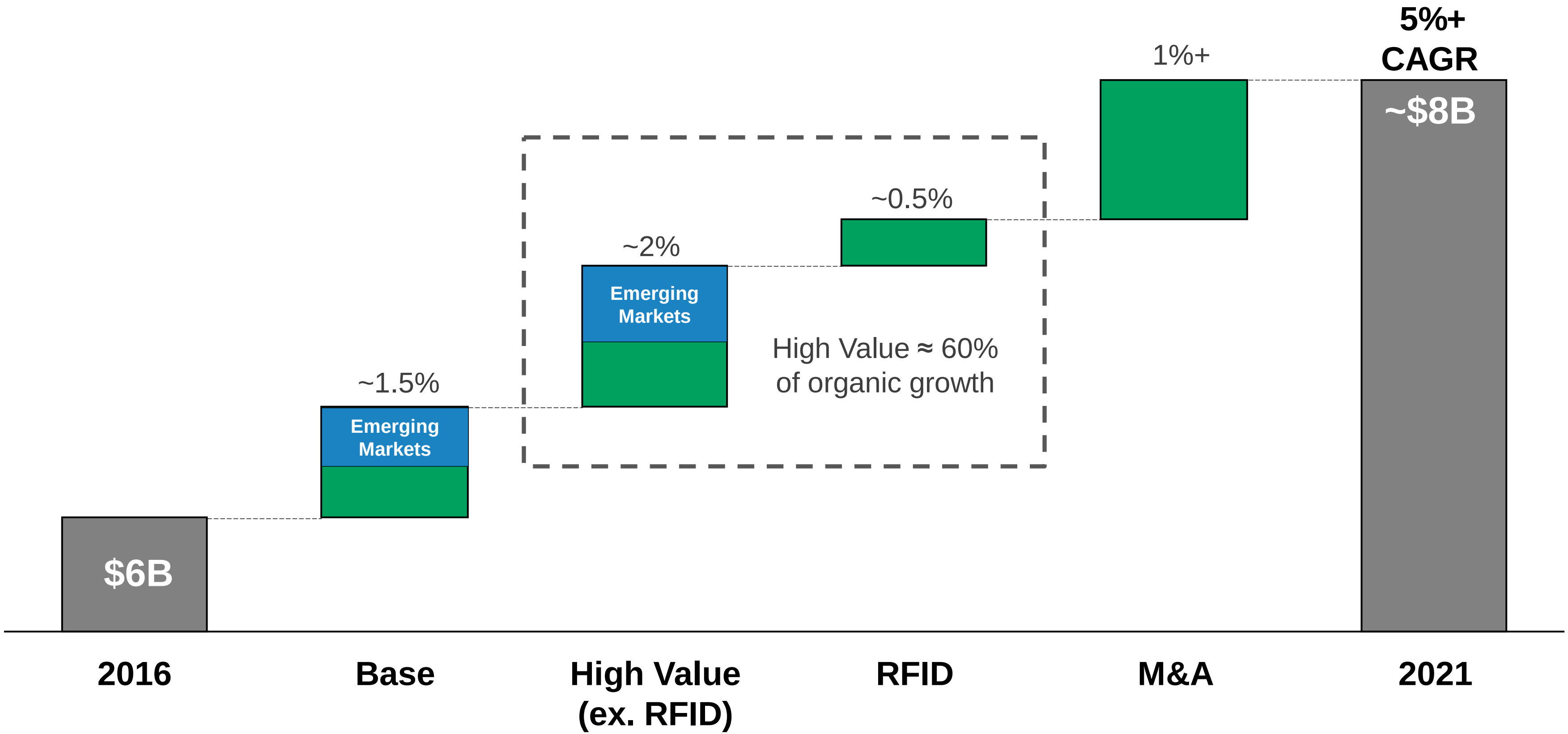
(1) Reflects five-year compound annual growth rates, with 2016 as the base period
(2) Impact of closed acquisitions as of 3/8/2017 is approximately 1 point of growth
(3) Excluding restructuring charges and other items

Targeting continued organic growth and margin expansion across all segments



Organic Sales Change | Adj. Operating Margin

Catalysts for continued sales growth



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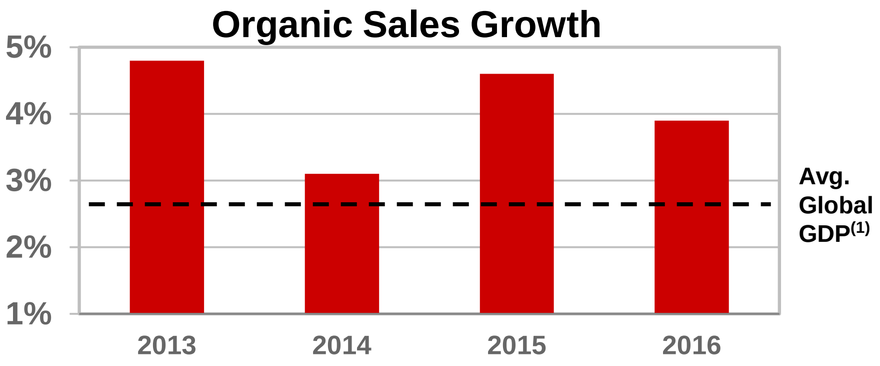
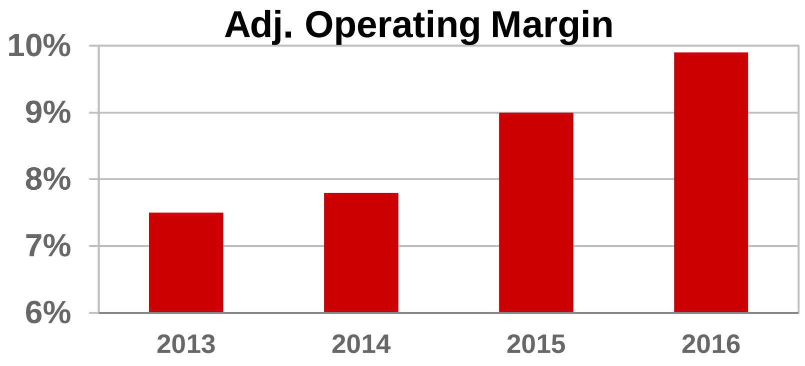
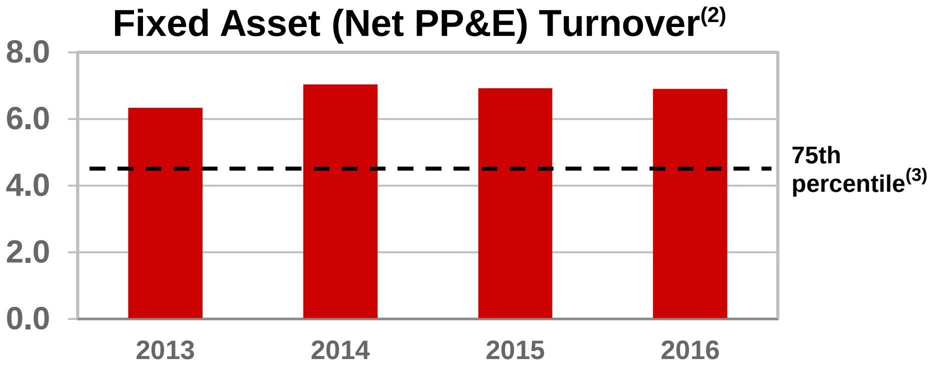
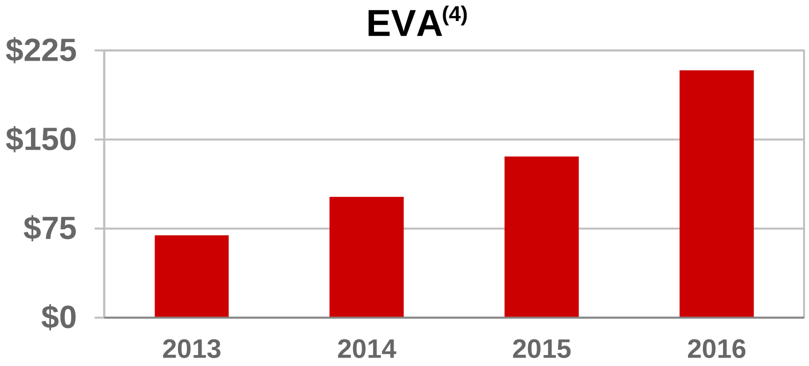
Balanced strategy creating value for shareholders



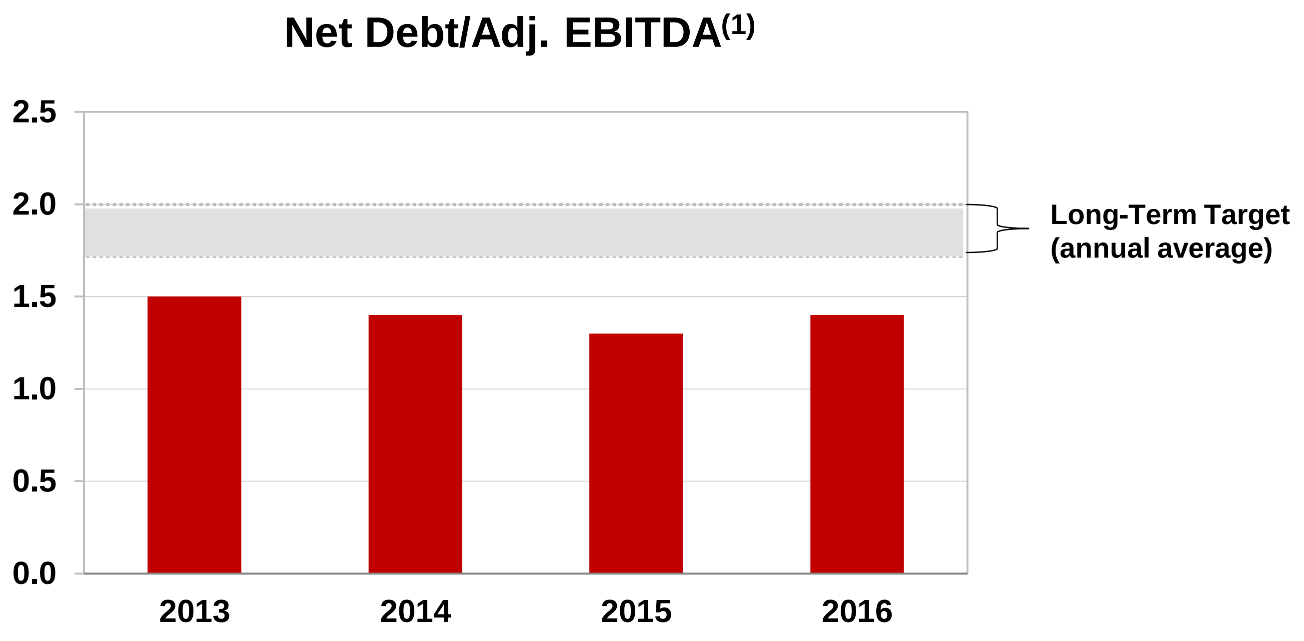






(1) Source: IHS Global
(2) Annual net sales divided by 2-point average consolidated net PP&E
(3) 75th percentile refers to MTIP peer group (see Avery Dennison's Proxy Statement for definition)
(4) Economic Value Added (EVA) is calculated by deducting the economic cost associated with the use of capital (WACC multiplied by average invested capital) from our after-tax operating profit

Targeting optimal leverage position



(1) Based on 4-quarter average

We are delivering against our targets for capital deployment

	2014 - 2018 Target	2014 - 2016 Actual
Capital Uses:		
Capex	25% - 30%	23%
Restructuring	< 5%	7%
Dividends	~20%	18%
	~50%	**48%**
Capital Available for Buyback/M&A	~50%	52%

Capital deployment strategy largely unchanged

5-Year Capital Deployment ($ in millions)	**2017 - 2021 Cumulative**	
Capital Sources:		
Leverage Capacity (2016)	~$450	
Add'l Leverage Capacity (EBITDA Growth)	up to $800	
Cash Flow from Ops before Restructuring	$3,200 - $3,600	
Available Capital	$4,450 - $4,850	
Capital Uses:		**% of Total**
Capex	~$1,250	25% - 30%
Restructuring	~$150	< 5%
Dividends	~$950	~20%
Total Capital Available for Buyback/M&A	**$2,100 - $2,500**	**~50%**

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Summary

- **Well positioned in large growing markets with sustainable competitive advantages**
- **Sucessful execution of our key strategies delivering strong performance**
  - Consistent GDP+ organic sales growth while expanding operating margins
  - Double-digit annual EPS growth
  - Top quartile return on total capital
- **Raising the bar with new long-term financial targets**
- **Effectively deploying capital by continuing diciplined investment in the business, M&A and returning cash to shareholders**

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Appendix A:

2017 EPS Guidance and Supplemental Sales Information

2017 EPS Guidance (as of February 1, 2017)

Reported EPS	$4.10 – $4.30
Add Back:	
Est. restructuring costs and other items	~$0.20
Adjusted EPS (non-GAAP)	$4.30 – $4.50

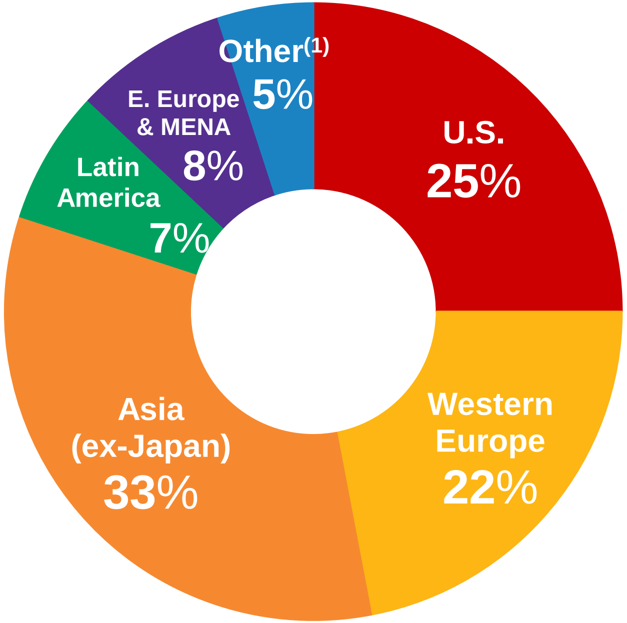
Contributing Factors to 2017 Results

- Reported net sales change of 1.5% to 3.5%
  - Ex. currency sales growth of 4.5% to 6.5%
  - Organic sales growth of 3.0% to 4.5%
- Currency translation EBIT headwind of ~$22 mil., assuming recent rates
- Incremental savings of $40 mil. to $50 mil. from restructuring actions
- Fixed and IT capital spend of ~$215 mil.
- Free cash flow conversion of ~100% (GAAP net income)
- Tax rate in the low-thirty percent range
- Average shares outstanding (assuming dilution) of 88 mil. to 89 mil.

Sales by Geography

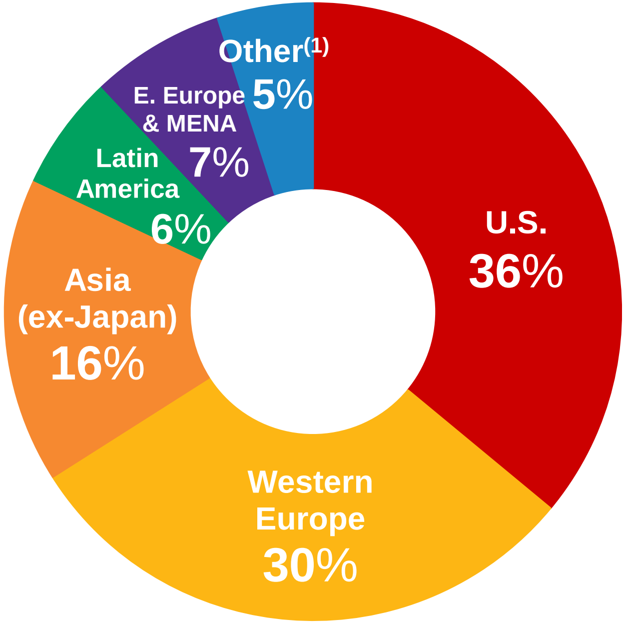
2016 Revenue by Point-of-Sale

Emerging Markets ~50%



2016 Sales by End Market

Emerging Markets ~30%



(1) Other includes: Canada, Japan, S. Africa, Australia, and New Zealand

Appendix B:

Reconciliation of GAAP to Non-GAAP Financial Measures

Use of Non-GAAP Financial Measures

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

Our non-GAAP financial measures exclude the impact of certain events, activities, or strategic decisions. The accounting effects of these events, activities or decisions, which are included in the GAAP financial measures, may make it difficult to assess our underlying performance in a single period. By excluding the accounting effects, both positive and negative, of certain items (e.g., restructuring charges, legal settlements, certain effects of strategic transactions and related costs, losses from debt extinguishments, losses from curtailment and settlement of pension obligations, gains or losses on sales of certain assets, and other 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 presentation:

- *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, the extra week in our 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 effect of currency fluctuations.
- *Sales change (ex. currency)* refers to the increase or decrease in sales excluding the estimated impact of currency translation.

We believe that organic sales and sales change (ex. currency) assists investors in evaluating the sales growth from the ongoing activities of our businesses and provides greater ability to evaluate our results from period to period.

- *Adjusted operating margin* refers to income from continuing operations before interest expense and taxes, excluding restructuring charges and other items, as a percentage of sales.
- *Adjusted income from continuing operations* refers to reported income from continuing operations tax-effected at the full year tax rate, and adjusted for tax-effected restructuring charges and other items.
- *Adjusted EPS* refers to reported income from continuing operations per common share, assuming dilution, tax-effected at the full year tax rate, and adjusted for tax-effected restructuring charges and other items.
- *Adjusted EBITDA* refers to earnings before interest expense, taxes, depreciation, and amortization, excluding restructuring costs and other items.

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

- *Net debt to adjusted EBITDA* refers to total debt less cash and cash equivalents, divided by adjusted EBITDA. We believe that the net debt to adjusted EBITDA ratio assists investors in understanding our leverage position.
- *Return on total capital* refers to income from continuing operations excluding the expense and tax benefit of debt financing divided by the average of beginning and ending invested capital. We believe that return on total capital assists investors in understanding our ability to generate returns from our capital.
- *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, plus (minus) free cash outflow (inflow) from discontinued operations. We believe that free cash flow assists investors by showing the amount of cash we have available for debt reductions, dividends, share repurchases, and acquisitions.
- *EVA* refers to after-tax operating profit, less the economic cost associated with the use of capital (WACC multiplied by average invested capital). We believe that EVA assists investors in understanding our ability to generate economic value.

Organic Sales Change – Avery Dennison

($ in millions)	2012	2013	2014	2015	2016	3-Yr CAGR
Net sales	$5,863.5	$6,140.0	$6,330.3	$5,966.9	$6,086.5	
Reported sales change		4.7%	3.1%	-5.7%	2.0%	
Foreign currency translation		0.1%	1.1%	8.6%	2.6%	
Sales change (ex. currency)		4.8%	4.2%	2.9%	4.6%	
Extra week impact			~-1.2%	~1.2%		
Acquisitions/Divestitures				0.6%	-0.7%	
Organic sales change(1)		4.8%	3.1%	4.6%	3.9%	3.9%

(1) Totals may not sum due to rounding and other factors.

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Organic Sales Change by Segment

($ in millions)

Label and Graphic Materials	2012	2013	2014	2015	2016
Net sales	$3,959.8	$4,137.3	$4,298.7	$4,032.1	$4,187.3
Reported sales change		4.5%	3.9%	-6.2%	3.8%
Foreign currency translation		0.4%	1.6%	10.2%	3.0%
Extra week impact			~-1.2%	~1.2%	
Acquisitions/Divestitures		0.2%	0.1%		-1.4%
Organic sales change(1)		5.1%	4.4%	5.2%	5.5%

Retail Branding & Information Solutions	2012	2013	2014	2015	2016
Net sales	$1,462.6	$1,534.9	$1,516.0	$1,443.4	$1,445.4
Reported sales change		4.9%	-1.2%	-4.8%	0.1%
Foreign currency translation			0.9%	3.9%	1.8%
Extra week impact			~-1.2%	~1.2%	
Product line divestiture				2.4%	1.6%
Organic sales change(1)		4.9%	-1.6%	2.7%	3.5%

Industrial and Healthcare Materials	2012	2013	2014	2015	2016
Net sales	$ 441.1	$ 467.8	$ 515.6	$ 491.4	$ 453.8
Reported sales change		6.1%	10.2%	-4.7%	-7.7%
Foreign currency translation		0.4%	0.8%	8.7%	1.7%
Extra week impact			~-1.2%	~1.2%	
Acquisitions		0.9%			-1.6%
Organic sales change(1)		7.4%	9.9%	5.2%	-7.5%

(1) Totals may not sum due to rounding and other factors.

Adjusted Operating Margin – Avery Dennison

($ in millions)	2013	2014	2015	2016
Net sales	$6,140.0	$6,330.3	$5,966.9	$6,086.5
Operating income from continuing operations before interest and taxes, as reported	$ 426.9	$ 424.1	$ 469.4	$ 537.0
Adjustments[1]	$ (4.8)	$ 3.6	$ (1.0)	n/a
Operating income from continuing operations before interest and taxes, previously reported	$ 422.1	$ 427.7	$ 468.4	$ 537.0
Operating margin, as reported	**7.0%**	**6.7%**	**7.9%**	**8.8%**
Non-GAAP adjustments:				
Restructuring charges:				
Severance and related costs	$ 27.2	$ 54.7	$ 52.5	$ 14.7
Asset impairment and lease cancellation charges	$ 13.1	$ 11.4	$ 7.0	$ 5.2
Other items	$ (3.7)	$ 2.1	$ 8.8	$ 45.3
Adjusted operating income from continuing operations before interest expense and taxes (non-GAAP)	$ 458.7	$ 495.9	$ 536.7	$ 602.2
Adjusted operating margin (non-GAAP)	**7.5%**	**7.8%**	**9.0%**	**9.9%**

(1) GAAP adjustment for prior periods reflects the previously disclosed impact of the third quarter of 2015 revision to certain benefit plan balances, which had an immaterial impact to the non-GAAP amounts.

Adjusted Operating Margin – LGM

($ in millions)	2013	2014	2015	2016
Net sales	$4,137.3	$4,298.7	$4,032.1	$4,187.3
Operating income from continuing operations before interest and taxes, as reported	$ 411.0	$ 396.9	$ 453.4	$ 516.2
Operating margin, as reported	**9.9%**	**9.2%**	**11.2%**	**12.3%**
Non-GAAP adjustments:				
Restructuring charges:				
Severance and related costs	$ 6.9	$ 38.2	$ 12.8	$ 5.8
Asset impairment and lease cancellation charges	$ 3.7	$ 1.9	$ 0.8	$ 2.7
Other items	$ -	$ 1.4	$ (1.5)	$ 4.5
Adjusted operating income from continuing operations before interest expense and taxes (non-GAAP)	$ 421.6	$ 438.4	$ 465.5	$ 529.2
Adjusted operating margin (non-GAAP)	**10.2%**	**10.2%**	**11.5%**	**12.6%**

Adjusted Operating Margin – RBIS

($ in millions)	2013	2014	2015	2016
Net sales	$1,534.9	$1,516.0	$1,443.4	$1,445.4
Operating income from continuing operations before interest and taxes, as reported	$ 64.8	$ 68.5	$ 51.6	$ 102.6
Operating margin, as reported	**4.2%**	**4.5%**	**3.6%**	**7.1%**
<u>Non-GAAP adjustments:</u>				
Restructuring charges:				
Severance and related costs	$ 19.6	$ 16.0	$ 34.1	$ 8.4
Asset impairment and lease cancellation charges	$ 8.5	$ 5.3	$ 1.6	$ 2.1
Other items	$ (8.5)	$ 0.7	$ 10.0	$ (0.7)
Adjusted operating income from continuing operations before interest expense and taxes (non-GAAP)	$ 84.4	$ 90.5	$ 97.3	$ 112.4
Adjusted operating margin (non-GAAP)	**5.5%**	**6.0%**	**6.7%**	**7.8%**

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Adjusted Operating Margin – IHM

($ in millions)	2013	2014	2015	2016
Net sales	$ 467.8	$ 515.6	$ 491.4	$ 453.8
Operating income from continuing operations before interest and taxes, as reported	$ 40.4	$ 45.2	$ 57.1	$ 54.6
Operating margin, as reported	**8.6%**	**8.8%**	**11.6%**	**12.0%**
Non-GAAP adjustments:				
Restructuring charges:				
Severance and related costs	$ 0.4	$ 0.1	$ 3.4	$ 0.5
Asset impairment and lease cancellation charges	$ 0.3	$ 4.2	$ 4.6	$ 0.4
Other items	$ -	$ -	$ -	$ 1.0
Adjusted operating income from continuing operations before interest expense and taxes (non-GAAP)	$ 41.1	$ 49.5	$ 65.1	$ 56.5
Adjusted operating margin (non-GAAP)	**8.8%**	**9.6%**	**13.2%**	**12.5%**

Adjusted Net Income and Adjusted EPS

Net Income

($ in millions)	2013	2014	2015	2016
As reported net income from continuing operations	$241.7	$247.3	$274.4	$320.7
Adjustments[1]	$ 2.6	$ 3.8	$ (0.6)	$ -
Previously reported net income from continuing operations	244.3	251.1	273.8	320.7
Non-GAAP adjustments:				
Restructuring charges and other items	$ 36.6	$ 68.2	$ 68.3	$ 65.2
Tax effect of pre-tax adjustments	$ (12.3)	$ (21.3)	$ (22.6)	$ (21.4)
Adjusted Net Income from Continuing Operations (non-GAAP)	$268.6	$298.0	$319.5	$364.5

EPS

	2013	2014	2015	2016	3-Yr CAGR
As reported net income per common share from continuing operations, assuming dilution	$ 2.41	$ 2.58	$ 2.95	$ 3.54	
Adjustments[1]	$ 0.03	$ 0.04	$ -	$ -	
Previously reported net income per common share from continuing operations, assuming dilution	$ 2.44	$ 2.62	$ 2.95	$ 3.54	
Non-GAAP adjustments per common share, net of tax:					
Restructuring charges and other items	$ 0.24	$ 0.49	$ 0.49	$ 0.48	
Adjusted Net Income per Common Share from Continuing Operations, assuming dilution (non-GAAP)	$ 2.68	$ 3.11	$ 3.44	$ 4.02	**14.5%**

(1) GAAP adjustment for prior periods reflects the previously disclosed impact of the third quarter of 2015 revision to certain benefit plan balances, which had an immaterial impact to the non-GAAP amounts.

Free Cash Flow

($ in millions)	2013	2014	2015	2016
Net cash provided by operating activities	$ 319.6	$ 354.9	$ 473.7	$ 585.3
Purchases of property, plant and equipment	(129.2)	(147.9)	(135.8)	(176.9)
Purchases of software and other deferred charges	(52.2)	(27.1)	(15.7)	(29.7)
Proceeds from sales of property, plant and equipment	38.7	4.3	7.6	8.5
Sales (purchases) of investments, net	0.1	0.3	(0.5)	(0.1)
Charitable contribution to Avery Dennison Foundation utilizing proceeds from divestitures	10.0	-	-	-
Discretionary contributions to pension plans utilizing proceeds from divestitures	50.1	-	-	-
Plus (minus): divestiture-related payments and free cash outflow (inflow) from discontinued operations	92.7	0.2	0.1	-
Free Cash Flow - Continuing Operations (non-GAAP)	$ 329.8	$ 184.7	$ 329.4	$ 387.1

Net Debt to Adjusted EBITDA

($ in millions)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	4-pt Avg.
Net sales	$1,528.0	$1,516.0	$1,468.1	$1,454.8	$1,485.5	$1,541.5	$1,508.7	$1,550.8	
As reported net income	$ 71.9	$ 63.7	$ 81.7	$ 57.0	$ 89.6	$ 80.0	$ 89.1	$ 62.0	
Interest expense	$ 15.3	$ 15.3	$ 14.7	$ 15.2	$ 15.3	$ 15.4	$ 14.7	$ 14.5	
Income taxes	$ 28.1	$ 36.6	$ 34.8	$ 35.0	$ 33.9	$ 19.3	$ 38.9	$ 64.3	
Provision for loss (income) from discontinued operations	$ -	$ 1.0	$ (0.4)	$ (0.5)	$ -	$ -	$ -	$ -	
Operating income from continuing operations before interest and taxes, as reported	$ 115.3	$ 116.6	$ 130.8	$ 106.7	$ 138.8	$ 114.7	$ 142.7	$ 140.8	
Adjustments(1)	$ (0.5)	$ (0.5)	n/a	n/a	n/a	n/a	n/a	n/a	
Operating income from continuing operations before interest and taxes, previously reported	$ 114.8	$ 116.1	$ 130.8	$ 106.7	$ 138.8	$ 114.7	$ 142.7	$ 140.8	
Non-GAAP Adjustments:									
Restructuring charges:									
Severance and related costs	$ 13.5	$ 16.8	$ 4.7	$ 17.5	$ 5.2	$ 3.6	$ 1.9	$ 4.0	
Asset impairment and lease cancellation charges	$ 0.4	$ 3.2	$ 1.9	$ 1.5	$ 0.4	$ 2.8	$ 0.7	$ 1.3	
Other items	$ 0.4	$ 7.7	$ 0.4	$ 0.3	$ -	$ 43.8	$ 2.0	$ (0.5)	
Adjusted operating income from continuing operations before interest expense and taxes (non-GAAP)	$ 129.1	$ 143.8	$ 137.8	$ 126.0	$ 144.4	$ 164.9	$ 147.3	$ 145.6	
Depreciation	$ 33.2	$ 31.7	$ 30.4	$ 29.9	$ 29.0	$ 29.6	$ 30.2	$ 28.7	
Amortization	$ 16.1	$ 15.7	$ 15.7	$ 15.6	$ 15.3	$ 15.5	$ 15.9	$ 15.9	
Adjusted net income before interest, taxes, depreciation & amortization ("EBITDA") (non-GAAP)	**$ 178.4**	**$ 191.2**	**$ 183.9**	**$ 171.5**	**$ 188.7**	**$ 210.0**	**$ 193.4**	**$ 190.2**	
Total Debt	$1,206.0	$1,146.9	$1,049.0	$1,058.9	$1,228.2	$1,161.9	$1,300.6	$1,292.5	
Less: Cash and cash equivalents	$ 189.0	$ 225.7	$ 143.8	$ 158.8	$ 169.6	$ 216.1	$ 189.4	$ 195.1	
Net Debt	**$1,017.0**	**$ 921.2**	**$ 905.2**	**$ 900.1**	**$1,058.6**	**$ 945.8**	**$1,111.2**	**$1,097.4**	
Net Debt to Adjusted LTM* EBITDA (Non-GAAP)					**1.4**	**1.3**	**1.5**	**1.4**	**1.4**

*LTM = Last twelve months

(1) GAAP adjustment for prior periods reflects the previously disclosed impact of the third quarter of 2015 revision to certain benefit plan balances, which had an immaterial impact to the non-GAAP amounts.

Return on Total Capital (ROTC)

($ in millions)

	2012	2013	2014	2015	2016
As reported net income from continuing operations		$ 241.7	$ 247.3	$ 274.4	$ 320.7
Interest expense, net of tax benefit		$ 40.2	$ 43.4	$ 40.6	$ 40.3
Effective Tax Rate		*34.0%*	*31.5%*	*32.9%*	*32.8%*
Income from continuing operations, excluding expense and tax benefit of debt financing (non-GAAP)		$ 281.9	$ 290.7	$ 315.0	$ 361.0
Total debt	$ 1,217.8	$ 1,021.5	$ 1,144.4	$ 1,058.9	$ 1,292.5
Shareholders' equity	$ 1,536.6	$ 1,468.1	$ 1,047.7	$ 965.7	$ 925.5
Return on Total Capital (ROTC) (non-GAAP)		**10.8%**	**12.4%**	**14.9%**	**17.0%**

Total Company Organic Sales Change, Adj. Operating Margin, and ROTC(1)

($ in millions)	2008	2009	2010	2011	3-Yr CAGR
Net sales	$5,865.7	$5,186.2	$5,782.0	$6,026.3	
Reported sales change		**-11.6%**	**11.5%**	**4.2%**	
Foreign currency translation		4.1%	-0.6%	-2.5%	
Extra week impact		-0.9%	0.8%		
Acquisitions/Divestitures		-0.2%	0.0%	-0.1%	
Organic sales change		**-8.6%**	**11.7%**	**1.6%**	**1.2%**
Operating income from continuing operations before interest and taxes, as reported				$ 303.9	
Operating margin, as reported				**5.0%**	
Non-GAAP adjustments:					
Restructuring charges:					
Severance and related costs				$ 35.5	
Asset impairment and lease cancellation charges				$ 9.0	
Other items				$ 2.1	
Adjusted operating income from continuing operations before interest expense and taxes (non-GAAP)				$ 350.5	
Adjusted operating margin (non-GAAP)				**5.8%**	
As reported net income				$ 190.1	
Interest expense, net of tax benefit				$ 47.1	
Effective Tax Rate				*33.7%*	
Income from continuing operations, excluding expense and tax benefit of debt financing (non-GAAP)				$ 237.2	
Total debt			$1,337.2	$1,181.3	
Shareholders' equity			$1,645.7	$1,658.5	
Return on Total Capital (ROTC) (non-GAAP)(2)				**8.1%**	

(1) Amounts derived from 2011 annual report. Amounts include our former Designed and Engineered Solutions business and exclude the previously disclosed impact of the third quarter 2015 revision to certain benefit plan balances, both of which were not material to the non-GAAP measures reconciled above.
(2) Amount reflects income from both continuing and discontinued operations

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