UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 28, 2019
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-7685

AVERY DENNISON CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware *(State of Incorporation)*	**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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $1 par value	AVY	New York Stock Exchange
1.25% Senior Notes due 2025	AVY25	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Not applicable.

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of voting and non-voting common equity held by non-affiliates as of June 29, 2019, the last business day of the registrant's most recently completed second fiscal quarter, was $9,664,727,657.

Number of shares of common stock, $1 par value, outstanding as of February 22, 2020, the end of the registrant's most recent fiscal month: 83,297,552.

The following documents are incorporated by reference into the Parts of this Form 10-K indicated below:

Document	Incorporated by reference into:
Portions of Annual Report to Shareholders for fiscal year ended December 28, 2019 (filed as Exhibit 13 hereto)	**Parts I, II**
Portions of Definitive Proxy Statement for Annual Meeting of Stockholders to be held on April 23, 2020	**Parts III, IV**

AVERY DENNISON CORPORATION

FISCAL YEAR 2019 ANNUAL REPORT ON FORM 10-K

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PART I

Item 1. BUSINESS

Company Background

Avery Dennison Corporation ("Avery Dennison" or the "Company," "Registrant," or "Issuer," and generally referred to as "we" or "us") was incorporated in Delaware in 1977 as Avery International Corporation, the successor corporation to a California corporation of the same name incorporated in 1946. In 1990, we merged one of our subsidiaries into Dennison Manufacturing Company ("Dennison"), as a result of which Dennison became our wholly-owned subsidiary and in connection with which our name was changed to Avery Dennison Corporation. You can learn more about us by visiting our website at www.averydennison.com. Our website address provided in this Annual Report on Form 10-K is not intended to function as a hyperlink and the information on our website is not, nor should it be considered, part of this report or incorporated by reference into this report.

Business Overview and Reportable Segments

Our businesses include the production of pressure-sensitive materials and a variety of tickets, tags, labels and other converted products. We sell most of our pressure-sensitive materials to label printers and converters that convert the materials into labels and other products through embossing, printing, stamping and die-cutting. We sell other pressure-sensitive materials in converted form as tapes and reflective sheeting. We also manufacture and sell a variety of other converted products and items not involving pressure-sensitive components, such as fasteners, tickets, tags, radio-frequency identification ("RFID") inlays and tags, and imprinting equipment and related solutions, which serve the apparel and other end markets.

Our reportable segments for fiscal year 2019 were:

- Label and Graphic Materials ("LGM");
- Retail Branding and Information Solutions ("RBIS"); and
- Industrial and Healthcare Materials ("IHM").

In 2019, the LGM, RBIS, and IHM segments made up approximately 67%, 23% and 10%, respectively, of our total sales.

In 2019, international operations constituted a substantial majority of our business, representing approximately 77% of our sales. As of December 28, 2019, we operated approximately 180 manufacturing and distribution facilities worldwide with more than 30,000 employees in over 50 countries.

LGM Segment

Our LGM segment manufactures and sells Fasson®-, JAC®-, and Avery Dennison®-brand pressure-sensitive label and packaging materials, Avery Dennison®- and Mactac®-brand graphics, and Avery Dennison®-brand reflective products. The business of this segment tends not to be seasonal, except for certain outdoor graphics and reflective products.

Pressure-sensitive materials consist primarily of papers, plastic films, metal foils and fabrics, which are coated with internally-developed and purchased adhesives, and then laminated with specially-coated backing papers and films. They are then sold in roll or sheet form with either solid or patterned adhesive coatings in a wide range of face materials, sizes, thicknesses and adhesive properties.

A pressure-sensitive, or self-adhesive, material is one that adheres to a surface by press-on contact. It generally consists of four layers: a face material, which may be paper, metal foil, plastic film or fabric; an adhesive, which may be permanent or removable; a release coating; and a backing material to protect the adhesive from premature contact with other surfaces that can also serve as a carrier for supporting and dispensing individual labels. When the products are to be used, the release coating and protective backing are removed, exposing the adhesive so that the label or other face material may be pressed or rolled into place. Because they are easy to apply without the need for adhesive activation, self-adhesive materials can provide cost savings compared to other materials that require heat- or moisture-activated adhesives, while offering aesthetic and other advantages over alternative technologies.

Label and packaging materials are sold worldwide to label converters for labeling, decorating, and specialty applications in the home and personal care, beer and beverage, durables, pharmaceutical, wine and spirits, and food market segments. When used in package decoration applications, the visual appeal of self-adhesive materials can help increase sales of the products on which the materials are applied. Self-adhesive materials are also used to convey variable information, such as bar codes for mailing or weight and price information for packaged meats and other foods. Self-adhesive materials provide consistent and versatile adhesion and are available in a large selection of materials, which can be made into labels of varying sizes and shapes.

Our graphics and reflective products include a variety of films and other products that are sold to the architectural, commercial sign, digital printing, and other related market segments. We also sell durable cast and reflective films to the construction, automotive and fleet transportation market segments and reflective films for traffic and safety applications. We provide sign shops, commercial printers and designers a broad range of pressure-sensitive materials to enable the creation of impactful and informative brand and decorative graphics. We have an array of pressure-sensitive vinyl and specialty materials designed for digital imaging, screen printing and sign cutting applications.

In the LGM segment, our larger competitors in label and packaging materials include UPM Raflatac, a subsidiary of UPM Corporation; Lintec Corporation; Ritrama SpA, a subsidiary of the Fedrigoni Group; Flexcon Corporation, Inc.; and various regional firms. For graphics and reflective products, our largest competitors are 3M Company (“3M”) and the Orafol Group. We believe that entry of competitors into the field of pressure-sensitive adhesives and materials is limited by technical knowledge and capital requirements. We believe that our technical expertise, size and scale of operations, broad line of quality products and service programs, distribution capabilities, brand strength, and product innovation are the primary advantages in maintaining and further developing our competitive position.

RBIS Segment

Our RBIS segment designs, manufactures and sells a wide variety of branding and information solutions to retailers, brand owners, apparel manufacturers, distributors and industrial customers. This segment experiences some seasonality, with higher volume generally in advance of the spring, fall (back-to-school), and holiday shipping periods. In recent years, as the apparel industry has moved to more frequent seasonal updates, this segment has experienced less seasonality.

The branding solutions of RBIS include creative services, brand embellishments, graphic tickets, tags, and labels, and sustainable packaging. RBIS’ information solutions include item-level RFID solutions; visibility and loss prevention solutions; price ticketing and marking; care, content, and country of origin compliance solutions; and brand protection and security solutions.

In the RBIS segment, our primary competitors include Checkpoint Systems, Inc., a subsidiary of CCL Industries Inc.; R-pac International Corporation; and SML Group Limited. We believe that our global distribution network, reliable service, product quality and consistency, and ability to serve customers consistently with comprehensive solutions close to where they manufacture are the key advantages in maintaining and further developing our competitive position.

IHM Segment

Our IHM segment manufactures and sells Fasson®-brand and Avery Dennison®-brand tapes and other pressure-sensitive adhesive-based materials and converted products, mechanical fasteners, and performance polymers. Our pressure-sensitive adhesive-based materials are available in roll form and in a wide range of face materials, sizes, thicknesses and adhesive properties. These materials and converted products are used in non-mechanical fastening, bonding and sealing systems for various automotive, electronics, building and construction, general industrial, personal care, and medical applications. IHM also manufactures and sells Yongle® brand tapes for wire harnessing and cable wrapping in automotive, electrical, and general industrial applications. The mechanical fasteners are primarily precision-extruded and injection-molded plastic devices used in various automotive, general industrial, and retail applications.

For industrial and healthcare materials and converted products, our primary competitors include 3M; Tesa-SE, a subsidiary of Beiersdorf AG; Nitto Denko Corporation; and numerous regional and specialty suppliers. For fastener products, there are a variety of competitors supplying extruded and injection molded fasteners and fastener attaching equipment. We believe that entry of competitors is limited by technical knowledge and capital requirements, and that our technical expertise, size and scale of operations, broad line of high-quality, cost-effective solutions and product innovation are the most significant advantages in maintaining and further developing our competitive position in this business.

Research and Development

Many of our products are the result of our research and development efforts. These efforts are directed primarily toward developing new products and operating techniques and improving productivity, sustainability, and product performance, often in close association with our customers. These efforts include patent and product development work relating to printing and coating technologies, as well as adhesive, release and ink chemistries in our LGM and IHM segments. Additionally, we focus on research projects related to RFID and external embellishments in our RBIS segment and medical technologies in our IHM segment, for which we hold and license a number of patents.

Patents, Trademarks and Licenses

The loss of individual patents or licenses would not be material to us taken as a whole, nor to our operating segments individually. Our principal trademarks are Avery Dennison, our logo, and Fasson. We believe these trademarks are strong in the market segments in which we compete.

Manufacturing and Environmental Matters

We use various raw materials – primarily paper, plastic films and resins, as well as specialty chemicals purchased from various commercial and industrial sources – that are subject to price fluctuations. Although shortages can occur from time to time, these raw materials are generally available.

We produce a majority of our self-adhesive materials using water-based emulsion and hot-melt adhesive technologies. A portion of our manufacturing process for self-adhesive materials utilizes organic solvents, which, unless controlled, could be emitted into the atmosphere or contaminate soil or groundwater. Emissions from these operations contain small amounts of volatile organic compounds, which are regulated by federal, state, local and foreign governments. We continue to evaluate the use of alternative materials and technologies to minimize these emissions. In connection with the maintenance and acquisition of certain manufacturing equipment, we invest in solvent capture and control units to assist in regulating these emissions.

We have developed adhesives and adhesive processing systems that minimize the use of solvents. Emulsion adhesives, hot-melt adhesives, and solventless and emulsion silicone systems have been installed in many of our facilities.

Based on current information, we do not believe that the cost of complying with applicable laws regulating the emission or discharge of materials into the environment, or otherwise relating to the protection of the environment, will have a material effect upon our capital expenditures, consolidated financial position or results of operations.

For information regarding our potential responsibility for cleanup costs at certain hazardous waste sites, see “Legal Proceedings” (Part I, Item 3) and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (Part II, Item 7).

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed with, or furnished to, the Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are available free of charge on our investor website at www.investors.averydennison.com as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. This website address is not intended to function as a hyperlink and the information located there is not, nor should it be considered, part of this report or incorporated by reference into this report. We also make available on our website our (i) Amended and Restated Certificate of Incorporation; (ii) Amended and Restated Bylaws; (iii) Corporate Governance Guidelines; (iv) Code of Conduct, which applies to our directors, officers and employees; (v) Code of Ethics for our Chief Executive Officer and Senior Financial Officers; (vi) charters of the Audit and Finance, Compensation and Executive Personnel, and Governance and Social Responsibility Committees of our Board of Directors; and (vii) Audit Committee Complaint Procedures for Accounting and Auditing Matters. These documents are also available free of charge upon written request to our Corporate Secretary, Avery Dennison Corporation, 207 Goode Avenue, Glendale, California 91203.

Reports filed with or furnished to the SEC may be viewed at www.sec.gov.

Item 1A. RISK FACTORS

The risk factors described in this section, as well as the matters generally described in this Annual Report on Form 10-K and the documents incorporated herein by reference, could materially adversely affect our business, including our results of operations, cash flows and financial condition, and cause the value of our securities to decline. This list of risks is not exhaustive. Our ability to attain our goals and objectives is dependent on numerous factors and risks, including, but not limited to, the most significant ones described in this section.

The demand for our products is impacted by the effects of, and changes in, worldwide economic, political and market conditions, which could have a material adverse effect on our business.

In 2019, approximately 77% of our sales were from international operations. We have operations in over 50 countries and our domestic and international operations are strongly influenced by matters beyond our control, including changes in political, social, economic and labor conditions, tax laws (including U.S. taxes on foreign earnings), and international trade regulations (including tariffs), as well as the impact of these changes on the underlying demand for our products.

Macroeconomic developments such as slower growth in the geographic regions in which we operate, the restructuring of European sovereign and other debt obligations, the impact of the United Kingdom's ("UK's") exit from the European Union on January 31, 2020 (commonly known as "Brexit"), and uncertainty in the global credit or financial markets leading to a loss of consumer confidence could result in a material adverse effect on our business as a result of, among other things, reduced consumer spending, declines in asset valuations, diminished liquidity and credit availability, volatility in securities prices, credit rating downgrades, and fluctuations in foreign currency exchange rates. Fluctuations in currencies, such as those associated with the euro, Chinese Yuan (renminbi), and Brazilian real in 2019, can result in a variety of negative effects, including lower revenues, increased costs, lower gross margin percentages, increased allowances for doubtful accounts and/or write-offs of accounts receivable, and required recognition of impairments of capitalized assets, including goodwill and other intangibles.

We continue to face uncertainty with respect to trade relations between the U.S. and many of its trading partners. Over the past few years, the U.S. government has imposed additional tariffs on products imported into the U.S. This has resulted in reciprocal tariffs on goods imported from the U.S. into China, the European Union, Mexico, Canada, and certain other countries. The impacts on our operations to date have been insignificant although there was some volatility in the timing of purchases by the retailers served by our RBIS segment in light of trade-related uncertainty during 2019. There remains a significant risk that additional tariffs or other restrictions could be imposed on products imported from these or other countries, or that relations with these countries could more broadly deteriorate. These countries may continue to retaliate by imposing similar tariffs or restrictions on products imported from the U.S. Any of these actions or further developments in international trade relations could have a material adverse effect on our business.

In addition, business and operational disruptions or delays caused by political, social or economic instability and unrest – such as civil, political and economic disturbances in places such as Russia, Ukraine, Syria, Iraq, Iran, Turkey, North Korea, Hong Kong, and Chile and the related impact on global stability, terrorist attacks and the potential for other hostilities, public health crises or natural disasters in various parts of the world – could contribute to a climate of economic and political uncertainty that in turn could have material adverse effects on our business. We are not able to predict the duration and severity of adverse economic, political or market conditions in the U.S. or other countries.

Foreign currency exchange rates, and fluctuations in those rates, may materially adversely affect our business.

The substantial majority of our sales in 2019 was in foreign currencies. We are subject to fluctuations in foreign currencies, such as the euro and the Chinese Yuan (renminbi), which can cause transaction, translation and other losses, and could negatively impact our sales and profitability. Margins on sales of our products in foreign countries could be materially adversely affected by foreign currency exchange rate fluctuations.

We monitor our foreign currency exposures and may, from time to time, use hedging instruments to mitigate transactional exposure to changes in foreign currencies. The effectiveness of our hedges in part depends on our ability to accurately forecast future cash flows, which is particularly difficult during periods of uncertain demand for our products and services and highly volatile exchange rates. Further, hedging activities may offset only a portion, or none at all, of the material adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place and we may incur significant losses from hedging activities due to factors such as demand volatility and foreign currency fluctuations.

Continued concerns regarding the short- and long-term stability of the euro and its ability to serve as a single currency for countries in the Eurozone could lead individual countries to revert, or threaten to revert, to their former local currencies, potentially dislocating the euro. If this were to occur, the assets we hold in a country that re-introduces its local currency could be significantly devalued, the cost of raw materials or our manufacturing operations could substantially increase, and the demand and pricing for our products could be materially adversely affected. Furthermore, if it were to become necessary for us to conduct business in additional currencies, we could be subject to earnings volatility as amounts in these currencies are translated into U.S. dollars.

We are affected by changes in our markets due to competitive conditions, technological developments, laws and regulations, and customer preferences. If we do not compete effectively or respond appropriately to these market changes, it could reduce market demand, or we could lose market share or be forced to reduce selling prices to maintain market share, any of which could materially adversely affect our business.

We are at risk that existing or new competitors, which include some of our customers, distributors, and suppliers, will expand in our key market segments or develop new technologies, enhancing their competitive position relative to ours. Competitors also may be able to offer additional products, services, lower prices, or other incentives that we cannot or would not offer or that would make our products less profitable. There can be no assurance that we will be able to compete successfully against current or future competitors or new technologies.

A substantial amount of our label materials are sold for use in plastic packaging in the food, beverage, and home and personal care market segments. In recent years, there has been an accelerated focus on sustainability and transparency in reporting, with greater consumer concern regarding climate change and single-use plastics, corporate commitments regarding the reuse and recyclability of plastic packaging and recycled content, and increased regulation across multiple geographies regarding the collection, recycling and use of recycled content. We are at risk that changes in consumer preferences or laws and regulations related to the use of plastics could reduce demand for our products. We have developed new products to advance the circular economy and address the need for increased recyclability of plastic packaging, and are developing new solutions to address this challenge in collaboration with our customers and the businesses in our supply chain. These efforts may result in additional costs and there can be no assurance that they will be successful, and a significant reduction in the use of plastic packaging could materially adversely affect demand for our products.

We also are at risk to changes in customer order patterns, such as changes in the levels of inventory maintained by customers and the timing of customer purchases, which may be affected by announced price changes, changes in our incentive programs, or changes in the customer's ability to achieve incentive targets. Changes in customers' preferences for our products can also affect demand for our products and a decline in demand for our products could have a material adverse effect on our business. For example, in 2019, sales growth in our LGM segment was relatively low in North America and Europe due in part to share losses related to pricing actions we took in late 2018 and early 2019 to offset higher raw material costs .

Our growth strategy includes increased concentration in emerging markets, including China, which could create greater exposure to unstable political conditions, civil unrest, economic volatility, contagious disease and other risks applicable to international operations.

A significant amount of our sales is derived from emerging markets, including countries in Asia, Latin America and Eastern Europe. The profitable growth of our business in emerging markets is a significant focus of our long-term growth strategy and our regional results can fluctuate significantly based on economic conditions in these regions. For example, while China and other emerging markets continued to contribute positively to our results in 2019, we believe that local economic conditions negatively impacted our results in China for the year, most notably in our IHM segment with the decline in automotive production. Our business operations may be adversely affected by the current and future political environment in China, including as a result of its response to tariffs instituted by the U.S. government on goods imported from China and any potential trade agreement entered into between the U.S. and China. Our ability to operate in China or other emerging markets may be adversely affected by changes in the laws and regulations of these jurisdictions or the interpretation thereof, including those relating to taxation, import and export tariffs, raw materials, environmental regulations, land use rights, property, foreign currency conversion, the regulation of private enterprises and other matters.

In addition, a novel strain of coronavirus emerged in December 2019 beginning in Wuhan, Hubei Province, China, and, in January 2020, the World Health Organization declared the novel coronavirus a Public Health Emergency of International Concern. As a result, many of our manufacturing and other operations in China experienced limited production and/or closure in early 2020. In addition, many of our employees in the region have been unable to travel within and outside of the region. This outbreak of contagious disease, as well as any other adverse public health developments – particularly in Asia where approximately 60% of our employees are located and a significant portion of our sales are generated – could have a material adverse effect on our business as our sales to customers in China (including Hong Kong) were approximately 20% of our net sales in 2019.

There could be further restrictions on our ability to travel or disruptions in our supply chain or ability to manufacture our products, as well as temporary closures of our facilities or those of our suppliers or customers, any of which could impact our sales and operating results. Although the outbreak originated in China, cases have been confirmed in other countries as well. The extent to which the novel coronavirus will impact our results is dependent on future developments, which are uncertain and unpredictable. Any widespread health crisis could adversely affect the economies and financial markets in impacted countries, potentially leading to an economic downturn that could adversely affect demand for our products and negatively impact our business. We expect that the coronavirus will adversely impact our first quarter and full year 2020 results; while we will take measures to try to mitigate this impact, there can be no assurance that these actions will be able to partially or fully offset the impact.

If we are unable to successfully expand our business in emerging markets or achieve the return on capital we expect as a result of our investments in these countries, our financial performance could be materially adversely affected. In addition to the risks applicable to our international operations, factors that could have a material adverse effect on our operations in these emerging markets include the lack of well-established or reliable legal systems and possible disruptions due to unstable political conditions, civil unrest or economic volatility. These factors could have a material adverse effect on our business by decreasing consumer purchasing power, reducing demand for our products or increasing our costs.

Our operations and activities outside of the U.S. may subject us to risks different from and potentially greater than those associated with our domestic operations.

A substantial portion of our employees and assets are located outside of the U.S. and, in 2019, the substantial majority of our sales was generated from customers located outside of the U.S. International operations and activities involve risks that are different from and potentially greater than the risks we face with respect to our domestic operations, including our less extensive knowledge of and relationships with contractors, suppliers, distributors and customers in certain of these markets; changes in foreign political, regulatory and economic conditions, including nationally, regionally and locally; material adverse effects of changes in exchange rates for foreign currencies; inflation; reduced protection of intellectual property rights; laws and regulations impacting the ability to repatriate foreign earnings; challenges of complying with a wide variety of foreign laws and regulations, including those relating to sales, operations, taxes, employment and legal proceedings; establishing effective controls and procedures to regulate our international operations and monitor compliance with U.S. laws and regulations such as the Foreign Corrupt Practices Act and similar foreign laws and regulations, such as the UK's Bribery Act of 2010; differences in lending practices; challenges with complying with applicable export and import control laws and regulations; and differences in languages, cultures and time zones.

There is also continued uncertainty as to how Brexit will affect the legal and regulatory environment in the European Union and the UK, as well as whether other countries in the European Union may approve similar measures and cause further uncertainty in the region. While our operations in the UK are relatively small, the realization of any of these risks or the failure to comply with any laws or regulations in the European Union or the UK could expose us to liabilities and have a material adverse effect on our business.

We have recently acquired companies and are likely to acquire other companies. Acquisitions come with significant risks and uncertainties, including those related to integration, technology and employees.

To grow existing businesses and expand into new areas, we have made acquisitions and are likely to continue doing so. In recent years, we completed the acquisition of the European business of Mactac, a leading manufacturer of high-quality pressure-sensitive materials serving several graphics, specialty labels and industrial tapes segments, for $220 million. We also completed the following acquisitions for an aggregate of approximately $340 million: Yongle Tape Ltd., a China-based manufacturer of specialty tapes and related products used in a variety of industrial markets; Finesse Medical Ltd., an Ireland-based manufacturer of healthcare products used in the management of wound care and skin conditions; and the net assets of Hanita Coatings Rural Cooperative Association Limited, an Israel-based pressure-sensitive manufacturer of specialty films and laminates, and stock of certain of its subsidiaries. Although we did not make any acquisitions in 2019, in November 2019, we announced a definitive agreement to acquire Smartrac's Transponder (RFID Inlay) Division for approximately $250 million (€225 million), subject to certain closing and post-closing adjustments. We expect that acquisition to be completed in the first quarter of 2020. In addition, we continued to evaluate potential targets and ensure we have a robust pipeline of acquisition opportunities.

Various risks, uncertainties, and costs are associated with acquisitions. Effective integration of systems, controls, employees, product lines, market segments, customers, suppliers, and production facilities and cost savings can be difficult to achieve and the results of integration actions are uncertain. In addition, we may not be able to retain key employees of an acquired company or successfully execute integration strategies and achieve projected performance targets for the business segment into which an acquired company is integrated. Both before and after the closing of an acquisition, our business and that of the acquired company may suffer due to uncertainty or diversion of management attention. Future acquisitions could result in debt, dilution, liabilities, increased interest expense, restructuring charges and amortization expenses related to intangible assets. There can be no assurance that acquisitions will be successful and contribute to our profitability. Further, we may not be able to identify value-accretive targets that support our strategy of increasing our exposure to high value product categories or execute additional acquisitions in the future.

As a manufacturer, our sales and profitability are dependent upon the cost and availability of raw materials and energy, which are subject to price fluctuations, and our ability to control or offset increases in raw material and labor costs. Raw material cost increases could materially adversely affect our business.

The environment for raw materials used in our businesses could become challenging and volatile, impacting availability and pricing. Additionally, energy costs can be volatile and unpredictable. Shortages and inflationary or other increases in the costs of raw materials, labor and energy have occurred in the past, and could recur. In 2018, we implemented targeted price increases in our LGM segment in all regions to address raw material inflation that moderated in 2019. Our performance depends in part on our ability to offset cost increases for raw materials by raising our selling prices and re-engineering our products.

Also, it is important for us to obtain timely delivery of materials, equipment, and other resources from suppliers, and to make timely delivery to customers. We may experience supply chain interruptions due to natural and other disasters or other events, or our existing relationships with suppliers could be terminated in the future. Any such disruption to our supply chain could have a material adverse effect on our sales and profitability, and any sustained interruption in our receipt of adequate supplies could have a material adverse effect on our business.

A significant consolidation of our customer base could negatively impact our business.

A significant consolidation of our customer base could negatively impact our business. For example, some converter customers served by our LGM segment have consolidated and integrated vertically. Some of our largest customers have acquired companies with similar or complementary product lines. This consolidation could increase the concentration of our business with our largest customers. Further consolidation may be accompanied by pressure from customers for lower prices. While we have generally been successful at managing customer consolidations, increased pricing pressures from our customers could have a material adverse effect on our business.

Because some of our products are sold by third parties, our business depends in part on the financial health of these parties and their customers.

Some of our products are sold not only by us, but also by third-party distributors. Some of our distributors also market products that compete with our products. Changes in the financial or business conditions, including economic weakness, market trends or industry consolidation, or the purchasing decisions of these third parties or their customers could materially adversely affect our business.

We outsource some of our manufacturing. If there are significant changes in the quality control or financial or business condition of these outsourced manufacturers, our business could be negatively impacted.

We manufacture most of our products, but we also occasionally use third-party manufacturers to optimize production efficiencies, manage capacity overflow, and produce specialty jobs, particularly in our RBIS segment. Outsourcing manufacturing reduces our ability to prevent product quality issues, late deliveries, customer dissatisfaction and noncompliance with customer requirements. While we have stringent onboarding processes and continuous performance assessments for these outsourced manufacturers, we may experience quality issues and customer dissatisfaction that could have a material adverse effect on our business.

Our reputation, sales, and earnings could be materially adversely affected if the quality of our products and services does not meet customer expectations. In addition, product liability claims or regulatory actions could materially adversely affect our business or reputation.

There are occasions when we experience product quality issues resulting from defective materials, manufacturing, packaging or design. These issues are often discovered before shipping, causing delays in shipping, delays in the manufacturing process, and occasionally cancelled orders. When issues are discovered after shipment, they may result in additional shipping costs, discounts, refunds, or loss of future sales. Both pre-shipping and post-shipping quality issues could have material adverse effects on our business and negatively impact our reputation.

Claims for losses or injuries purportedly caused by some of our products arise in the ordinary course of our business. In addition to the risk of substantial monetary judgments and penalties that could have a material adverse effect on our business, product liability claims or regulatory actions could result in negative publicity that could harm our reputation in the marketplace and the value of our brands. We also could be required to recall and possibly discontinue the sale of potentially defective or unsafe products, which could result in adverse publicity and significant expenses. Although we maintain product liability insurance coverage, potential product liability claims are subject to a deductible or may not be covered under the terms of the policy.

Changes in our business strategies may increase our costs and could affect the profitability of our businesses.

As our business environment changes, we may need to adjust our business strategies or restructure our operations or particular businesses. We undertook a multi-year transformation of our RBIS segment focused on accelerating growth through a more regionally driven business model intended to simplify our go-to-market strategy, optimize management efficiencies and consolidate our manufacturing footprint. In addition, we have initiated restructuring and investment actions across our businesses designed to increase profitability, such as the restructuring of the European footprint of our LGM business, which began in 2018 and continued in 2019, and actions taken in our IHM segment in 2019 to improve speed, reduce complexity and lower costs. As we continue to develop and adjust our growth strategies, we may invest in new businesses that have short-term returns that are negative or low and whose ultimate business prospects are uncertain or could prove unprofitable. We cannot provide assurance that we will achieve the intended results of any of our business strategies, which involve operational complexities, consume management attention and require substantial resources and effort. If we fail to achieve the intended results of such actions, our costs could increase, our assets could be impaired, and our returns on investments could be lower.

If we are unable to develop and successfully market new products and applications, we could compromise our competitive position.

The timely introduction of new products and improvements to current products helps determine our success. Many of our current products are the result of our research and development efforts. Our research efforts are directed primarily toward developing new products and operating techniques and improving product performance, often in close association with our customers or end users. These efforts include patent and product development work relating to printing and coating technologies, as well as adhesive, release and ink chemistries in our LGM and IHM segments. Additionally, we focus on research projects related to RFID and external embellishments in our RBIS segment and medical technologies in our IHM segment, for which we hold and license a number of patents. However, research and development is complex and uncertain, requiring innovation and anticipation of market trends. We could focus on products that ultimately are not accepted by customers or end users or we could suffer delays in the production or launch of new products that may not lead to the recovery of our research and development expenditures and, as a result, could compromise our competitive position.

Misassessment of our infrastructure needs could have a material adverse effect on our business.

We recently increased our pace of capital investment to support our long-term growth and margin expansion plans. We may not be able to recoup the costs of our infrastructure investments if actual demand is not as we anticipate. In recent years, we expanded LGM's manufacturing facilities located in emerging markets and a location in Indiana; moved our RBIS Vietnam business into a new, expanded facility; closed a LGM facility in Germany and consolidated those operations with operations in Luxembourg and Belgium; and made additional investments in capacity to support growth in our U.S. graphics business, our label and packaging materials businesses in Luxembourg and Ohio, and in both capacity and business development globally for our Intelligent Labels RFID platform. We also are in the process of transferring our European IHM medical capacity from Belgium to Ireland. In addition, we added capacity through our recent acquisitions of Mactac Europe, Yongle Tapes, Hanita Coatings and Finesse Medical. Infrastructure investments, which are long-term in nature, may not generate the expected return due to changes in the marketplace, failures in execution, and other factors. Significant changes from our expected need for and/or returns on our infrastructure investments could materially adversely affect our business.

Our profitability may be materially adversely affected if we generate less productivity improvement than projected.

We engage in restructuring actions intended to reduce our costs and increase efficiencies across our business segments. For example, we undertook a multi-year transformation of our RBIS segment focused on accelerating growth through a more regionally driven business model intended to simplify our go-to-market strategy, optimize management efficiencies and consolidate our manufacturing footprint. We intend to continue efforts to reduce costs in all our businesses, which have in the past included, and may continue to include, facility closures and square footage reductions, headcount reductions, organizational restructuring, process standardization, and manufacturing relocation. The restructuring of the European footprint of our LGM business, which began in 2018 and continued in 2019, and actions taken in our IHM segment to improve speed, reduce complexity and lower costs are examples of these activities. The success of these efforts is not assured and targeted savings may not be realized. In addition, cost reduction actions could expose us to production risk, loss of sales and employee turnover.

Difficulty in the collection of receivables as a result of economic conditions or other market factors could have a material adverse effect on our business.

Although we have processes to administer credit granted to customers and believe our allowance for doubtful accounts is adequate, we have experienced, and in the future may experience, losses as a result of our inability to collect some of our accounts receivable. The financial difficulties of a customer could result in reduced business with that customer. We may also assume higher credit risk relating to receivables of a customer experiencing financial difficulty. If these developments were to occur, our inability to collect on our accounts receivable from major customers could substantially reduce our cash flows and income and have a material adverse effect on our business.

Changes in our tax rates could affect our earnings.

Our effective tax rate in any period could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws and regulations or their interpretation, including, among others, the U.S. Tax Cuts and Jobs Act (the “TCJA”) enacted in December 2017. The provisions of the TCJA are subject to further amendments, interpretations, and regulations, as well as the outcome of pending or future litigation, any of which could impact our tax rate. There can be no assurance that any such changes would not have a material adverse effect on our business.

The enactment of legislation implementing changes in taxation of international business activities, adoption of other corporate tax reform policies, or other changes in tax legislation or policies could materially and adversely impact our business.

Corporate tax reform, prevention of base-erosion and tax transparency continue to be high priorities of many tax jurisdictions worldwide. As a result, policies regarding corporate income and other taxes are under heightened scrutiny globally, while tax reform legislation has been proposed or enacted in a number of jurisdictions.

In addition, many countries have enacted, or plan to enact, legislation and other guidance to align their international tax rules with the Organisation for Economic Co-operation and Development’s (“OECD”) Base Erosion and Profit Shifting recommendations and action plans, which aim to standardize and modernize global corporate tax policy, with changes to cross-border tax, transfer-pricing documentation rules, and nexus-based tax incentive practices. The OECD and the European Commission continue to issue proposals that may change various aspects of the existing framework under which our tax liabilities are determined. As a result of heightened scrutiny of corporate taxation policies, prior decisions by tax authorities regarding treatments and positions of corporate income taxes could be subject to enforcement activities or legislative investigation and inquiry, which could also result in changes in tax policies or prior tax rulings. Any such changes in policies or rulings may also result in the taxes we previously paid being subject to change.

Due to the large scale of our international business activities, any substantial change in international corporate tax policies, enforcement activities or legislative initiatives could have a material adverse effect on the amount of taxes we are required to pay and our business generally.

Our inability to retain or renew certain tax incentives in foreign jurisdictions could materially adversely affect our business.

Our effective tax rate has reflected benefits from concessionary tax rates in certain foreign jurisdictions based on the geographic location of our manufacturing activities or the industry that they serve. If we do not meet the criteria required to retain or renew these tax incentives, our effective tax rate could increase. Additionally, in 2019, we completed the application for an intellectual property-based tax incentive in response to a historical tax incentive that was phased out due to a change in foreign tax law. Our provision for income taxes in 2019 reflected the related tax benefit of this incentive based on our best estimate while our request for a tax ruling from the foreign tax authority is pending. We continue to evaluate opportunities to optimize our future tax benefits.

The amount of various taxes we pay is subject to ongoing compliance requirements and audits by federal, state and foreign tax authorities.

We are subject to regular examinations of our income tax returns by various tax authorities. We regularly assess the likelihood of material adverse outcomes resulting from these examinations to determine the adequacy of our provision for taxes. In addition, tax enforcement has become increasingly aggressive in recent years, including continued actions by the European Commission related to illegal state aid, with increased focus on transfer pricing and intercompany documentation. Our estimate of the potential outcome of uncertain tax issues requires significant judgment and is subject to our assessment of relevant risks, facts, and circumstances existing at the time. We use these assessments to determine the adequacy of our provision for income taxes and other tax-related accounts. Our results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, which may materially adversely impact our effective tax rate and have a material adverse effect on our business.

We have deferred tax assets that we may not be able to realize under certain circumstances.

If we are unable to generate sufficient taxable income in certain jurisdictions, or if there is a significant change in the time period within which the underlying temporary differences become taxable or deductible, we could be required to increase our valuation allowances against our deferred tax assets. This would result in an increase in our effective tax rate and could have a material adverse effect on our financial results. In addition, changes in statutory tax rates may change our deferred tax asset or liability balances, with either a favorable or unfavorable impact on our effective tax rate. A significant portion of our indefinite-lived net operating loss carryforwards is concentrated in Luxembourg and may require decades to be fully utilized under our current business model. Decreases in the statutory tax rate or changes in our ability to generate sufficient future taxable income in Luxembourg could materially adversely affect our effective tax rate. The computation and assessment of the realizability of our deferred tax assets may also be materially impacted by new legislation or regulations.

Significant disruption to the information technology infrastructure that stores our information could materially adversely affect our business.

We rely on the efficient and uninterrupted operation of a large and complex information technology infrastructure to link our global business. Like other information technology systems, ours is susceptible to a number of risks including, but not limited to, damage or interruptions resulting from obsolescence, natural disasters, power failures, human error, viruses, social engineering, phishing, ransomware or other malicious attacks and data security breaches. We upgrade and install new systems, which, if installed or programmed incorrectly or on a delayed timeframe, could cause delays or cancellations of customer orders, impede the manufacture or shipment of products, or disrupt the processing of transactions. For example, we have invested in information technology to upgrade the systems in both our LGM North America business and RBIS segment to drive business efficiency and supply chain productivity. Processes affected by these implementations included, among other things, order management, pricing, shipping, purchasing, general accounting and planning. We have implemented measures to mitigate our risk related to system and network disruptions, but if a disruption were to occur, we could incur significant losses and remediation costs that could have a material adverse effect on our business. Additionally, we rely on services provided by third-party vendors for certain information technology processes, which makes our operations vulnerable to a failure by any one of these vendors to perform adequately or maintain effective internal controls.

Security breaches could compromise our information and expose us to liability, which could cause our business and reputation to suffer.

We maintain information necessary to conduct our business in digital form, which is stored in data centers and on our networks and third-party cloud services, including confidential and proprietary information as well as personal information regarding our customers and employees. The secure maintenance of this information is critical to our operations. Data maintained in digital form is subject to the risk of intrusion, tampering and theft. We develop and maintain systems to prevent this from occurring, but the development and maintenance of these systems is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated. Moreover, despite our efforts, the possibility of intrusion, tampering and theft cannot be eliminated entirely. Our information technology and infrastructure may become vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Additionally, we provide confidential, proprietary and personal information to third parties when it is necessary to pursue business objectives. While we obtain assurances that these third parties will protect this information and, where appropriate, assess the protections employed by these third parties, there is a risk the confidentiality of data held by third parties may be compromised.

Any such breach or attack could compromise our network, the network of a third party to whom we have disclosed confidential, proprietary or personal information, a data center where we have stored such information or a third-party cloud service provider, and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, disrupt our operations, damage our reputation, impair our ability to conduct business, or result in the loss or diminished value of profitable opportunities and the loss of revenue as a result of unlicensed use of our intellectual property. Contractual provisions with third parties, including cloud service providers, may limit our ability to recover these losses. If personal information of our customers or employees were to be misappropriated, our reputation with our customers and employees could be injured, resulting in loss of business or decline in morale, and we could incur costs to compensate our customers or employees or pay damages or fines as a result of litigation or regulatory actions arising out of any such incident. Data privacy legislation and regulation have been increasing in recent years – including, for example, the General Data Protection Regulation in the EU, the Cyber Security Law in China, the General Data Protection Law in Brazil and the state of California's Consumer Privacy Act of 2018 – and although we have made reasonable efforts to comply with all applicable laws and regulations, there can be no assurance that we will not be subject to regulatory action in the event of an incident.

Although we have experienced some security incidents that did not have a significant or material adverse effect on our business, this may not be the case in the future. We have taken many steps to further improve the security of our networks and computer systems, including conducting user education and phishing exercises to protect against social engineering and inadvertent or intentional disclosure of data; implementing multi-factor authentication and advanced malware detection measures; upgrading legacy information technology systems to simplify and standardize business processes and applications; continuously improving information technology project and portfolio management discipline, using metrics and reviews and implementing appropriate mitigation measures; establishing a data loss prevention framework to better identify and protect our critical data; conducting third party penetration testing to assess the effectiveness of our cybersecurity, network and site access controls; removing USB drive access across our company; and improving our capabilities based on threat intelligence and the publicized incidents experienced by other companies, as well as ones that we have experienced despite their minimal operational or financial impact to date. We regularly review the effectiveness of our cybersecurity preparedness program using an industry standard cybersecurity framework and best practices (e.g., ISO27000, NIST 800). Despite these and other mitigation efforts, there can be no assurance that we have fully protected our information, that third parties to whom we have disclosed such information or with whom we have stored such information (in data centers and on the cloud) are taking similar precautions, or that we will not experience future hacking or intrusion attempts.

For us to remain competitive, it is important to recruit and retain our key management and highly-skilled employees. We also utilize various outsourcing arrangements for certain services, and related delays, resource availability, or errors by these service providers may lead to increased costs or disruption in our business.

There is significant competition to recruit and retain key management and highly-skilled employees. In particular, due to expansion to additional geographies and our ongoing productivity efforts and recent employee restructuring actions, it may be difficult for us to recruit and retain sufficient numbers of highly-skilled employees. We may also be unable to recruit and retain key management and highly-skilled employees if we do not offer market-competitive employment and compensation terms. If we fail to recruit or retain our key management or sufficient numbers of highly-skilled employees, we could experience disruption in our businesses and difficulties managing our operations and implementing our business strategy.

Executive succession planning is also important to our long-term success. We experienced several recent key management changes, including promotions of long-serving and experienced leaders to the positions of Chief Executive Officer in 2016 and Chief Financial Officer in 2017, as well as the departure of the Vice President/General Manager of our IHM segment in 2018. In addition, the President of our LGM segment ceased serving in that capacity at the end of 2019. While we believe we have appropriate leadership development programs and succession plans in place, any failure to ensure effective transfer of knowledge and smooth transitions involving our key management or other highly-skilled employees could hinder our strategic planning and execution.

In addition, we have outsourced certain services to third-party service providers, and may outsource other services in the future to achieve cost savings and operating efficiencies. Service provider delays, resource availability, business issues or errors may disrupt our businesses and/or increase costs. If we do not effectively develop, implement and manage outsourcing relationships, if third-party providers do not perform effectively or in a timely manner, or if we experience problems with transitioning work to a third party, we may not be able to achieve our expected cost savings, and may experience delays or incur additional costs to correct errors made by these service providers.

We have various non-U.S. collective labor arrangements, which make us subject to potential work stoppages, union and works council campaigns and other labor disputes, any of which could adversely impact our business.

Work interruptions or stoppages could significantly impact the volume of products we have available for sale. In addition, collective bargaining agreements, union contracts and labor laws may impair our ability to reduce labor costs by closing or downsizing manufacturing facilities because of limitations on personnel and salary changes and similar restrictions. A work stoppage at one or more of our facilities could have a material adverse effect on our business. In addition, if any of our customers were to experience a work stoppage, that customer may halt or limit purchases of our products, which could have a material adverse effect on our business. Similarly, if any of our suppliers were to experience a work stoppage, they could halt or limit supplies of products necessary for us to conduct our business, which could have a material adverse effect on our business.

Our stock price may be volatile, which, among other things, could cause our tax rate to vary significantly.

Changes in our stock price may affect our access to, or cost of financing from, capital markets and may affect our stock-based compensation arrangements, among other things. Our stock price, which increased significantly in 2019 after having experienced a decline in 2018, and may in the future experience substantial volatility, is influenced by changes in the overall stock market and demand for equity securities in general. Other factors, including our financial performance on an absolute basis and relative to our peers and competitors, as well as market expectations of our performance, the level of perceived growth of our industries, and other company-specific factors, can also materially adversely affect our stock price. There can be no assurance that our stock price will not be volatile in the future.

In any period in which our stock price is higher than the grant price of the stock-based compensation vesting or being exercised in that period, we are required to recognize excess tax benefits that would decrease our effective tax rate. Conversely, if our stock price is lower than the grant price of the stock-based compensation vesting or being exercised in that period, we are required to recognize tax charges that would increase our effective tax rate. This tax effect is dependent on our stock price and there can be no assurance that we will recognize similar levels of excess tax benefits in future years.

We cannot guarantee that we will continue to repurchase shares of our common stock or pay dividends on our common stock or that repurchases will enhance long-term stockholder value. Changes in our levels of stock repurchases or dividends could affect our stock price and increase its volatility.

In April 2019, our Board authorized the repurchase of shares of our common stock with a fair market value of up to $650 million, in addition to the amount of shares that were available for repurchase under a previous authorization. As of December 28, 2019, shares of our common stock in the aggregate amount of $644.7 million remained authorized for repurchase under our outstanding Board authorization. Share repurchases under our repurchase program may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. Our share repurchase authorizations do not obligate us to acquire any specific number of shares or to repurchase any specific number of shares for any fixed period. The timing and amount of repurchases, if any, are subject to market and economic conditions, applicable legal requirements and other relevant factors. Our repurchase of common stock may be limited, suspended or discontinued at any time at our discretion and without prior notice.

Additionally, any future dividends that may be declared and paid from time to time are subject to market and economic conditions, applicable legal requirements and other relevant factors. We are not obligated to continue a dividend for any fixed period, and the payment of dividends could be suspended or discontinued at any time at our discretion and without prior notice. We will continue to retain future earnings to develop our business, as opportunities arise, and evaluate on a quarterly basis the amount and timing of future dividends based on our operating results, financial condition, capital requirements and general business conditions. The amount and timing of any future dividends may vary, and the payment of any dividend does not assure that we will pay dividends in the future.

In addition, any future repurchases of our common stock or payment of dividends, or any determination to cease repurchasing stock or paying dividends, could affect our stock price and increase its volatility. The existence of a share repurchase program and any future dividends could cause our stock price to be higher than it would otherwise be and could potentially reduce the market liquidity for our stock. Additionally, any future repurchases of our common stock or payment of dividends could impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. Although our share repurchase program is intended to enhance long-term stockholder value, there is no assurance that it will do so because the market price of our common stock may decline below the levels at which we repurchased shares of stock and short-term stock price fluctuations could reduce our program's effectiveness.

If our indebtedness increases significantly or our credit ratings are downgraded, we may have difficulty obtaining acceptable short- and long-term financing.

At December 28, 2019, we had approximately $1.94 billion of debt. Our overall level of indebtedness and credit ratings are significant factors in our ability to obtain short- and long-term financing. Higher debt levels could negatively impact our ability to meet other business needs and could result in higher financing costs. The credit ratings assigned to us also impact the interest rates paid. A downgrade of our short-term credit ratings could impact our ability to access the commercial paper markets and increase our borrowing costs. If our access to commercial paper markets were to become limited and we were required to obtain short-term funding under our revolving credit facility or our other credit facilities, we would face increased exposure to variable interest rates.

An increase in interest rates could have a material adverse effect on our business.

In 2019, our average variable-rate borrowings were approximately $325 million. Increases in short-term interest rates would directly impact the amount of interest we pay. Fluctuations in interest rates can increase borrowing costs and have a material adverse effect on our business.

In response to the last global economic recession, extraordinary monetary policy actions of the U.S. Federal Reserve and other central banking institutions, including the utilization of quantitative easing, were taken to create and maintain a low interest rate environment. Over the past few years, the U.S. Federal Reserve has raised its benchmark interest rate, though more recently it lowered its benchmark interest rate, which, as of December 28, 2019 was between 1.5% and 1.75%. It is possible that increases in 2020 could occur, which may result in significantly higher long-term interest rates. Such a transition may, among other things, reduce the availability and/or increase the costs of obtaining new debt and refinancing existing indebtedness, and negatively impact our stock price.

The alteration or discontinuation of the London Interbank Offered Rate ("LIBOR") may adversely affect our borrowing costs.

As of December 28, 2019, $171 million of our outstanding indebtedness bears interest at variable interest rates, none of which is based on LIBOR; however, our long-term credit facility is based on LIBOR. LIBOR may be subject to regulatory guidance and/or reform that could cause interest rates under our current or future debt agreements to perform differently than in the past or cause other unanticipated consequences. In July 2017, the Chief Executive of the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. At this time, it is not possible to predict the effect that any discontinuance, modification or other reforms to LIBOR or any other reference rate, or the establishment of alternative reference rates, will have on our business. Although we do not believe the risk to be significant for us, if LIBOR ceases to exist or if the methods of calculating LIBOR change from their current form, our borrowing costs could be adversely affected.

Our current and future debt covenants may limit our flexibility.

Our credit facilities and the indentures governing our notes contain, and any of our future indebtedness likely would contain, restrictive covenants that impose operating and financial restrictions on us. Among other things, these covenants restrict our ability to incur additional indebtedness, incur certain liens on our assets, make certain investments, sell our assets or merge with third parties, and enter into certain transactions. We are also required to maintain specified financial ratios under certain conditions. These restrictive covenants and ratios in our existing debt agreements and any future financing agreements may limit or prohibit us from engaging in certain activities and transactions that may be in our long-term best interests and could place us at a competitive disadvantage relative to our competitors, which could materially adversely affect our business.

Our pension assets are significant and subject to market, interest and credit risk that may reduce their value.

Changes in the value of our pension assets could materially adversely affect our earnings and cash flows. In particular, the value of our investments may decline due to increases in interest rates or volatility in the financial markets. In addition, we may take actions to reduce the financial volatility associated with our pension liabilities, which could result in charges in the nearer term. As such, we continuously evaluate options to better manage the volatility associated with our pension liabilities. Although we mitigate these risks by investing in high quality securities, ensuring adequate diversification of our investment portfolio and monitoring our portfolio's overall risk profile, the value of our investments may nevertheless decline. In September 2018, we terminated our Avery Dennison Pension Plan (the "ADPP"), a U.S. pension plan, and completed the settlement of the ADPP obligations in 2019. This settlement in 2019 resulted in approximately $444 million of pretax charges in 2019, partially offset by related tax benefits of approximately $179 million. See Note 6, "Pension and Other Postretirement Benefits," in the Notes to the Consolidated Financial Statements contained in our 2019 Annual Report.

The level of returns on our pension and postretirement plan assets and the actuarial assumptions used for valuation purposes could affect our earnings and cash flows in future periods. Changes in accounting standards and government regulations could also affect our pension and postretirement plan expense and funding requirements.

We evaluate the assumptions used in determining projected benefit obligations and the fair value of plan assets for our international pension plans and other postretirement benefit plans in consultation with outside actuaries. In the event that we were to determine that changes were warranted in the assumptions used, such as the discount rate, expected long-term rate of return, or mortality rates, our pension and projected postretirement benefit expenses and funding requirements could increase or decrease. Because of changing market conditions or changes in the participant population, the actuarial assumptions that we use may differ from actual results, which could have a significant impact on our pension and postretirement liability and related costs. Funding obligations for each plan are determined based on the value of assets and liabilities on a specific date as required under applicable government regulations. Our pension funding requirements, and the timing of funding payments, could also be affected by future legislation or regulation.

An impairment in the carrying value of goodwill could negatively impact our results of operations and net worth.

Goodwill is initially recorded at fair value and not amortized, but is reviewed for impairment annually (or more frequently if impairment indicators are present). As of December 28, 2019, the carrying value of our goodwill was $930.8 million. We review goodwill for impairment by comparing the fair value of a reporting unit to its carrying value. In assessing fair value, we make estimates and assumptions about sales, operating margins, growth rates, and discount rates based on our business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management's judgment in applying these factors. Goodwill valuations have been calculated primarily using an income approach based on the present value of projected future cash flows of each reporting unit. We could be required to evaluate the carrying value of goodwill prior to the annual assessment if we experience disruptions to our business, unexpected significant declines in operating results, divestiture of a significant component of our business or sustained market capitalization declines. These types of events could result in goodwill impairment charges in the future. Impairment charges could substantially affect our business in the periods in which they are made.

Unfavorable developments in legal proceedings, investigations and other legal, environmental, compliance and regulatory matters, could impact us in a materially adverse manner.

There can be no assurance that any outcome of any litigation, investigation or other legal, environmental, compliance and regulatory matter will be favorable. Our financial results could be materially adversely affected by an unfavorable outcome to pending or future litigation and investigations, and other legal, environmental, compliance and regulatory matters. See "Legal Proceedings" (Part I, Item 3).

We are required to comply with anti-corruption laws and regulations of the U.S. government and various international jurisdictions, and our failure to comply with these laws and regulations could have a material adverse effect on our business.

We are required to comply with the anti-corruption laws and regulations of the U.S. government and various international jurisdictions, such as the U.S. Foreign Corrupt Practices Act and the UK's Bribery Act of 2010. If we fail to comply with anti-corruption laws, we could be subject to substantial civil and criminal penalties, including regulatory fines, monetary damages and incarceration for responsible employees and managers. In addition, if our distributors or agents fail to comply with these laws, our business may also be materially adversely affected through reputational harm and penalties.

We are required to comply with environmental, health, and safety laws at our operations around the world. The costs of complying with these laws could materially adversely affect our business.

We are subject to national, state, provincial and/or local environmental, health, and safety laws and regulations in the U.S. and abroad, including those related to the disposal of hazardous waste and the emission of greenhouse gases from our manufacturing processes. These laws impose liability for the costs of, and damages resulting from, cleaning up current sites, past spills, disposals and other releases of hazardous substances. These laws are often unclear and subject to the discretion of the enforcing authorities. Compliance with existing and future environmental, health and safety laws could subject us to fees, penalties, costs or liabilities, impact our production capabilities, limit our ability to sell, expand or acquire facilities, and have a material adverse effect on our business. Laws and regulations related to the environment, product content and product safety are complex, change often, and can be open to different interpretations. In addition, we could be materially and adversely impacted by any environmental or product safety enforcement action affecting our suppliers, particularly in emerging markets.

We have accrued liabilities for the environmental clean-up of certain sites, including the eleven sites for which U.S. governmental agencies have designated us as a potentially responsible party as of our 2019 fiscal year-end, where it is probable that a loss will be incurred and the cost or amount of loss can be reasonably estimated. See "Legal Proceedings" (Part I, Item 3). However, because of the uncertainties associated with environmental assessment and remediation activities, the actual expense to remediate currently identified sites and other sites that could be identified for cleanup in the future could be higher than the liabilities accrued.

We are subject to governmental export and import control laws and regulations in the jurisdictions in which we do business that could subject us to liability or impair our ability to compete in these markets.

Export control laws and economic sanctions prohibit the shipment of some of our products to embargoed or sanctioned countries, governments and persons. While we train our employees to comply with these regulations, use third party screening software, and take other measures, we cannot guarantee that a violation will not occur. A prohibited shipment could have negative consequences, including government investigations, penalties, fines, civil and criminal sanctions and reputational harm. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could decrease our ability to export or sell our products internationally. Any limitation on our ability to export or sell our products could materially adversely affect our business.

Some of our products are subject to export control laws and regulations and may be exported only with an export license or through an applicable export license exception. If we fail to comply with export licensing, customs regulations, economic sanctions or other laws, we could be subject to substantial civil or criminal penalties, including economic sanctions against us, incarceration for responsible employees and managers, and the possible loss of export or import privileges. In addition, if our distributors fail to obtain appropriate import, export or re-export licenses or permits, we may also be materially adversely affected through reputational harm and penalties. Obtaining the necessary export license for a particular sale may be time consuming and expensive and could result in the delay or loss of sales opportunities.

Infringing intellectual property rights of third parties or inadequately acquiring or protecting our intellectual property could harm our ability to compete or grow.

Because our products involve complex technology and chemistry, we are involved from time to time in litigation involving patents and other intellectual property. Parties have filed, and in the future may file, claims against us alleging that we have infringed their intellectual property rights. If we were held liable for infringement, we could be required to pay damages, obtain licenses or cease making or selling certain products. There can be no assurance that licenses would be available on commercially reasonable terms or at all. The defense of these claims, whether or not meritorious, or the development of new technologies could cause us to incur significant costs and divert the attention of management.

We also have valuable intellectual property upon which third parties may infringe. We attempt to protect and restrict access to our intellectual property and proprietary information by relying on the patent, trademark, copyright and trade secret laws of the U.S. and other countries, as well as non-disclosure agreements. However, it may be possible for a third party to obtain our information without our authorization, independently develop similar technologies, or breach a non-disclosure agreement entered into with us. In addition, many of the countries in which we operate do not have intellectual property laws that protect proprietary rights as fully as do laws in the U.S. The use of our intellectual property by someone else without our authorization could reduce or eliminate certain competitive advantages we have, cause us to lose sales or otherwise harm our business. Further, the costs associated with protecting our intellectual property rights could materially adversely impact our business.

We have obtained and applied for U.S. and foreign trademark registrations and patents, and will continue to evaluate whether to register additional trademarks and apply for additional patents. We cannot guarantee that any of the pending applications will be approved by the applicable governmental authorities. Further, we cannot assure that the validity of our patents or our trademarks will not be challenged. In addition, third parties may be able to develop competing products using technology that avoids our patents.

We are subject to risks associated with the availability and coverage of various types of insurance.

We have various types of insurance, including property, workers' compensation, general and excess liability, and environmental liability. Insurance costs can be unpredictable and may materially adversely impact our business. We retain some portion of our insurable risks, and therefore, unforeseen or catastrophic losses in excess of insured limits could have a material adverse effect on our business.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

As of December 28, 2019, we operated manufacturing facilities in excess of 100,000 square feet in the segments and locations listed below.

LGM Segment

Domestic	Peachtree City, Georgia; Fort Wayne, Greenfield, and Lowell, Indiana; Fairport Harbor, Mentor, and Painesville, Ohio; Mill Hall and Quakertown, Pennsylvania
Foreign	Soignies, Belgium; Vinhedo, Brazil; Guangzhou and Kunshan, China; Champ-sur-Drac, France; Gotha, Germany; Pune, India; Kibbutz Hanita, Israel; Rodange, Luxembourg; Bangi, Malaysia; Rayong, Thailand; and Cramlington, United Kingdom

RBIS Segment

Domestic	Miamisburg, Ohio
Foreign	Nansha, Panyu, and Suzhou, China; Bufalo, Honduras; Ancarano, Italy; and Long An Province, Vietnam

IHM Segment

Domestic	Painesville, Ohio
Foreign	Turnhout, Belgium and Kunshan, Shanghai and Zhuozhou, China

In addition to the manufacturing facilities described above, our other principal facilities include our corporate headquarters in Glendale, California and our divisional offices located in Mentor, Ohio; Hong Kong and Kunshan, China; and Oegstgeest, the Netherlands.

We own all of the principal properties identified above, except for the facilities in the following locations, which are leased: Glendale, California; Hong Kong, Panyu and Zhuozhou, China; Bufalo, Honduras; Kibbutz Hanita, Israel; Mentor, Ohio; and Oegstgeest, the Netherlands.

We consider all our properties, whether owned or leased, suitable and adequate for our current needs. We generally expand production capacity as needed to meet increased demand. Owned buildings and plant equipment are insured against major losses from fire and other usual business risks, subject to applicable deductibles. We are not aware of any material defects in title to, or significant encumbrances on, our properties, except for certain mortgage liens.

Item 3. LEGAL PROCEEDINGS

As of December 28, 2019, 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 eleven waste disposal or waste recycling sites that are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination. No settlement of our liability related to any of these sites has been agreed upon. We are participating with other PRPs at these sites and anticipate that our share of remediation costs will be determined pursuant to agreements that we negotiate with the EPA or other governmental authorities.

We have accrued liabilities for sites where it is probable that a loss or cost will be incurred and the amount of loss or cost 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, our 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.

As of December 28, 2019, our accrued liability associated with environmental remediation was $21.4 million.

In addition, 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.

See Note 8, “Contingencies,” in the Notes to Consolidated Financial Statements contained in our 2019 Annual Report for more information, which is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Our common stock is listed under the ticker symbol "AVY" on the New York Stock Exchange. We did not sell securities in any unregistered transactions during the fourth quarter of 2019.

We had 4,397 shareholders of record as of December 28, 2019, the last day of our fiscal year.

(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 fourth quarter of 2019 are shown in the table below. Repurchased shares may be reissued under our long-term incentive plan or used for other corporate purposes.

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)]
September 29, 2019 – October 26, 2019	96.9	$ 113.51	96.9	
October 27, 2019 – November 23, 2019	80.0	130.58	80.0	
November 24, 2019 – December 28, 2019	92.0	130.44	92.0	
Total	268.9	$ 124.38	268.9	$ 644.7

(1) The periods shown are our fiscal periods during the thirteen-week quarter ended December 28, 2019.
(2) Shares in thousands.
(3) In April 2019, our Board authorized the repurchase of shares of our common stock with a fair market value of up to $650 million, exclusive of any fees, commissions or other expenses related to such purchases, in addition to the amount outstanding under our previous $650 million Board authorization pursuant to which repurchases were made in the periods shown in the table above. Board authorizations remain in effect until shares in the amount authorized thereunder have been repurchased.
(4) Dollars in millions.

Item 6. SELECTED FINANCIAL DATA

Selected financial data for each of our last five fiscal years appears under "Five-year Summary" in our 2019 Annual Report and is incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information called for by this Item appears under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2019 Annual Report and is incorporated herein by reference.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this Item is contained under "Market-Sensitive Instruments and Risk Management" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2019 Annual Report and incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this Item is contained in our 2019 Annual Report (including the Consolidated Financial Statements and the Notes thereto, Statement of Management Responsibility for Financial Statements and Management's Report on Internal Control Over Financial Reporting, and the Report of Independent Registered Public Accounting Firm) and incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in providing reasonable assurance that information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and the Chief Financial Officer as appropriate, to allow for timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting. We are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) of the Exchange Act). Under the supervision and with the participation of our management, including our Chief Executive Officer and the Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 28, 2019. (See Management's Report on Internal Control Over Financial Reporting contained in our 2019 Annual Report, which is incorporated herein by reference.)

Management's assessment of the effectiveness of our internal control over financial reporting as of December 28, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in the Report of Independent Registered Public Accounting Firm contained in our 2019 Annual Report, which is also incorporated herein by reference.

Changes in Internal Control over Financial Reporting. We periodically assess our internal control environment. During 2019, we implemented a new enterprise resource planning system in several locations of our Label and Graphic Materials business in North America. Processes affected by this implementation include, among other things, order management, pricing, shipping and purchasing. Where appropriate, we have made changes to related internal controls over our financial reporting.

Other than the system implementation referenced above, 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.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information concerning directors and corporate governance called for by this Item is incorporated herein by reference from the definitive proxy statement for our Annual Meeting of Stockholders to be held on April 23, 2020 (our "2020 Proxy Statement"), which will be filed with the SEC pursuant to Regulation 14A within 120 days of the end of the fiscal year covered by this report. The information concerning executive officers called for by this Item appears, in part, on the next page of this report, and is also incorporated by reference from our 2020 Proxy Statement. The information concerning any late filings under Section 16(a) of the Exchange Act is incorporated by reference from our 2020 Proxy Statement.

We have adopted a Code of Ethics for the Chief Executive Officer and Senior Financial Officers (the "Code"), which applies to our Chief Executive Officer, Chief Financial Officer, and Controller/Chief Accounting Officer. The Code is available on our investor website at www.investors.averydennison.com. We will satisfy the disclosure requirements of Item 5.05 of Form 8-K regarding any amendment to, or waiver of, any provision of the Code that applies to these officers by disclosing the nature of any such amendment or waiver on our website or in a Current Report on Form 8-K. Our Code of Conduct, which applies to our directors, officers and employees, is also available on our investor website. Our website address is not intended to function as a hyperlink, and the contents of the website are not a part of this Form 10-K, nor are they incorporated herein by reference.

The information called for by this Item concerning our Audit and Finance Committee is incorporated by reference from our 2020 Proxy Statement.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS[1]

Name and Position	Age	Served as Executive Officer since	Former Positions within Past Five Years/ Officer Positions with Avery Dennison	
Mitchell R. Butier Chairman, President and Chief Executive Officer	48	March 2007	2016-2019	President and Chief Executive Officer
			2015-2016	President and Chief Operating Officer
			2014-2015	President, Chief Operating Officer and Chief Financial Officer
			2010-2014	Senior Vice President and Chief Financial Officer
			2007-2010	Vice President, Global Finance and Chief Accounting Officer
			2004-2006	Vice President, Finance, Retail Branding and Information Solutions
Gregory S. Lovins Senior Vice President and Chief Financial Officer	47	March 2017	2017	Vice President and Interim Chief Financial Officer
			2016-2017	Vice President and Treasurer
			2011-2016	Vice President, Global Finance, Materials Group
Lori J. Bondar Vice President, Controller, Treasurer and Chief Accounting Officer	59	June 2010	2010-2020	Vice President, Controller and Chief Accounting Officer
			2008-2010	Vice President and Controller
Georges Gravanis [2] President, Label and Graphic Materials	62	May 2015	2015-2016	President, Materials Group
			2010-2015	Vice President and General Manager, Materials Group Asia Pacific
			2006-2010	Vice President of Sales, Roll Materials Europe
			2004-2006	Vice President and General Manager, Roll Materials Europe Southern Region
Anne Hill Senior Vice President and Chief Human Resources Officer	60	May 2007	N/A	N/A
Susan C. Miller Senior Vice President, General Counsel and Secretary	60	March 2008	2008-2009	Senior Vice President and General Counsel
			2007-2008	Vice President and General Counsel
			1998-2006	Assistant General Counsel
Deon Stander Vice President and General Manager, Retail Branding and Information Solutions	51	August 2016	2013-2015	Vice President and General Manager, Global Commercial and Innovation, RBIS
			2010-2012	Vice President and General Manager, Global Commercial RBIS

(1) Officers are generally elected on the date of our annual stockholder meeting to serve a one-year term and until their successors are duly elected and qualified.

(2) Ceased serving as an executive officer on December 31, 2019

Item 11. EXECUTIVE COMPENSATION

The information called for by this Item is incorporated by reference from our 2020 Proxy Statement.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by this Item is incorporated by reference from our 2020 Proxy Statement.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by this Item is incorporated by reference from our 2020 Proxy Statement.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by this Item is incorporated by reference from our 2020 Proxy Statement.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements, Financial Statement Schedule and Exhibits

(1) Financial statements filed as part of this report are listed on the accompanying Index to Financial Statements.

(2) All financial statement schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

(3) Exhibits filed as a part of this report are listed on the accompanying Exhibit Index. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K is identified as such on the Exhibit Index.

(b) The exhibits required to be filed by Item 601 of Regulation S-K are set forth on the following Exhibit Index.

AVERY DENNISON CORPORATION

INDEX TO FINANCIAL STATEMENTS

Data incorporated by reference from the attached portions of the 2019 Annual Report to Shareholders of Avery Dennison Corporation:

Except for the Consolidated Financial Statements, Statement of Management Responsibility for Financial Statements, Management’s Report on Internal Control Over Financial Reporting, and Report of Independent Registered Public Accounting Firm listed above, and certain information referred to in Items 1, 5, 6, 7, and 7A of this report that is expressly incorporated herein by reference, our 2019 Annual Report to Shareholders is not to be deemed “filed” as part of this report.

AVERY DENNISON CORPORATION

EXHIBIT INDEX

For the Year Ended December 28, 2019

Exhibit No.	Exhibit Name	Originally Filed as Exhibit No.	Filing[(1)]
3.1(i)	Amended and Restated Certificate of Incorporation, as filed on April 28, 2011 with the Office of Delaware Secretary of State	3.1	Current Report on Form 8-K, filed April 29, 2011
3.1(ii)	Amended and Restated Bylaws, effective as of December 7, 2017	3.1(ii)	Current Report on Form 8-K, filed December 8, 2017
4.1	Indenture, dated as of March 15, 1991, between Registrant and Security Pacific National Bank, as Trustee (the “1991 Indenture”)	4.1	Registration Statement on Form S-3 (File No. 33-39491), filed March 19, 1991
4.2	First Supplemental Indenture, dated as of March 16, 1993, between Registrant and BankAmerica National Trust Company, as successor Trustee (the “Supplemental Indenture”)	4.4	Registration Statement on Form S-3 (File No. 33-59642), filed March 17, 1993
4.3	Officers’ Certificate establishing a series of Securities entitled “Medium-Term Notes, Series C” under the 1991 Indenture, as amended by the Supplemental Indenture	4.1	Current Report on Form 8-K, filed May 12, 1995
4.4	Officers’ Certificate establishing a series of Securities entitled “Medium-Term Notes, Series D” under the 1991 Indenture, as amended by the Supplemental Indenture	4.1	Current Report on Form 8-K, filed December 16, 1996
4.5	Indenture, dated as of July 3, 2001, between Registrant and Chase Manhattan Bank and Trust Company, National Association, as trustee (“2001 Indenture”)	4.1	Registration Statement on Form S-3 (File No. 333-64558), filed July 3, 2001
4.6	Officers’ Certificate establishing Securities entitled “6.000% Notes due 2033” under the 2001 Indenture	4.2	Current Report on Form 8-K, filed January 16, 2003
4.7	6.000% Notes Due 2033	4.4	Current Report on Form 8-K, filed January 16, 2003
4.8	Indenture, dated as of September 25, 2007, among Avery Dennison Office Products Company (“ADOPC”), Registrant and The Bank of New York Trust Company, N.A., as Trustee (“Bank of NY”)	99.1	Current Report on Form 8-K, filed October 1, 2007
4.9	Form of 6.625% Guaranteed Notes due 2017	99.1	Current Report on Form 8-K, filed October 1, 2007
4.10	Indenture, dated as of November 20, 2007, between Registrant and Bank of NY	4.2	Current Report on Form 8-K, filed November 20, 2007
4.11	First Supplemental Indenture, dated as of November 20, 2007, between Registrant and Bank of NY	4.3	Current Report on Form 8-K, filed November 20, 2007
4.12	Second Supplemental Indenture, dated as of April 13, 2010, between Registrant and Bank of NY	4.2	Current Report on Form 8-K, filed April 13, 2010
4.13	Form of 5.375% Senior Notes due 2020	4.2	Current Report on Form 8-K, filed April 13, 2010
4.14	Third Supplemental Indenture, dated as of April 8, 2013, between Registrant and Bank of NY	4.2	Current Report on Form 8-K, filed April 8, 2013
4.15	Form of 3.35% Senior Notes due 2023	4.2	Current Report on Form 8-K, filed April 8, 2013

Exhibit No.	Exhibit Name	Originally Filed as Exhibit No.	Filing[1]
4.16	Fourth Supplemental Indenture, dated as of March 3, 2017, between Registrant and The Bank of New York Mellon Trust Company, N.A. ("BNY Mellon") as Trustee (including Form of 1.250% Senior Notes due 2025 on Exhibit A thereto)	4.2	Current Report on Form 8-K, filed March 3, 2017
4.17	Fifth Supplemental Indenture, dated as of December 6, 2018, between Registrant and BNY Melon, as Trustee (including Form of 4.875% Senior Notes due 2028 on Exhibit A thereto)	4.2	Current report on Form 8-K, filed December 6, 2018
4.18 †	Description of Securities	N/A	N/A
10.1	Amended and Restated Credit Agreement, dated as of February 8, 2008, among ADOPC, Registrant, Bank of America, N.A. and Banc of America Securities LLC and JP Morgan Securities Inc. ("ADOPC Credit Agreement")	10.1	Quarterly Report on Form 10-Q, filed August 7, 2008
10.2	Second Amendment to ADOPC Credit Agreement, dated as of January 23, 2009	99.4	Current Report on Form 8-K, filed January 27, 2009
10.3	Fifth Amended and Restated Credit Agreement, dated as of February 13, 2020, by and among Registrant, Bank of America, N.A., Citibank, N.A. and JPMorgan Chase Bank, N.A. and the other lenders party thereto	10.1	Current Report on Form 8-K, filed February 14, 2020
10.4*	Amended and Restated Supplemental Executive Retirement Plan ("SERP")	10.11.1	Quarterly Report on Form 10-Q, filed August 12, 2009
10.5*	Letter of Grant to D.A. Scarborough under SERP	10.11.2.1	Quarterly Report on Form 10-Q, filed August 12, 2009
10.6*	Letter Agreement with D.A. Scarborough regarding SERP benefits	10.11.2.1	Current Report on Form 8-K, filed December 15, 2010
10.7*	Complete Restatement and Amendment of Executive Deferred Compensation Plan	10.12	1994 Annual Report on Form 10-K, filed March 30, 1995
10.8*	Form of Non-Employee Director Stock Option Agreement under Director Plan	10.15.1	2003 Annual Report on Form 10-K, filed March 11, 2004
10.9*	Complete Restatement and Amendment of Executive Variable Deferred Compensation Plan ("EVDCP")	10.16	1994 Annual Report on Form 10-K, filed March 30, 1995
10.10*	Amendment No. 1 to EVDCP	10.16.1	1999 Annual Report on Form 10-K, filed March 30, 2000
10.11*	Complete Restatement and Amendment of Directors Deferred Compensation Plan	10.17	1994 Annual Report on Form 10-K, filed March 30, 1995
10.12*	Amended and Restated 2005 Directors Variable Deferred Compensation Plan	10.18.2	Quarterly Report on Form 10-Q, filed May 10, 2011
10.13*	Amended and Restated Stock Option and Incentive Plan ("Equity Plan")	A	2012 Proxy Statement on Schedule 14A, filed March 9, 2012
10.14*	First Amendment to Equity Plan	10.20	2014 Annual Report on Form 10-K, filed February 25, 2015

Exhibit No.	Exhibit Name	Originally Filed as Exhibit No.	Filing[1]
10.15*	2017 Incentive Award Plan (“2017 Plan”)	B	2018 Proxy Statement on Schedule 14A, filed March 10, 2017
10.16*	Annual Incentive Plan	10.26	2014 Annual Report on Form 10-K, filed February 25, 2015
10.17*	Complete Restatement and Amendment of Executive Deferred Retirement Plan (“EDRP”)	10.28	1994 Annual Report on Form 10-K, filed March 30, 1995
10.18*	Amendment No. 1 to EDRP	10.28.1	1999 Annual Report on Form 10-K, filed March 30, 2000
10.19*	Amendment No. 2 to EDRP	10.28.2	2001 Annual Report on Form 10-K, filed March 4, 2002
10.20*	2005 Executive Variable Deferred Retirement Plan, amended and restated	10.1	Quarterly Report on Form 10-Q, filed May 7, 2013
10.21*	Amended and Restated Key Executive Change of Control Severance Plan	10.29	2017 Annual Report on Form 10-K, filed February 21, 2018
10.22*	Amended and Restated Executive Severance Plan	10.30	2017 Annual Report on Form 10-K, filed February 21, 2018
10.23*	Form of Executive Severance Agreement	10.31	2017 Annual Report on Form 10-K, filed February 21, 2018
10.24*	Long-Term Incentive Unit Plan (“LTI Unit Plan”)	10.43	2012 Annual Report on Form 10-K, filed February 27, 2013
10.25*	Form of Restricted Stock Unit Agreement under Equity Plan	10.38	2013 Annual Report on Form 10-K, filed February 26, 2014
10.26*	Form of Performance Unit Agreement under Equity Plan	10.39	2013 Annual Report on Form 10-K, filed February 26, 2014
10.27*	Form of Market-Leveraged Stock Unit Agreement under Equity Plan	10.40	2013 Annual Report on Form 10-K, filed February 26, 2014
10.28*	Form of Long-Term Incentive Unit Agreement under LTI Unit Plan	10.41	2013 Annual Report on Form 10-K, filed February 26, 2014
10.29*	Form of Director Restricted Stock Unit Agreement under 2017 Plan	10.2	Quarterly Report on Form 10-Q, filed August 1, 2017
10.30*	Form of Employee Market-Leveraged Stock Unit Agreement under 2017 Plan	10.3	Quarterly Report on Form 10-Q, filed August 1, 2017
10.31*	Form of Employee Performance Unit Agreement under 2017 Plan	10.4	Quarterly Report on Form 10-Q, filed August 1, 2017
10.32*	Form of Employee Restricted Stock Unit Agreement under 2017 Plan	10.5	Quarterly Report on Form 10-Q, filed August 1, 2017
10.33*	Form of Employee Non-Qualified Stock Option Agreement under 2017 Plan	10.6	Quarterly Report on Form 10-Q, filed August 1, 2017

Exhibit No.	Exhibit Name	Originally Filed as Exhibit No.	Filing[1]
10.34*	Offer Letter to Georges Gravanis	10.1	Quarterly Report on Form 10-Q, filed May 5, 2015
10.35*	Offer Letter to Mitchell R. Butier	10.2	Quarterly Report on Form 10-Q, filed May 3, 2016
10.36*	Localization Letter to Georges Gravanis	10.1	Quarterly Report on Form 10-Q, filed August 2, 2016
10.37*	Offer Letter to Gregory S. Lovins	10.1	Quarterly Report on Form 10-Q, filed August 1, 2017
13†	Portions of Annual Report to Shareholders for fiscal year ended December 28, 2019	N/A	N/A
21†	List of Subsidiaries	N/A	N/A
23†	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm	N/A	N/A
24†	Power of Attorney (see Signatures — Power of Attorney)	N/A	N/A
31.1†	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	N/A	N/A
31.2†	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	N/A	N/A
32.1††	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	N/A	N/A
32.2††	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	N/A	N/A
101INS†††	Inline XBRL Instance Filing	N/A	N/A
101SCH†††	Inline XBRL Extension Schema Filing	N/A	N/A
101CAL†††	Inline XBRL Extension Calculation Linkbase Filing	N/A	N/A
101LAB†††	Inline XBRL Extension Label Linkbase Filing	N/A	N/A
101PRE†††	Inline XBRL Extension Presentation Linkbase Filing	N/A	N/A
101DEF†††	Inline XBRL Extension Definition Linkbase Filing	N/A	N/A
104†††	Inline XBRL for the cover page of this Annual Report on Form 10-K , included as part of the Exhibit 101 inline XBRL document set		

(1) Unless otherwise noted, the File Number for all filings is File No. 1-7685.

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 15(b) of Form 10-K.

† Filed herewith.

†† This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Exchange Act and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

††† Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act, are deemed not filed for purposes of Section 18 of the Exchange Act and otherwise are not subject to liability under those sections.

Item 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ Gregory S. Lovins

Gregory S. Lovins

Senior Vice President and Chief Financial Officer

Dated: February 26, 2020

POWER OF ATTORNEY

Each person whose signature appears below does hereby constitute and appoint Gregory S. Lovins and Susan C. Miller, and each of them, with full power of substitution, his or her true and lawful attorney-in-fact to act for him or her in any and all capacities, to sign this Annual Report on Form 10-K and any or all amendments or supplements thereto, and to file each of the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in order to effectuate the same as fully, to all intents and purposes, as he or she could do in person, hereby ratifying and confirming all that said attorneys-in-fact or substitutes, or any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and as of the dates indicated.

Signature	Title	Date
/s/ Mitchell R. Butier Mitchell R. Butier	Chairman, President, and Chief Executive Officer	February 26, 2020
/s/ Gregory S. Lovins Gregory S. Lovins	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 26, 2020
/s/ Lori J. Bondar Lori J. Bondar	Vice President, Controller, Treasurer and Chief Accounting Officer (Principal Accounting Officer)	February 26, 2020
/s/ Bradley A. Alford Bradley A. Alford	Director	February 26, 2020
/s/ Anthony K. Anderson Anthony K. Anderson	Director	February 26, 2020
/s/ Peter K. Barker Peter K. Barker	Director	February 26, 2020
/s/ Mark J. Barrenechea Mark J. Barrenechea	Director	February 26, 2020

Signature	Title	Date
/s/ Ken C. Hicks Ken C. Hicks	Director	February 26, 2020
/s/ Andres A. Lopez Andres A. Lopez	Director	February 26, 2020
/s/ David E. I. Pyott David E. I. Pyott	Director	February 26, 2020
/s/ Patrick T. Siewert Patrick T. Siewert	Director	February 26, 2020
/s/ Julia A. Stewart Julia A. Stewart	Director	February 26, 2020
/s/ Martha N. Sullivan Martha N. Sullivan	Director	February 26, 2020

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 28, 2019, Avery Dennison Corporation ("Avery Dennison", "we", or the "Company") had two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (i) common stock**,** $1.00 par value per share and (ii) 1.25% Senior Notes due 2025. Each of the Company's securities registered under Section 12 of the Exchange Act are listed on the New York Stock Exchange (the "NYSE").

DESCRIPTION OF AVERY DENNISON CORPORATION COMMON STOCK

The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable provisions of the Delaware General Corporation Law, or the DGCL, our Amended and Restated Certificate of Incorporation, or Amended and Restated Certificate, and our Amended and Restated Bylaws, or Bylaws. Copies of our Amended and Restated Certificate and our Bylaws are incorporated by reference as exhibits to the Annual Report on Form 10-K of which this Exhibit 4.18 is a part. Refer to our Amended and Restated Certificate, our Bylaws and the applicable provisions of the DGCL for additional information.

Pursuant to our Amended and Restated Certificate, our authorized capital stock consists of 400,000,000 shares of common stock, par value $1.00 per share, and 5,000,000 shares of preferred stock, par value $1.00 per share.

We may offer from time to time shares of our common stock. We may also offer common stock issuable upon the conversion of debt securities, preferred securities or depositary shares or the exercise of warrants and pursuant to stock purchase contracts.

Voting Rights

Unless otherwise provided in our Amended and Restated Certificate, in the DGCL, or other applicable law, the holders of our common stock are entitled to one vote per share on all matters voted upon by the stockholders, subject to any preferential rights that our board of directors may grant in connection with the future issuance of preferred stock. Shares of our common stock do not have cumulative voting rights. 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 DGCL, the Amended and Restated Certificate (including the certificate of designations of preferences as to any preferred stock), or the rules and regulations of any stock exchange applicable to us or any other applicable law.

Dividend and Liquidation Rights

Each holder of common stock is entitled to receive ratably any dividends declared on the common stock by our board of directors from funds legally available for distribution. In the event of our liquidation, dissolution or winding up, after we pay all debts and other liabilities and any liquidation preference on the preferred stock, each holder of common stock would be entitled to share ratably in all of our remaining assets. The common stock has no subscription, redemption, conversion or preemptive rights. All shares of common stock are fully paid and nonassessable.

Certain Anti-Takeover Matters

Certain provisions of our organizational documents and the DGCL may have the effect of delaying, deferring or preventing a change in control. The provisions described below may also reduce our vulnerability to an unsolicited takeover attempt. The summary of the provisions set forth below does not purport to be complete and is qualified in its entirety by reference to our Amended and Restated Certificate, Bylaws and the DGCL.

No Written Consent of Stockholders

Our Bylaws provide that stockholders are not entitled to act by written consent in lieu of a meeting. This provision could discourage potential acquisition proposals and could delay or prevent a change of control.

No Ability of Stockholders to Call Special Meetings

Our Amended and Restated Certificate and Bylaws do not provide stockholders with the right to call a special meeting of stockholders.

Advance Notice Requirements

Our Bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of stockholders. These procedures provide that notice of such stockholder proposals must be timely given in writing to the Secretary of Avery Dennison prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the anniversary date of the annual meeting for the preceding year. The notice must contain certain information specified in our Bylaws.

Delaware General Corporation Law Section 203

As a corporation organized under the laws of the State of Delaware, we are subject to Section 203 of the DGCL which restricts certain business combinations between us and an “interested stockholder” (in general, a stockholder owning 15% or more of our outstanding voting stock) or that stockholder’s affiliates or associates for a period of three years following the date on which the stockholder becomes an “interested stockholder.” The restrictions do not apply if:

- prior to an interested stockholder becoming such, our board of directors approves either the business combination or the transaction in which the stockholder becomes an interested stockholder;

- upon consummation of the transaction in which the stockholder becomes an interested stockholder, the interested stockholder owns at least 85% of our voting stock outstanding at the time the transaction commenced, subject to certain exceptions; or

- on or after the date an interested stockholder becomes such, the business combination is both approved by our board of directors and authorized at an annual or special meeting of our stockholders (and not by written consent) by the affirmative vote of at least 66 2/3% of the outstanding voting stock not owned by the interested stockholder.

Blank Check Preferred Stock

Our Amended and Restated Certificate provides for 5,000,000 authorized shares of “blank check” preferred stock, the terms of which may be determined by our board of directors without obtaining stockholder approval. Undesignated or “blank check” preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a tender offer, proxy contest, merger or otherwise, and to thereby protect the continuity of our management.

On October 23, 1997, our board of directors adopted a Rights Agreement and declared a dividend distribution of one preferred share purchase right, or a Right, on each outstanding share of our common stock. The Rights expired on October 31, 2007. We have not yet redesignated the Series A Junior Participating preferred stock underlying the Rights.

Our board of directors has no present intention to introduce additional measures that might have an anti-takeover effect; however, our board of directors expressly reserves the right to introduce these measures in the future, including, for example, by renewing the Rights, if our board determines in the exercise of its fiduciary duties that the adoption of such measure would be in the best interests of our company and stockholders.

Listing Exchange; Transfer Agent and Registrar

Our common stock is listed on the NYSE under the symbol “AVY.” The transfer agent and registrar for our common stock is Broadridge Corporate Issuer Solutions, Inc.

DESCRIPTION OF AVERY DENNISON CORPORATION 1.25% SENIOR NOTES DUE 2025

The following description is a summary of the material provisions of the notes and the indenture (as defined below) under which the notes were issued. This description does not describe every provision of the notes or the indenture. Refer to the indenture for a complete description of what we describe in summary form in this Exhibit 4.18. The indenture has been filed as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.18 is a part.

General

The notes constitute a series of debt securities issued under the Indenture, dated November 20, 2007, between Avery Dennison Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "trustee"), as supplemented by a Supplemental Indenture entered into between us and the trustee, as amended (together, the "indenture"). We appointed The Bank of New York Mellon, London Branch to act as paying agent solely with respect to the notes. We also appointed The Bank of New York Mellon Trust Company, N.A. to act as transfer agent and registrar.

The aggregate principal amount of the notes is €500,000,000. The notes will mature and become due and payable, together with any accrued and unpaid interest thereon, on March 3, 2025. The notes bear interest at the rate of 1.250% per annum from March 3, 2017.

Interest on the notes is payable annually in arrears on March 3 of each year, beginning on March 3, 2018 to the persons in whose names the respective notes are registered at the close of business on the February 16 preceding the respective interest payment dates. If any payment date is not a business day, then payment will be made on the next succeeding business day, but without any additional interest or other amount.

Interest on the notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the notes (or March 3, 2017 if no interest has been paid on the notes), to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

The notes do not have the benefit of any sinking fund.

The notes are represented by one or more registered notes in global form, but in certain limited circumstances may be represented by notes in definitive registered form. See "—Book-Entry Procedures" below. The notes are issued in euros and only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Listing

The notes are listed on the NYSE under the symbol “AVY25.”

Further Issues

We may, from time to time, without notice to or consent of the holders of the notes, create and issue additional notes ranking equally and ratably with the notes in all respects (or in all respects except for the payment of interest accruing prior to the issue date of such additional notes or except, in some cases, for the first payment of interest following the issue date of such additional notes). Any such additional notes may be consolidated and form a single series with the notes and will have the same terms as to status, redemption or otherwise as the notes; provided, that if any such additional notes are not fungible with the notes offered hereby for U.S. federal income tax purposes, such additional notes will be issued under a different CUSIP number.

Ranking

The notes are our senior unsecured obligations and:

- rank equally and ratably with all of our other existing and future unsecured and unsubordinated indebtedness and other liabilities;
- rank senior in right of payment to all of our existing and future subordinated indebtedness, if any;
- are effectively junior to all of our future secured indebtedness, if any, to the extent of the value of the assets securing such indebtedness; and
- are structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries.

The indenture does not limit the aggregate principal amount of debt securities that the Company may issue. The indenture does not contain any provisions that would limit the ability of the Company or its Subsidiaries to incur additional unsecured indebtedness.

Issuance in Euros; Payment on the Notes

Initial holders are required to pay for the notes in euros, and all payments on the notes are payable in euros. The amount payable on any date in euros will be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recent U.S. dollar/euro exchange rate published in *The Wall Street Journal* on or prior to the second business day prior to the relevant payment date, or in the event *The Wall Street Journal* has not published such exchange rate, such rate as determined in our sole discretion on the basis of the most recently available market exchange rate for the euro. Neither the trustee nor the paying agent has any responsibility for obtaining exchange rates, effecting conversions or otherwise handling redenominations in connection with the foregoing.

Payments and Paying Agents

We will pay principal, premium, if any, interest, additional amounts, if any, and any other amounts due on the notes in euros and to the paying agent at the corporate trust office of the trustee. We may also choose to pay interest by mailing checks or making wire transfers. We may also arrange for additional paying agent offices, and may change these offices, including our use of the trustee's corporate trust office.

We have appointed The Bank of New York Mellon, London Branch to act as paying agent in connection with the notes, and we have appointed The Bank of New York Mellon Trust Company, N.A. to act as transfer agent and registrar. We may also choose to act as our own paying agent.

Optional Redemption

The notes are redeemable in whole or in part, at our option, at any time or from time to time at a redemption price equal to the greater of (a) 100% of the principal amount of the notes to be redeemed and (b) the sum of the present values of the Remaining Scheduled Payments discounted to the redemption date, not including any portion of any payments of interest accrued to the redemption date, on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate (as defined below), plus 25 basis points, plus accrued and unpaid interest thereon to, but not including, the date of redemption; provided, however, that if we redeem any notes on or after December 3, 2024 (the date falling three months prior to the maturity date of the notes), the redemption price for the notes will be equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest thereon to, but not including, the redemption date.

Notice of any redemption will be transmitted not less than 30 days and not more than 60 days prior to the redemption date to each holder of notes to be redeemed. In connection with any redemption of notes, any such redemption may, at our discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice will state that, in our discretion, the redemption date may be delayed until the time that any or all such conditions shall be satisfied (or waived by us in our sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions have not been satisfied (or waived by us in our sole discretion) by the redemption date (whether the original redemption date or the redemption date so delayed). In addition, we may provide in such notice that payment of the redemption price and performance of our obligations with respect to such redemption may be performed by another person.

Unless we default in payment of the redemption price, from and after the redemption date, interest will cease to accrue on the notes or portions thereof called for redemption. If less than all of the notes are to be redeemed, the notes to be redeemed will be selected by lot and may provide for the selection for redemption of a portion of the principal amount of notes held by a holder equal to an authorized denomination. If the Company redeems less than all of the notes and the notes are then held in book-entry form, the redemption will be made in accordance with the depositary's customary procedures.

For purposes of the optional redemption provisions of the notes, the following definitions are applicable:

"Comparable Government Bond" means, in relation to any Comparable Government Bond Rate calculation a German government bond (*Bundesanleihe*) whose maturity is closest to the maturity of the notes, or if an independent investment bank selected by the Company in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by such independent investment bank, determine to be appropriate for determining the Comparable Government Bond Rate.

"Comparable Government Bond Rate" means, with respect to any redemption date, the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the notes, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by the Company.

"Remaining Scheduled Payments" means the remaining scheduled payments of the principal and interest on the notes to be redeemed that would be due after the related redemption date but for such redemption; *provided*, *however*, that if such redemption date is not an interest payment date, the amount of the next scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to, but not including, such redemption date.

Change of Control Offer

If a Change of Control Triggering Event occurs, unless we have exercised our option to redeem the notes as described above, we will be required to make an offer (a "Change of Control Offer") to each holder of the notes to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of that holder's notes on the terms set forth in the notes. In a Change of Control Offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of notes repurchased, plus accrued and unpaid interest, if any, on the notes repurchased to, but not including, the repurchase date (a "Change of Control Payment"). Within 30 days following any Change of Control Triggering Event or, at our option, prior to any Change of Control, but after public announcement of the transaction that constitutes or may constitute the Change of Control, a notice will be mailed to holders of the notes describing the transaction that constitutes or may constitute the Change of Control Triggering Event and offering to repurchase such notes on the repurchase date specified in the applicable notice, which date will be no earlier than 30 days and no later than 60 days from the date on which such notice is mailed (a "Change of Control Payment Date").

The notice will, if mailed prior to the date of consummation of the Change of Control, state that the Change of Control Offer is conditioned on the Change of Control Triggering Event occurring prior to or on the applicable Change of Control Payment Date specified in the notice.

On each Change of Control Payment Date, we will, to the extent lawful:

- accept for payment all notes or portions of notes properly tendered pursuant to the applicable Change of Control Offer;
- deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered pursuant to the applicable Change of Control Offer; and
- deliver or cause to be delivered to the trustee the notes properly accepted together with an officer's certificate stating the aggregate principal amount of notes or portions of notes being repurchased.

We will not be required to make a Change of Control Offer upon the occurrence of a Change of Control Triggering Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by us, and the third party repurchases all notes properly tendered and not withdrawn under its offer. In addition, we will not repurchase any notes if there has occurred and is continuing on the Change of Control Payment Date an Event of Default under the indenture, other than a default in the payment of the Change of Control Payment upon a Change of Control Triggering Event.

We will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Offer provisions of the notes by virtue of any such conflict.

For purposes of the Change of Control Offer provisions of the notes, the following definitions will be applicable:

"Change of Control" means the occurrence of any of the following:

A. the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of our assets and our Subsidiaries' assets, taken as a whole, to any person, other than us or one of our Subsidiaries;

B. the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our outstanding Voting Stock or other Voting Stock into which the Company's Voting Stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; or

C. the adoption of a plan relating to our liquidation or dissolution.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if (a) we become a direct or indirect wholly-owned Subsidiary of a holding company and (b)(1) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of our Voting Stock immediately prior to that transaction or (2) immediately following that transaction no person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company. The term "person," as used in this definition, has the meaning given thereto in Section 13(d)(3) of the Exchange Act.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and a Rating Event.

"Investment Grade" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB– (or the equivalent) by S&P, and the equivalent Investment Grade credit rating from any replacement Rating Agency or Rating Agencies selected by us.

"Moody's" means Moody's Investors Service, Inc., and its successors.

"Rating Agencies" means (a) each of Moody's and S&P; and (b) if either Moody's or S&P ceases to rate the notes or fails to make a rating of the notes publicly available for reasons outside of our control, a "nationally recognized statistical rating organization" within the meaning of Section 3(a)(62) of the Exchange Act selected by us (as certified by a resolution of the Company's Board of Directors) as a replacement agency for Moody's or S&P, or each of them, as the case may be.

"Rating Event" means the rating on the notes is lowered by each of the Rating Agencies and the notes are rated below Investment Grade by each of the Rating Agencies on any day within the 60-day period (which 60-day period will be extended so long as the rating of the notes is under publicly announced consideration for a possible downgrade by any of the Rating Agencies) after the earlier of (1) the occurrence of a Change of Control and (2) public notice of the occurrence of a Change of Control or our intention to effect a Change of Control; *provided*, *however*, that a Rating Event otherwise arising by virtue of a particular reduction in rating will not be deemed to have occurred in respect of a particular Change of Control (and thus will not be deemed a Rating Event for purposes of the definition of Change of Control Triggering Event) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform us in writing that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control has occurred at the time of the Rating Event).

"S&P" means Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc., and its successors.

"Voting Stock" means, with respect to any specified "person" (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, transfer, conveyance or other disposition of "all or substantially all" of our assets and the assets of our Subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase such holder's notes as a result of a sale, transfer, conveyance of other disposition of less than all of our and our Subsidiaries' assets, taken as a whole, to any person or group or persons may be uncertain.

Redemption for Tax Reasons

If, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated under the laws) of the United States (or any political subdivision of or taxing authority in the United States), or any change in, or amendment to, an official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective on or after the date of issuance, we become or, based upon a written opinion of independent counsel selected by us, there is a substantial probability that we will become, obligated to pay additional amounts as described under the heading "—Payment of Additional Amounts" below with respect to the notes, then we may at any time at our option redeem, in whole, but not in part, the notes on not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest on the notes to, but not including, the date fixed for redemption.

Payment of Additional Amounts

All payments of principal and interest in respect of the notes will be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or other governmental charges of whatsoever nature required to be deducted or withheld by the United States or any political subdivision or taxing authority of or in the United States, unless such withholding or deduction is required by law or the official interpretation or administration thereof.

In the event any withholding or deduction on payments in respect of the notes for or on account of any present or future tax, assessment or other governmental charge is required to be deducted or withheld by the United States or any political subdivision or taxing authority thereof or therein, we will pay such additional amounts on the notes as will result in receipt by each holder of a note that is not a U.S. Person (as defined below) of such amounts (after all such withholding or deduction, including on any additional amounts) as would have been received by such holder had no such withholding or deduction been required. We will not be required, however, to make any payment of additional amounts for or on account of:

(a) any tax, assessment or other governmental charge that would not have been imposed but for (1) the existence of any present or former connection (other than a connection arising solely from the ownership of those notes or the receipt of payments in respect of those notes) between a holder of a note (or the beneficial owner for whose benefit such holder holds such note), or between a fiduciary, settlor, beneficiary of, member or shareholder of, or possessor of a power over, that holder or beneficial owner (if that holder or beneficial owner is an estate, trust, partnership or corporation) and the United States, including that holder or beneficial owner, or that fiduciary, settlor, beneficiary, member, shareholder or possessor, being or having been a citizen or resident or treated as a resident of the United States or being or having been engaged in a trade or business or present in the United States or having had a permanent establishment in the United States or (2) the presentation of a note for payment on a date more than 30 days after the later of the date on which that payment becomes due and payable and the date on which payment is duly provided for;

(b) any estate, inheritance, gift, sales, transfer, capital gains, excise, personal property, wealth or similar tax, assessment or other governmental charge;

(c) any tax, assessment, or other governmental charge imposed by reason of the holder's or beneficial owner's past or present status as a passive foreign investment company, a controlled foreign corporation, a foreign tax exempt organization or a personal holding company with respect to the United States or as a corporation that accumulates earnings to avoid U.S. federal income tax;

(d) any tax, assessment or other governmental charge which is payable otherwise than by withholding or deducting from payment of principal of or premium, if any, or interest on such notes;

(e) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of and premium, if any, or interest on any note if that payment can be made without withholding by at least one other paying agent;

(f) any tax, assessment or other governmental charge which would not have been imposed but for the failure of a beneficial owner or any holder of notes to comply with a request to satisfy certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the United States of the beneficial owner or any holder of the notes (including, but not limited to, the requirement to provide Internal Revenue Service Forms W-8BEN, W-8BEN-E, W-8ECI, or any subsequent versions thereof or successor thereto, and including, without limitation, any documentation requirement under an applicable income tax treaty), provided such beneficial owner or holder is legally able to so comply and compliance is a precondition to exemption from such tax, assessment or other governmental charge;

(g) any tax, assessment or other governmental charge imposed on interest received by or on behalf of (1) a 10-percent shareholder (as defined in Section 871(h)(3)(B) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and the regulations that may be promulgated thereunder of us, (2) a controlled foreign corporation that is related to us within the meaning of Section 864(d)(4) of the Code, or (3) a bank receiving interest described in Section 881(c)(3)(A) of the Code, to the extent such tax, assessment or other governmental charge would not have been imposed but for the holder's or beneficial owner's status as described in clauses (1) through (3) of this paragraph (g);

(h) any tax, assessment or other governmental charge required to be withheld or deducted under Sections 1471 through 1474 of the Code (or any amended or successor version of such Sections that is substantively comparable) ("FATCA"), any regulations or other guidance thereunder, or any agreement (including any intergovernmental agreement) entered into in connection therewith; or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement in respect of FATCA; or

(i) any combination of items (a), (b), (c), (d), (e), (f), (g) and (h);

nor will we pay any additional amounts any holder that is not the sole beneficial owner of such notes, or a portion of such notes, or that is a fiduciary or partnership or a limited liability company, to the extent that a beneficiary or settlor with respect to that fiduciary or a member of that partnership or limited liability company or a beneficial owner thereof would not have been entitled to the payment of those additional amounts had that beneficiary, settlor, member or beneficial owner been the holder of those notes.

The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable to the notes. Except as specifically provided under this heading "—Payment of Additional Amounts," we will not be required to make any payment for any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision.

As used under this heading "—Payment of Additional Amounts" and under the heading "—Redemption for Tax Reasons," the term "United States" means the United States of America, the states of the United States, and the District of Columbia, and the term "U.S. Person" means any individual who is a citizen or resident of the United States for U.S. federal income tax purposes, a corporation, partnership or other entity created or organized in or under the laws of the United States, any state of the United States or the District of Columbia (other than a partnership that is not treated as a United States person under any applicable U.S. Treasury regulations), or any estate or trust the income of which is subject to United States federal income taxation regardless of its source.

Any reference in the terms of the notes to any amounts in respect of the notes shall be deemed also to refer to any additional amounts which may be payable under this provision.

Covenants

We will not be restricted by the indenture from incurring unsecured indebtedness or other obligations. We will also not be restricted by the indenture from paying dividends or making distributions on our capital stock, or purchasing or redeeming our capital stock. The indenture also will not require the maintenance of any financial ratios or specified levels of net worth or liquidity.

Restriction on Secured Debt

The Company will not, nor will it permit any of its Subsidiaries to, incur, issue, assume or guarantee any Debt secured by a Lien on any of its or any Subsidiary's Principal Property, or on any share of capital stock or Debt of any Subsidiary, unless the Company secures or causes such Subsidiary to secure the notes equally and ratably with (or, at the Company's option, prior to) such secured Debt, for so long as such secured Debt is so secured; *provided*, *however*, that the foregoing restrictions will not apply to Debt secured by the following:

1. any Lien existing on the date of issuance;

2. Liens on property of, or on any shares of capital stock of or Debt of, any Person existing at the time such Person is merged with or into or consolidated with the Company or any Subsidiary or otherwise becomes a Subsidiary;

3. Liens in the Company's favor or in favor of any Subsidiary;

4. Liens in favor of governmental bodies to secure progress, advance or other payments pursuant to any contract or provision of any statute;

5. Liens on property existing at the time of acquisition thereof by the Company or any Subsidiary;

6. any Lien securing indebtedness incurred to finance the purchase price or cost of construction of property (or additions, substantial repairs, alterations or substantial improvements thereto), provided that such Lien and the indebtedness secured thereby are incurred within twelve months of the later of acquisition or completion of construction (or addition, repair, alteration or improvement) and full operation thereof;

7. Liens securing industrial revenue bonds, pollution control bonds or similar types of bonds;

8. mechanics and similar Liens arising in the ordinary course of business in respect of obligations not due or being contested in good faith;

9. Liens arising from deposits with, or the giving of any form of security to, any governmental agency required as a condition to the transaction of business or exercise of any privilege, franchise or license;

10. Liens for taxes, assessments or governmental charges or levies which are not then delinquent or are being contested in good faith;

11. Liens put on any property in contemplation of its disposition, provided the Company has a binding agreement to sell at the time the Lien is imposed and the Company disposes of the property within one year after the creation of the Liens and that any indebtedness secured by the Liens is without recourse to the Company or any of its Subsidiaries;

12. Liens (including judgment liens) arising from legal proceedings being contested in good faith (and, in the case of judgment liens, execution thereof is stayed); and

13. any amendment, extension, renewal or replacement of any Liens referred to in the foregoing clauses (1) through (12) inclusive or any Debt secured thereby, provided that such extension, renewal or replacement will be limited to all or part of the same property, shares of capital stock or Debt that secured the Lien extended, renewed or replaced.

Notwithstanding the foregoing, the Company and its Subsidiaries may issue, assume or guarantee Debt secured by a Lien which would otherwise be subject to the restrictions described above, provided that the aggregate amount of all such secured Debt, together with all the Company and its Subsidiaries' Attributable Debt with respect to sale and leaseback transactions involving Principal Properties (with the exception of such transactions which are excluded as described in "—Restriction on Sale and Leaseback Transactions" below), may not exceed 15% of Consolidated Net Tangible Assets.

Restriction on Sale and Leaseback Transactions

The Company will not, nor will it permit any of its Subsidiaries to, enter into any sale and leaseback transaction involving any Principal Property, *provided, however,* the Company or any of its Subsidiaries may enter into a sale and leaseback transaction if any of the following occurs:

1. the lease is for a period, including renewal rights, of not in excess of three years;

2. the sale or transfer of the Principal Property is made within a specified period after its acquisition or construction;

3. the lease secures or relates to industrial revenue bonds, pollution control bonds or other similar types of bonds;

4. the transaction is between the Company and a Subsidiary or between Subsidiaries;

5. the Company or a Subsidiary, within 360 days after the Company or a Subsidiary makes a sale or transfer, applies an amount equal to the greater of the net proceeds of the sale of the Principal Property leased pursuant to such

arrangement or the fair market value of the Principal Property so leased at the time of entering into such arrangement (as determined in any manner approved by the Company's Board of Directors) to:

a. the retirement of the notes or the Company's other Funded Debt ranking on a parity with or senior to the notes, or the retirement of the securities or other Funded Debt of a Subsidiary; provided, however, that the amount to be applied to the retirement of the Company's Funded Debt or a Subsidiary's Funded Debt shall be reduced by (x) the principal amount of any notes (or other notes or debentures constituting such Funded Debt) delivered within such 360-day period to the trustee for retirement and cancellation and (y) the principal amount of such Funded Debt, other than items referred to in the preceding clause (x), voluntarily retired by the Company or a Subsidiary within 360 days after such sale; and provided further, that notwithstanding the foregoing, no retirement referred to in this subclause (a) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision, or

b. the purchase of other property which will constitute a Principal Property having a fair market value, in the Company's determination, at least equal to the fair market value of the Principal Property leased in such sale and leaseback transaction; or

6. after giving effect to the transaction, the aggregate amount of all Attributable Debt with respect to such transactions plus all Debt secured by Liens on Principal Properties, or on shares of capital stock or Debt of Subsidiaries (with the exception of secured Debt which is excluded as described in "—Restrictions on Secured Debt" above), would not exceed 15% of Consolidated Net Tangible Assets.

Certain Definitions

The terms set forth below are defined in the indenture as follows:

"Attributable Debt" means, as to any particular lease under which any Person is at the time liable and at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the remaining primary term thereof, discounted from the respective due dates to such date at the actual percentage rate inherent in such arrangement as the Company has determined in good faith. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges. In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"Consolidated Net Tangible Assets" means the aggregate amount of assets (less applicable reserves and other properly deductible items) less (i) all liabilities, other than deferred income taxes and Funded Debt, and (ii) goodwill, trade names, trademarks, patents, organizational expenses and other like intangibles owned by the Company as well as the Company's consolidated Subsidiaries and computed in accordance with generally accepted accounting principles.

"Debt" means debt issued, assumed or guaranteed by the Company or a Subsidiary for money borrowed.

"Funded Debt" means (i) all indebtedness for money borrowed having a maturity of more than 12 months from the date as of which the determination is made or having a maturity of 12 months or less but by its terms being renewable or extendible beyond 12 months from such date at the option of the borrower and (ii) rental obligations payable more than 12 months from such date under leases which are capitalized in accordance with generally accepted accounting principles (such rental obligations to be included as Funded Debt at the amount so capitalized and to be included for the purposes of the definition of Consolidated Net Tangible Assets both as an asset and as Funded Debt at the amount so capitalized).

"GAAP" means, with respect to any computation required or permitted under the indenture, generally accepted accounting principles in effect in the United States of America which are applicable at the date of such computation and which are consistently applies for all applicable periods.

"Lien" means any lien, mortgage or pledge.

"Person" means an individual, a corporation, a limited liability company, a partnership, a joint-stock company, a trust, an unincorporated organization or a government or an agency or political subdivision thereof.

"Principal Property" means any real property the Company or any Subsidiaries own or hereafter acquire (including related land and improvements thereon and all machinery and equipment included therein without deduction of any depreciation reserves) of which on the date as of which the determination is being made exceeds 2% of Consolidated Net Tangible Assets other than (i) any property which in the Company's determination is not of material importance to the total business conducted by the Company and its Subsidiaries as an entirety or (ii) any portion of a particular property which is similarly found not to be of material importance to the use or operation of such property.

"Subsidiary" means, when used with respect to any Person, any corporation or other entity of which a majority of (a) the voting power of the voting equity securities or (b) in the case of a partnership of any other entity other than a corporation, the outstanding equity interests of which are owned, directly or indirectly, by such Person. For the purposes of this definition, "voting equity securities" means equity securities having voting power for the election of directors, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

Merger, Consolidation or Sale of Assets

The Company shall not consolidate with or merge with or into any other Person or convey, transfer or lease all or substantially all of its properties and assets to any Person, unless:

1. either the Company shall be the continuing entity or the entity (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance, lease or transfer all or substantially all of the assets of the Company shall be an entity organized and existing under the laws of the United States of America, any State thereof or the District of Columbia, and shall expressly assume the Company's obligations under the indenture and the performance of every covenant and condition of the indenture on the part of the Company to be performed or observed;

2. immediately after giving effect to such transaction, no default has occurred and is continuing under the indenture; and

the Company has delivered to the trustee an officer's certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with this covenant and that all conditions precedent provided for in the indenture relating to such transaction have been complied with.

Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of all or substantially all of the properties and assets of the Company in accordance with this covenant, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under the indenture and the notes.

Events of Default

An "Event of Default" means one of the following events:

1. default in any payment of interest on the notes when due and payable and the default continues for a period of 30 days;

2. default in the payment of principal of, and premium, if any, on the notes when due and payable at maturity, upon required repurchase, upon acceleration, by call for redemption or otherwise;

3. the failure of the Company for 90 days (or 120 days in the case of a breach of the reporting covenant contained in the indenture) to comply with any of its other agreements contained in the indenture or the notes after written notice of such default from the trustee or holders of at least 25% in principal amount of the outstanding notes has been received by the Company;

4. the Company fails to pay at maturity or the acceleration of any of its or its Subsidiaries' indebtedness, other than non-recourse indebtedness, at any one time in an amount in excess of $100 million, if the indebtedness is not discharged or the acceleration is not annulled within 30 days after written notice to the Company by the trustee or the holders of at least 25% in principal amount of the outstanding notes; or

5. the Company files for bankruptcy or other specified events in bankruptcy, insolvency, receivership or reorganization occur.

If any one or more of the above-described Events of Default shall happen (other than an Event of Default specified in paragraph (5) above), then, and in each and every such case, during the continuance of any such Event of Default, the trustee or the holders of 25% or more in principal amount of the notes then outstanding may (and upon the written request of the holders of a majority in principal amount of the notes than outstanding, the trustee shall) declare the principal of and all accrued but unpaid interest on all the notes then outstanding, if not then due and payable, to be due and payable, and upon any such declaration the same shall become and be immediately due and payable, anything in the indenture or in the notes contained to the contrary notwithstanding. If an Event of Default specified in paragraph (5) above occurs, then the principal of and all accrued but unpaid interest on all the notes then outstanding will *ipso facto* become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder. Upon payment of such amounts, all obligations of the Company in respect of the payment of principal of and interest on the notes shall terminate.

If at any time after the principal of all the notes shall have been so declared to be due and payable, and before a judgment or decree for payment of the money due has been obtained by the trustee provided in the indenture:

1. the Company has paid or deposited with the trustee a sum sufficient to pay:

   a. all amounts owing the trustee and any predecessor trustee under the indenture;

   b. all arrears of interest, if any, upon the notes (with interest, to the extent that interest thereon shall be legally enforceable, on any overdue installment of interest at the rate borne by the notes);

   c. the principal of and premium, if any, on the notes that have become due otherwise than by such declaration of acceleration and interest thereon; and

   d. all other sums payable under the indenture (except the principal of the notes which would not be due and payable were it not for such declaration); and

2. every other default and Event of Default under the indenture shall have been resolved so that the conditions that caused such default or Event of Default are no longer outstanding or have otherwise been remedied to the reasonable satisfaction of the trustee or of the holders of a majority in principal amount of the notes then outstanding, or provision deemed by the trustee or by such holders to be adequate therefor shall have been made, then and in every such case the holders of a majority in principal amount of the notes then outstanding may, by written notice to the Company and the trustee, on behalf of the holders of all the notes, waive the Event of Default by reason of which the principal of the notes shall have been so declared to be due and payable and may rescind and annul such declaration and its consequences; provided, however, that no such waiver, rescission or annulment shall extend to or affect any subsequent default or Event of Default or impair any right consequent thereon.

Modification of Indenture

Changes Not Requiring Approval of Holders of the Notes

The Company (when authorized by a board resolution) and the trustee, at any time and from time to time, may enter into one or more supplemental indentures, in form satisfactory to the trustee, for any one or more of or all the following purposes:

1. to add to the covenants and agreements of the Company to be observed thereafter and during the period, if any, in such supplemental indenture or indentures expressed, and to add Events of Default, in each case for the protection or benefit of the holders of the notes, or to surrender any right or power herein conferred upon the Company;

2. to add to or change any of the provisions of the indenture to change or eliminate any restrictions on the payment of principal of or premium, if any, on the notes; provided that any such action shall not adversely affect the interests of the holders of the notes in any material respect, or to permit or facilitate the issue of the notes in uncertificated form;

3. to change or eliminate any of the provisions of the indenture; provided that any such change or elimination shall become effective only when there are no outstanding notes created prior to the execution of such supplemental indenture that are entitled to the benefit of such provision and as to which such supplemental indenture would apply;

4. to evidence the succession of another corporation to the Company, or successive successions, and the assumption by such successor of the covenants and obligations of the Company contained in the notes and in the indenture or any supplemental indenture;

5. to evidence and provide for the acceptance of appointment hereunder by a successor trustee with respect to the notes and to add to or change any of the provisions of the indenture as shall be necessary for or facilitate the administration of the trusts hereunder by more than one trustee;

6. to secure the notes;
7. to cure any ambiguity or to correct or supplement any provision contained herein or in any indenture supplemental hereto which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture;

8. to comply with the requirements of the Trust Indenture Act or the rules and regulations of the SEC thereunder in order to effect or maintain the qualification of the indenture under the Trust Indenture Act, as contemplated by the indenture or otherwise;

9. to add guarantors or co-obligors with respect to the notes;

10. to make any change in the notes that does not adversely affect in any material respect the interests of the holders of the notes; provided that no such change shall be deemed to adversely affect the holders of the notes if such change is made to conform the terms of the notes to the terms described in the prospectus supplement related to the issuance of the notes;

11. to prohibit the authentication and delivery of additional series of notes; or

12. to establish the form and terms of the notes as permitted in the indenture or to authorize the issuance of additional debt securities previously authorized or to add to the conditions, limitations or restrictions on the authorized amount, terms or purposes of issue, authentication or delivery of the notes, as set forth in the indenture, or other conditions, limitations or restrictions thereafter to be observed.

Changes Requiring Approval of Holders of the Notes

With the consent of the holders of a majority in aggregate principal amount of the notes outstanding, the Company (when authorized by a board resolution) and the trustee may, from time to time and at any time, enter into an indenture or supplemental indenture for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of the indenture or of modifying in any manner the rights of the holders of the notes; *provided*, *however*, that no such supplemental indenture shall, without the consent of the holder of each notes affected thereby,

1. extend the stated maturity of the principal of, or any installment of interest on, the notes, or reduce the principal amount thereof or the interest thereon or any premium payable upon redemption thereof, or extend the stated maturity of, or change the currency in which the principal of, premium, if any, or interest on the notes are denominated or payable, or impair the right to institute suit for the enforcement of any payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or

2. reduce the percentage in principal amount of the outstanding notes, the consent of whose holders is required for any supplemental indenture, or the consent of whose holders is required for any waiver of compliance with certain provisions of the indenture or certain defaults under the indenture and their consequences provided for in the indenture; or

3. modify any of the provisions of the indenture relating to supplemental indentures and waivers of certain covenants and past defaults, except to increase any of the respective percentages referred to therein or to provide that certain other provisions of the indenture cannot be modified or waived without the consent of the holder of each notes affected thereby; or

4. modify, without the written consent of the trustee, the rights, duties or immunities of the trustee.

It will not be necessary for any act of holders under the preceding paragraph to approve the particular form of any proposed supplemental indenture, but it will be sufficient if such act will approve the substance thereof.

Effect of Supplemental Indenture

A supplemental indenture which changes or eliminates any covenant or other provision of the indenture with respect to the notes or which modifies the rights of the holders of the notes with respect to such covenant or other provision, will be deemed not to affect the rights under the indenture of holders of other series of debt securities. Similarly, a supplemental indenture which changes or eliminates any covenant or other provision of the indenture with respect to debt securities of any other series or which modifies the rights of the holders of debt securities of any other series with respect to such covenant or other provision, will be deemed not to affect the rights under the indenture of holders of the notes.

Defeasance and Discharge

The indenture shall, at the Company's option, cease to be of further effect and the trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of the indenture, when,

1. either:

a. all notes theretofore authenticated and delivered (other than (i) notes that have been destroyed, lost or stolen and that have been replaced or paid and (ii) notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the trustee for cancellation; or

b. all notes not theretofore delivered to the trustee for cancellation,

(1) have become due and payable, or

(2) will become due and payable at maturity within one year, or

(3) are to be called for redemption within one year under arrangements satisfactory to the trustee for the giving of notice by the trustee in the name, and at the expense, of the Company, and the Company has irrevocably deposited or caused to be deposited with the trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on the notes for principal, premium, if any, and interest to the date of such deposit or to the stated maturity or redemption date, as the case may be; provided, however, in the event a petition for relief under federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, is filed with respect to the Company within 91 days after the deposit and the trustee is required to return the moneys then on deposit with the trustee to the Company, the obligations of the Company under the indenture shall not be deemed terminated or discharged;

2. the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

3. the Company has delivered to the trustee an officer's certificate and an opinion of counsel each stating that all conditions precedent provided for in the indenture relating to the satisfaction and discharge of the indenture have been complied with.

At the Company's option, either (a) the Company shall be deemed to have been Discharged from its obligations with respect to the notes on the first day after the applicable conditions set forth below have been satisfied or (b) the Company shall cease to be under any obligation to comply with any term, provision or condition set forth in "—Covenants" above at any time after the applicable conditions set forth below have been satisfied:

1. the Company shall have deposited or caused to be deposited irrevocably with the trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the holders of the notes (A) money in an amount, or (B) U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount or (C) a combination of (A) and (B), sufficient to pay and discharge each installment of principal of, premium, if any, and interest on, the notes on the dates such installments of principal, premium, if any, and interest are due;

2. no Event of Default or event (including such deposit) that, with notice or lapse of time, or both, would become an Event of Default with respect to the notes shall have occurred and be continuing on the date of such deposit; and

3. the Company shall have delivered to the trustee an opinion of counsel to the effect that holders and beneficial owners of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Company's exercise of its option under this paragraph and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such action had not been exercised and, in the case of the notes being Discharged, such opinion shall be based on either a change in applicable U.S. federal income tax law since the date of the indenture or a ruling received by the Company from, or that is published by, the U.S. Internal Revenue Service.

"Discharged" means that the Company will be deemed to have paid and discharged the entire indebtedness represented by, and obligations under, the notes and to have satisfied all the obligations under the indenture relating to the notes (and the trustee, at the expense of the Company, will have executed proper instruments acknowledging the same), except (a) the rights of holders of the notes to receive, from the trust fund described in paragraph (1) above, payment of the principal of, premium, if any, and interest on such notes when such payments are due, (b) the Company's obligations with respect to the notes under the indenture and (c) the rights, powers, trusts, duties and immunities of the trustee under the indenture.

"U.S. Government Obligations" means securities that are (a) direct obligations of the United States for the payment of which its full faith and credit is pledged, or (b) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States, which, in the case of clause (a) or (b) above, are not callable or redeemable at the option of the issuer thereof, and will also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

Liability for Notes

No recourse shall be had for the payment of the principal of, premium, if any, or interest on, the notes or for any claim based thereon or otherwise in respect thereof or of the indebtedness represented thereby, or upon any obligation, covenant or agreement of the indenture, against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the indenture and the notes are solely corporate obligations, and that no personal liability whatsoever shall attach to, or be incurred by, any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, because of the incurring of the indebtedness hereby authorized or under or by reason of any of the obligations, covenants, promises or agreements contained in the indenture or in the notes, or to be implied herefrom or therefrom, and that all liability, if any, of that character against every such incorporator, stockholder, officer and director is, by the acceptance of the notes and as a condition of, and as part of the consideration for, the execution of the indenture and the issue of the notes expressly waived and released.

Book-Entry Procedures

Global Clearance and Settlement

The notes were issued in the form of one or more global notes (each a "global note") in fully registered form, without coupons, and were deposited on the closing date with, or on behalf of, a common depositary, and registered in the name of the nominee of the common depositary, for, and in respect of interests held through, Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"). Except as described herein, certificates will not be issued in exchange for beneficial interests in the global notes.

Except as set forth below, the global notes may be transferred, in whole and not in part, only to a common depositary for Euroclear or Clearstream or their nominee.

Beneficial interests in the global notes will be represented, and transfers of such beneficial interests will be effected, through accounts of financial institutions acting on behalf of beneficial owners as direct or indirect participants in Euroclear or Clearstream. Those beneficial interests will be in denominations of €100,000 and integral multiples of €1,000 in excess thereof. Investors may hold notes directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. It is possible that the clearing systems may process trades that could result in amounts being held in denominations smaller than the minimum denominations. If definitive notes are required to be issued in relation to such notes in accordance with the provisions of the relevant global notes, a holder who does not have the minimum denomination or a multiple of €1,000 in excess thereof in its account with the relevant clearing system at the relevant time may not receive all of its entitlement in the form of definitive notes unless and until such time as its holding satisfies the minimum denomination requirement.

Owners of beneficial interests in the global notes will not be entitled to have notes registered in their names, and will not receive or be entitled to receive physical delivery of notes in definitive form. Except as provided below, beneficial owners will not be considered the owners or holders of the notes under the indenture, including for purposes of receiving any reports delivered by us or the trustee pursuant to the indenture. Accordingly, each beneficial owner must rely on the procedures of the clearing systems and, if such person is not a participant of the clearing systems, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the indenture. Under existing industry practices, if we request any action of holders or a beneficial owner desires to give or take any action which a holder is entitled to give or take under the indenture, the clearing systems would authorize their participants holding the relevant beneficial interests to give or take action and the participants would authorize beneficial owners owning through the participants to give or take such action or would otherwise act upon the instructions of beneficial owners. Conveyance of notices and other communications by the clearing systems to their participants, by the participants to indirect participants and by the participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. These limits and laws may impair the ability to transfer beneficial interests in global notes.

Persons who are not Euroclear or Clearstream participants may beneficially own notes held by the common depositary for Euroclear and Clearstream only through direct or indirect participants in Euroclear and Clearstream. So long as the common depositary for Euroclear and Clearstream is the registered owner of the global note, the common depositary for all purposes will be considered the sole holder of the notes represented by the global note under the indenture and the global notes.

Certificated Notes

If the applicable depositary is at any time unwilling or unable to continue as depositary for any of the global notes and a successor depositary is not appointed by us within 90 days, or if we have been notified that both Clearstream and Euroclear have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available, we will issue the notes in definitive registered form in exchange for the applicable global notes. We will also issue the notes in definitive registered form in exchange for the global notes if an event of default has occurred with regard to the notes represented by the global notes and has not been cured or waived. In addition, we may at any time and in our sole discretion determine not to have the notes represented by the global notes and, in that event, will issue the notes in definitive registered form in exchange for the global notes. In any such instance, an owner of a beneficial interest in the global notes will be entitled to physical delivery in definitive registered form of the notes represented by the global notes equal in principal amount to such beneficial interest and to have such notes registered in its name. The notes so issued in definitive form will be issued as registered in minimum denominations of €100,000 and integral multiples of €1,000 thereafter, unless otherwise specified by us. The notes in definitive form can be transferred by presentation for registration to the registrar at our office or agency for such purpose and must be duly endorsed by the holder or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer in form satisfactory to us or the registrar duly executed by the holder or his attorney duly authorized in writing. We may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer of definitive notes.

Clearing Systems

We have been advised by Euroclear and Clearstream, respectively, as follows:

Euroclear. Euroclear advises that it was created in 1968 to hold securities for its participants and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. All operations are conducted by Euroclear Bank, S.A./N.V. and all Euroclear securities clearance accounts and

Euroclear cash accounts are accounts with Euroclear Bank, not the cooperative. The cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters ("Euroclear participants"). Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear Bank are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Euroclear terms and conditions"). The Euroclear terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payment with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Bank acts under the Euroclear terms and conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear terms and conditions, to the extent received by the Euroclear Bank and by Euroclear.

Clearstream. Clearstream is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for Clearstream participants, and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream also deals with domestic securities markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are financial institutions around the world, including securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with, a Clearstream participant either directly or indirectly.

Distributions with respect to the notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by Clearstream.

Euroclear and Clearstream Arrangements

So long as Euroclear or Clearstream or their nominee or their common depositary is the registered holder of the global notes, Euroclear, Clearstream or their nominee or their common depositary is the registered holder of the global notes, Euroclear, Clearstream or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such notes for all purposes under the indenture and the notes. Payments of principal, interest and premium, if any, in respect of the global notes will be made to Euroclear, Clearstream, such nominee or such common depositary, as the case may be, as registered holder thereof. None of us, the trustee, the paying agent, any underwriter and any affiliate of any of the above or any person by whom any of the above is controlled (as such term is defined in the U.S. Securities Act of 1933, as amended (the "Securities Act")) will have any responsibility or liability for any records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal, premium, if any, and interest with respect to the global note will be credited in euros to the extent received by Euroclear or Clearstream from the trustee or the paying agent, as applicable, to the cash accounts of Euroclear or Clearstream customers in accordance with the relevant system's rules and procedures.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in the global notes to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the global notes through Euroclear and Clearstream will be reflected in the book-entry accounts of each such institution. As necessary, the registrar will adjust the amounts of the global notes on the register for the accounts of the common depositary to reflect the amounts of notes held through Euroclear and Clearstream, respectively.

Initial Settlement

Investors holding their notes through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Subject to applicable procedures of Clearstream and Euroclear, notes will be credited to the securities custody accounts of Euroclear and Clearstream holders on the settlement date against payment for value on the settlement date.

Secondary Market Trading

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any notes where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Secondary market sales of book-entry interests in the notes held through Euroclear or Clearstream to purchasers of book-entry interests in the global notes through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional eurobonds in same-day funds.

Investors will only be able to make and receive deliveries, payments and other communications involving the notes through Euroclear and Clearstream on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences there may be problems with completing transactions involving Euroclear and Clearstream on the same business day as in the United States. U.S. investors who wish to transfer their interests in the notes, or to make or receive a payment or delivery of the notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg or Brussels, depending on whether Euroclear or Clearstream is used.

Euroclear and Clearstream will credit payments to the cash accounts of Euroclear participants or Clearstream customers in accordance with the relevant system's rules and procedures, to the extent received by its depositary. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a holder under the indenture on behalf of a Euroclear participant or Clearstream customer only in accordance with its relevant rules and procedures.

Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of the notes among participants of Euroclear and Clearstream. However, they are under no obligation to perform or continue to perform those procedures, and they may discontinue those procedures at any time.

The information in this section concerning Euroclear and Clearstream and their book-entry systems has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy of that information. In addition, the description of the clearing systems in this section reflects our understanding of the rules and procedures of Clearstream and Euroclear as they are currently in effect. Those clearing systems could change their rules and procedures at any time.

None of the Company, the underwriters or the trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of the beneficial interests in a global note, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Governing Law

The indenture and the notes are governed by and construed in accordance with the laws of the State of New York.

Concerning the Trustee

The trustee has provided various services to us in the past and may do so in the future in the ordinary course of its regular business.

Safe Harbor Statement

The matters discussed in this Annual 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.

We believe that the most significant risk factors that could affect our financial performance in the near-term include: (1) the impacts to underlying demand for our products and/or foreign currency fluctuations from global economic conditions, political uncertainty, and changes in governmental regulations; (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 price increases, without a significant loss of volume; and (4) the execution and integration of acquisitions.

Certain risks and uncertainties are discussed in more detail under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended December 28, 2019 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 and market conditions; changes in political conditions; fluctuations in foreign currency exchange rates and other risks associated with foreign operations, including in emerging markets; changes in our markets due to competitive conditions, technological developments, laws and regulations, and customer preferences; fluctuations in the cost and availability of raw materials and energy; changes in governmental laws and regulations; the impact of competitive products and pricing; the financial condition and inventory strategies of customers; our ability to generate sustained productivity improvement; our ability to achieve and sustain targeted cost reductions; loss of significant contracts or customers; collection of receivables from customers; selling prices; business mix shift; execution and integration of acquisitions; product and service quality; 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 or consolidations; fluctuations in interest and tax rates; changes in tax laws and regulations, and uncertainties associated with interpretations of such laws and regulations; retention of tax incentives; outcome of tax audits; 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; the realization of deferred tax assets; interest rates and our debt covenants; fluctuations in pension, insurance, and employee benefit costs; goodwill impairment; the impact of legal and regulatory proceedings, including with respect to environmental, health and safety, anti-corruption and trade compliance; 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.

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.

Five-Year Summary

(Dollars in millions, except percentages and per share amounts)	2019 Dollars	2019 %	2018 Dollars	2018 %	2017 Dollars	2017 %	2016 Dollars	2016 %	2015 Dollars	2015 %
For the Year										
Net sales	$ 7,070.1	100.0	$ 7,159.0	100.0	$ 6,613.8	100.0	$ 6,086.5	100.0	$ 5,966.9	100.0
Gross profit	1,904.1	26.9	1,915.5	26.8	1,812.2	27.4	1,699.7	27.9	1,645.8	27.6
Marketing, general and administrative expense	1,080.4	15.3	1,127.5	15.7	1,105.2	16.7	1,085.7	17.8	1,087.8	18.2
Other expense, net[1]	53.2	.8	69.9	1.0	36.5	.6	23.8	.4	64.5	1.1
Interest expense	75.8	1.1	58.5	.8	63.0	1.0	59.9	1.0	60.5	1.0
Other non-operating expense, net[2]	445.2	6.3	104.8	1.5	18.0	.3	53.2	.9	24.1	.4
Income from continuing operations before taxes	249.5	3.5	554.8	7.7	589.5	8.9	477.1	7.8	408.9	6.9
(Benefit from) provision for income taxes[3]	(56.7)	(.8)	85.4	1.2	307.7	4.7	156.4	2.6	134.5	2.3
Equity method investment losses	(2.6)	—	(2.0)	—	—	—	—	—	—	—
Income from continuing operations	303.6	4.3	467.4	6.5	281.8	4.3	320.7	5.3	274.4	4.6
Loss from discontinued operations, net of tax	—	—	—	—	—	—	—	—	(.1)	—
Net income	303.6	4.3	467.4	6.5	281.8	4.3	320.7	5.3	274.3	4.6

	2019	2018	2017	2016	2015
Per Share Information					
Income per common share from continuing operations	$ 3.61	$ 5.35	$ 3.19	$ 3.60	$ 3.01
Loss per common share from discontinued operations	—	—	—	—	—
Net income per common share	3.61	5.35	3.19	3.60	3.01
Income per common share from continuing operations, assuming dilution	3.57	5.28	3.13	3.54	2.95
Loss per common share from discontinued operations, assuming dilution	—	—	—	—	—
Net income per common share, assuming dilution	3.57	5.28	3.13	3.54	2.95
Dividends per common share	2.26	2.01	1.76	1.60	1.46
Weighted average number of common shares outstanding (in millions)	84.0	87.3	88.3	89.1	91.0
Weighted average number of common shares outstanding, assuming dilution (in millions)	85.0	88.6	90.1	90.7	92.9
At End of Year					
Property, plant and equipment, net	$ 1,210.7	$ 1,137.4	$ 1,097.9	$ 915.2	$ 847.9
Total assets[4]	5,488.8	5,177.5	5,136.9	4,396.4	4,133.7
Long-term debt and finance leases	1,499.3	1,771.6	1,316.3	713.4	963.6
Total debt[5]	1,939.5	1,966.2	1,581.7	1,292.5	1,058.9
Shareholders' equity	1,204.0	955.1	1,046.2	925.5	965.7
Other Information					
Depreciation and amortization expense	$ 179.0	$ 181.0	$ 178.7	$ 180.1	$ 188.3
Research and development expense	92.6	98.2	93.4	89.7	91.9
Effective tax rate[3]	(22.7)%	15.4 %	52.2 %	32.8 %	32.9 %

(1) Included pretax charges for severance and related costs, asset impairment charges and lease cancellation costs, Argentine peso remeasurement transition loss, reversal of acquisition-related contingent consideration, legal settlements, transactions costs, and other items.

(2) Included pension plan settlements and related charges of $444.1 for fiscal year 2019.

(3) Included tax benefit of $178.9 for fiscal year 2019 related to the termination of our U.S. pension plan.

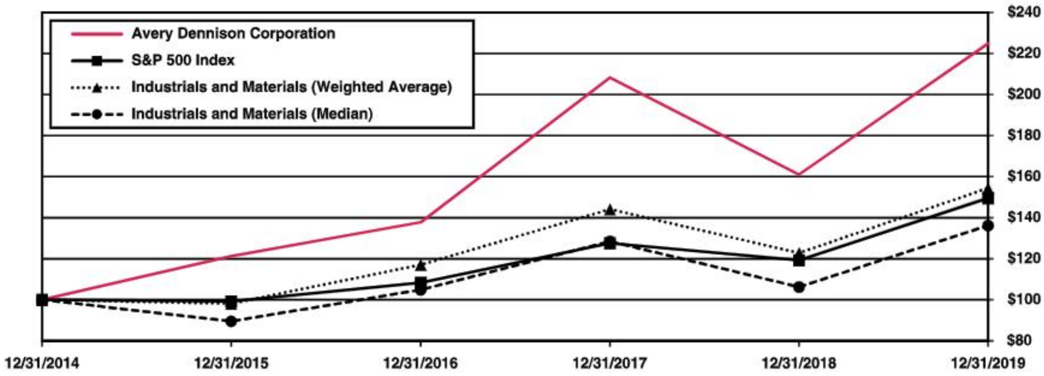
(4) In the first quarter of 2019, we adopted accounting guidance that requires lessees to recognize on their balance sheets the rights and obligations created by leases. As allowed by this guidance, we elected to apply it using a modified retrospective approach. This approach applies to all leases that existed at or commenced after the date of our initial application. As such, prior year comparative periods have not been adjusted.

(5) Included finance leases.

Stockholder Return Performance

The graph below compares the cumulative stockholder return on our common stock, including the reinvestment of dividends, with the return on the S&P 500® Stock Index, the average return (weighted by market capitalization) of the S&P 500® Materials and Industrials subsets (the "Market Basket"), and the median return of the Market Basket, in each case for the five-year period ending December 31, 2019.

Comparison of Five-Year Cumulative Total Return as of December 31, 2019



Total Return Analysis(1)

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Avery Dennison Corporation	$ 100.00	$ 121.32	$ 137.83	$ 208.30	$ 161.10	$ 224.85
S&P 500 Index	100.00	99.27	108.31	127.53	119.32	149.59
Market Basket (Weighted Average)(2)	100.00	98.20	117.10	144.15	122.88	154.41
Market Basket (Median)	100.00	89.54	104.87	128.51	106.24	136.21

(1) Assumes $100.00 invested on December 31, 2014 and reinvestment of dividends.
(2) Average weighted by market capitalization.

Historical stock price performance is not necessarily indicative of future stock price performance.

ORGANIZATION OF INFORMATION

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 Consolidated Financial Statements and notes thereto, and includes the following sections:

NON-GAAP FINANCIAL MEASURES

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 assessments 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, positive or negative, of certain items (e.g., restructuring charges, legal settlements, certain effects of strategic transactions and related costs, losses from debt extinguishments, gains or losses from curtailment or settlement of pension obligations, gains or losses on sales of certain assets, and other items), we believe that we are providing meaningful supplemental information that facilitates an understanding of our core operating results and liquidity measures. While some of the items we exclude from GAAP financial measures recur, they tend to be disparate in amount, frequency, or timing.

We use these non-GAAP financial measures internally to evaluate trends in our underlying performance, as well as to facilitate comparison to the results of competitors for a single period.

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

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

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

- *Free cash flow* refers to cash flow provided by operating activities, less payments for property, plant and equipment, software and other deferred charges, plus proceeds from sales of property, plant and equipment, plus (minus) net proceeds from insurance and sales (purchases) of investments. Free cash flow is also adjusted for the cash contributions related to the termination of our U.S. pension plan. We believe that free cash flow assists investors by showing the amount of cash we have available for debt reductions, dividends, share repurchases, and acquisitions.
- *Operational working capital as a percentage of annualized current quarter net sales* 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 net current assets or liabilities held-for-sale divided by annualized current quarter net sales. We believe that operational working capital as a percentage of annualized current quarter net sales assists investors in assessing 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. The items excluded from this measure are not significantly influenced by our day-to-day activities managed at the operating level and do not necessarily reflect the underlying trends in our operations.

Fiscal Year

Normally, our fiscal years consist of 52 weeks, but every fifth or sixth fiscal year consists of 53 weeks. Our 2019, 2018, and 2017 fiscal years consisted of 52-week periods ending December 28, 2019, December 29, 2018, and December 30, 2017, respectively.

Net Sales

The factors impacting the reported sales change are shown in the table below.

	2019	2018
Reported sales change	(1)%	8 %
Foreign currency translation	3	(1)
Sales change ex. currency	2 %	7 %
Acquisitions	—	(1)
Organic sales change	2 %	6 %

In 2019, net sales increased on an organic basis due to a combination of higher volume/mix and pricing actions. In 2018, net sales increased on an organic basis primarily due to higher volume.

Net Income

Net income decreased from approximately $467 million in 2018 to approximately $304 million in 2019. The major factors affecting the change in net income in 2019 compared to 2018 were:

- Pension plan settlement charges, net of related tax benefits
- Higher employee-related costs
- Impact of foreign currency translation

Offsetting factors:

- Benefits from productivity initiatives, including savings from restructuring actions, net of transition costs
- Tax benefit from a discrete foreign structuring transaction

U.S. Pension Plan Termination

In July 2018, our Board of Directors (“Board”) approved the termination of the Avery Dennison Pension Plan (the “ADPP”), a U.S. defined benefit plan, effective as of September 28, 2018. In connection with the termination, we contributed $200 million to the ADPP in August 2018; settled approximately $152 million of ADPP liabilities during the fourth quarter of 2018 through lump-sum payments from existing plan assets to eligible participants who elected to receive them; and recorded approximately $85 million of non-cash charges associated with these settlements, partially offset by related tax benefits of approximately $19 million. During 2019, we settled approximately $749 million of ADPP liabilities by entering into an agreement to purchase annuities primarily from American General Life Insurance Company (“AGL”). This agreement covered approximately 8,300 active and former employees and their beneficiaries, with AGL assuming the future annuity payments for these individuals, commencing April 1, 2019. Additionally, we settled approximately $4 million of ADPP liabilities through a combination of annuities and direct funding to the Pension Benefit Guaranty Corporation for the remaining approximately 200 former employees and their beneficiaries. We contributed approximately $10 million of cash during fiscal 2019 to the ADPP to cover costs associated with the final settlement of these liabilities. These settlements resulted in approximately $444 million of pretax charges in 2019, partially offset by related tax benefits of approximately $179 million.

Refer to Note 6, “Pension and Other Postretirement Benefits,” to the Consolidated Financial Statements for more information.

Cost Reduction Actions

2019/2020 Actions

During fiscal year 2019, we recorded $25.2 million in restructuring charges related to our 2019/2020 actions. These charges consisted of severance and related costs for the reduction of approximately 370 positions, as well as asset impairment charges.

2018/2019 Actions

In April 2018, we approved a restructuring plan (the “2018 Plan”) to consolidate the European footprint of our Label and Graphic Materials (“LGM”) reportable segment, which reduced headcount by approximately 390 positions, including temporary labor, from the closure of a manufacturing facility. This reduction was partially offset by headcount additions in other locations, resulting in a net reduction of approximately 150 positions. During fiscal year 2019, we recorded a net $2.3 million in restructuring reversals related to the 2018 Plan. During fiscal year 2018, we recorded $55.2 million in restructuring charges, net of reversals. The cumulative charges associated with the 2018 Plan consisted of severance and related costs for the headcount reduction, as well as asset impairment charges. The activities related to the 2018 Plan were substantially completed as of the end of the second quarter of 2019.

In addition to restructuring charges recorded under the 2018 Plan, we recorded $28.2 million in restructuring charges during fiscal year 2019 related to other 2018/2019 actions. These charges consisted of severance and related costs for the reduction of approximately 490 positions, as well as asset impairment charges. In the fourth quarter 2018, we recorded $4.2 million in restructuring charges relating to these other 2018/2019 actions. These charges consisted of severance and related costs for the reduction of approximately 85 positions, as well as impairment charges.

2015/2016 Actions

During fiscal year 2018, we recorded $14.3 million in restructuring charges, net of reversals, related to our 2015/2016 actions. These charges consisted of severance and related costs for the reduction of approximately 625 positions, lease cancellation costs, and asset impairment charges. The activities and related charges and payments related to the 2015/2016 actions were substantially completed in 2018.

Impact of Cost Reduction Actions

During fiscal year 2019, we realized approximately $50 million in savings, net of transition costs, primarily from our 2018/2019 actions. During fiscal year 2018, we realized approximately $30 million in savings, net of transition costs, primarily from our 2015/2016 actions.

Restructuring charges were included in "Other expense, net" in the Consolidated Statements of Income. Refer to Note 13, "Cost Reduction Actions," to the Consolidated Financial Statements for more information.

Acquisitions

In November 2019, we announced our agreement to acquire Smartrac's Transponder (RFID Inlay) division ("Smartrac"), a manufacturer of radio-frequency identification ("RFID") products, for a purchase price of approximately $250 million (€225 million), subject to customary adjustments. We expect to complete this acquisition in the first quarter of 2020.

During 2017, we completed the stock acquisitions of Yongle Tape Ltd. ("Yongle Tape") and Finesse Medical Limited, and the net asset acquisition of Hanita Coatings Rural Cooperative Association Limited and stock acquisition of certain of its subsidiaries (collectively, the "2017 Acquisitions"), which were not material, individually or in the aggregate, to the Consolidated Financial Statements.

Accounting Guidance Updates

Refer to Note 1, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements for this information.

Cash Flow

(In millions)	**2019**	**2018**	**2017**
Net cash provided by operating activities	$ 746.5	$ 457.9	$ 645.7
Purchases of property, plant and equipment	(219.4)	(226.7)	(190.5)
Purchases of software and other deferred charges	(37.8)	(29.9)	(35.6)
Proceeds from sales of property, plant and equipment	7.8	9.4	6.0
Proceeds from insurance and (purchases) sales of investments, net	4.9	18.5	(3.9)
Plus: Pension plan contributions for plan termination	10.3	200.0	—
Free cash flow	$ 512.3	$ 429.2	$ 421.7

In 2019, cash flow provided by operating activities increased compared to 2018 primarily due to lower pension plan contributions, improved operational working capital, and lower incentive compensation payments, partially offset by higher restructuring payments. In 2019, free cash flow increased compared to 2018 primarily due to higher cash provided by operating activities adjusted for our contribution to the ADPP, partially offset by net proceeds from insurance and (purchases) sales of investments.

Outlook

Certain factors that we believe may contribute to our 2020 results are described below:

- We expect our net sales to increase by 4.0% to 5.5%, including the impacts of the Smartrac acquisition and the extra week in our 2020 fiscal year.
- We anticipate incremental savings from restructuring, net of transition costs, of approximately $30 million to $40 million.
- We estimate cash restructuring charges of approximately $20 million.
- We expect our full year effective tax rate to be in the mid-twenty percent range.
- We anticipate capital and software expenditures of $220 million to $230 million.

Income before Taxes

(In millions, except percentages)	2019	2018	2017
Net sales	$ 7,070.1	$ 7,159.0	$ 6,613.8
Cost of products sold	5,166.0	5,243.5	4,801.6
Gross profit	1,904.1	1,915.5	1,812.2
Marketing, general and administrative expense	1,080.4	1,127.5	1,105.2
Other expense, net	53.2	69.9	36.5
Interest expense	75.8	58.5	63.0
Other non-operating expense, net	445.2	104.8	18.0
Income before taxes	$ 249.5	$ 554.8	$ 589.5
Gross profit margin	26.9 %	26.8 %	27.4 %

Gross Profit Margin

Gross profit margin in 2019 increased slightly compared to 2018 reflecting benefits from productivity initiatives, including material re-engineering and savings from restructuring actions, net of transition costs, partially offset by the net impact of higher employee-related costs and unfavorable volume/mix.

Gross profit margin in 2018 decreased compared to 2017 reflecting the net impact of pricing and raw material inflation and higher employee-related costs, as well as growth investments, partially offset by the benefits from productivity initiatives, including savings from restructuring actions, net of transition costs.

Marketing, General and Administrative Expense

Marketing, general and administrative expense decreased in 2019 compared to 2018 reflecting the benefits from productivity initiatives, including savings from restructuring actions, net of transition costs, and the favorable impact of foreign currency translation, partially offset by higher employee-related costs and growth investments.

Marketing, general and administrative expense increased in 2018 compared to 2017 reflecting the impact of acquisitions and other growth investments and the unfavorable impact of foreign currency translation, partially offset by the benefits from productivity initiatives, including savings from restructuring, net of transition costs.

Other Expense, net

(In millions)	2019	2018	2017
Other expense, net by type			
Restructuring charges:			
Severance and related costs	$ 45.3	$ 63.0	$ 31.2
Asset impairment charges and lease cancellation costs	5.1	10.7	2.2
Other items:			
Legal settlement	3.4	—	—
Transaction costs	2.6	—	5.2
Argentine peso remeasurement transition loss	—	3.4	—
Other restructuring-related charge	—	.5	—
Reversal of acquisition-related contingent consideration	—	(5.0)	—
Net gains on sales of assets	(3.2)	(2.7)	(2.1)
Other expense, net	$ 53.2	$ 69.9	$ 36.5

Refer to Note 13, “Cost Reduction Actions,” to the Consolidated Financial Statements for more information.

Interest Expense

Interest expense increased approximately $17.3 million in 2019 compared to 2018, reflecting additional interest costs related to the $500 million of senior notes we issued in December 2018.

Interest expense decreased approximately $4.5 million in 2018 compared to 2017, reflecting the repayment of $250 million of senior notes in October 2017, which was financed using commercial paper borrowed at a lower interest rate.

Other Non-Operating Expense, Net

Other non-operating expense, net increased in 2019 compared to 2018, which reflected approximately $444 million of final settlement charges related to the termination of the ADPP.

Other non-operating expense, net increased in 2018 compared to 2017, which reflected approximately $94 million of settlement charges related to the termination of the ADPP, as well as losses associated with two U.S. nonqualified benefit plans and two of our international benefit plans, partially offset by a higher expected return on plan assets in certain of our international defined benefit pension plans.

Refer to Note 6, "Pension and Other Postretirement Benefits," and Note 14, "Taxes Based on Income," to the Consolidated Financial Statements for more information.

Net Income and Earnings per Share

(In millions, except percentages and per share amounts)	2019	2018	2017
Income before taxes	$ 249.5	$ 554.8	$ 589.5
(Benefit from) provision for income taxes	(56.7)	85.4	307.7
Equity method investment losses	(2.6)	(2.0)	—
Net income	$ 303.6	$ 467.4	$ 281.8
Net income per common share	$ 3.61	$ 5.35	$ 3.19
Net income per common share, assuming dilution	3.57	5.28	3.13
Effective tax rate	(22.7)%	15.4 %	52.2 %

(Benefit from) Provision for Income Taxes

Our effective tax rate in 2019 decreased compared to 2018 primarily due to the tax effects of the settlement charges associated with the termination of the ADPP and a discrete foreign structuring transaction.

Our effective tax rate in 2018 decreased compared to 2017 primarily due to tax benefits related to adjustments to our 2017 U.S. Tax Cuts and Jobs Act ("TCJA") provisional amount and a discrete foreign tax planning action, while our effective tax rate in 2017 included net tax charges comprised of our TCJA provisional amount.

We expect our effective tax rate for 2020 to be in the mid-twenty percent range. Our effective tax rate can vary from period to period due to the recognition of discrete events, such as changes in tax reserves, settlements of income tax audits, changes in tax laws and regulations, return-to-provision adjustments, and tax impacts related to stock-based payments, as well as recurring factors, such as changes in the mix of earnings in countries with differing statutory tax rates and the execution of tax planning strategies.

Refer to Note 14, “Taxes Based on Income,” to the Consolidated Financial Statements for more information.

RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

Operating income refers to income before taxes, interest and other non-operating expenses, net.

Label and Graphic Materials

(In millions)	2019	2018	2017
Net sales including intersegment sales	$ 4,826.1	$ 4,929.8	$ 4,575.8
Less intersegment sales	(80.2)	(78.7)	(64.1)
Net sales	$ 4,745.9	$ 4,851.1	$ 4,511.7
Operating income[(1)]	601.5	568.2	577.4
[(1)] Included charges associated with restructuring actions and gains/losses on sales of assets in all years, Argentine peso remeasurement transition loss and other restructuring-related charge in 2018, and transaction costs in 2017.	$ 28.3	$ 61.8	$ 14.5

Net Sales

The factors impacting reported sales change are shown in the table below.

	2019	2018
Reported sales change	(2)%	8 %
Foreign currency translation	4	(2)
Organic sales change[(1)]	1 %	6 %

[(1)] Total does not sum due to rounding

In 2019, net sales increased on an organic basis primarily due to prior year pricing actions. On an organic basis, net sales increased low-single digits in emerging markets and were comparable to prior year in North America and Western Europe.

In 2018, net sales increased on an organic basis due to higher volume and pricing actions. Net sales increased on an organic basis at mid-single digit rates in emerging markets and North America and at a low-single digit rate in Western Europe.

Operating Income

Operating income increased in 2019 compared to 2018 primarily due to benefits from productivity initiatives, including material re-engineering and savings from restructuring actions, net of transition costs, and lower restructuring charges, partially offset by the unfavorable impact of foreign currency translation and the combined effect of volume and mix.

Operating income decreased in 2018 compared to 2017 reflecting higher restructuring charges, employee-related costs and the net impact of pricing and raw material costs, excluding the effects of foreign currency, partially offset by the combined effect of volume and mix, as well as a net benefit from changes in foreign currency.

Retail Branding and Information Solutions

(In millions)	2019	2018	2017
Net sales including intersegment sales	$ 1,670.9	$ 1,617.9	$ 1,514.4
Less intersegment sales	(20.6)	(4.7)	(3.2)
Net sales	$ 1,650.3	$ 1,613.2	$ 1,511.2
Operating income[1]	196.6	170.4	126.7
[1] Included charges associated with restructuring actions and net gains on sales of assets in all years, transaction costs in 2019, and transaction costs related to sale of product line in 2017.	$ 9.9	$ 11.4	$ 18.1

Net Sales

The factors impacting reported sales change are shown in the table below.

	2019	2018
Reported sales change	2 %	7 %
Reclassification of sales between segments	1	—
Foreign currency translation	2	—
Organic sales change	5 %	7 %

In 2019, net sales increased on an organic basis primarily due to continued strength in RFID solutions and external embellishments.

In 2018, net sales increased on an organic basis driven by strength in both RFID solutions and the base business.

Operating Income

Operating income increased in 2019 compared to 2018 primarily due to higher volume and benefits from productivity initiatives, including savings from restructuring actions, net of transition costs, partially offset by higher employee-related costs.

Operating income increased in 2018 compared to 2017 reflecting higher volume, the benefits from productivity initiatives, including savings from restructuring actions, net of transition costs, and lower amortization of intangible assets resulting from business acquisitions, partially offset by higher employee-related costs and growth investments.

Industrial and Healthcare Materials

(In millions)	2019	2018	2017
Net sales including intersegment sales	$ 682.7	$ 703.5	$ 598.6
Less intersegment sales	(8.8)	(8.8)	(7.7)
Net sales	$ 673.9	$ 694.7	$ 590.9
Operating income[1]	60.0	62.9	52.6
[1] Included charges associated with restructuring actions in all years, transaction costs in 2017, and reversal of acquisition-related contingent consideration in 2018.	$ 9.4	$ (1.0)	$ 3.7

Net Sales

The factors impacting reported sales change are shown in the table below.

	2019	2018
Reported sales change	(3)%	18 %
Foreign currency translation	3	(2)
Sales change ex. currency	—	16
Acquisitions	—	(15)
Organic sales change	— %	1 %

In 2019, net sales were comparable to prior year on an organic basis.

In 2018, net sales increased on an organic basis primarily due to higher volume in industrial categories.

Operating Income

Operating income decreased in 2019 compared to 2018 primarily due to higher restructuring charges and a prior year reversal of acquisition-related contingent consideration, as well as higher employee-related costs, largely offset by benefits from productivity initiatives, including savings from restructuring actions, net of transition costs and the net benefit of pricing and raw material costs.

Operating income increased in 2018 compared to 2017 driven by the net impact of acquisitions and organic growth, partially offset by growth investments.

Liquidity

Operating Activities

(In millions)	2019	2018	2017
Net income	$ 303.6	$ 467.4	$ 281.8
Depreciation	140.3	141.5	126.6
Amortization	38.7	39.5	52.1
Provision for doubtful accounts and sales returns	58.7	45.6	37.6
Stock-based compensation	34.5	34.3	30.2
Pension plan settlements and related charges	444.1	93.7	—
Deferred taxes and other non-cash taxes	(216.9)	(32.7)	151.6
Other non-cash expense and loss	28.3	60.4	53.5
Trade accounts receivable	(42.2)	(62.5)	(141.2)
Inventories	(18.1)	(70.5)	(14.9)
Accounts payable	46.4	43.6	83.4
Taxes on income	5.4	(35.5)	29.6
Other assets	38.4	(11.6)	(20.9)
Other liabilities	(114.7)	(255.3)	(23.7)
Net cash provided by operating activities	$ 746.5	$ 457.9	$ 645.7

In 2019, cash flow provided by operating activities increased compared to 2018 primarily due to lower pension plan contributions, improved operational working capital, and lower incentive compensation payments, partially offset by higher restructuring payments.

In 2018, cash flow provided by operating activities decreased compared to 2017 primarily due to our $200 million contribution to the ADPP in connection with its termination, higher income tax payments, net of refunds, changes in operational working capital, and higher incentive compensation payments, partially offset by higher net income.

Investing Activities

(In millions)	2019	2018	2017
Purchases of property, plant and equipment	$ (219.4)	$ (226.7)	$ (190.5)
Purchases of software and other deferred charges	(37.8)	(29.9)	(35.6)
Proceeds from sales of property, plant and equipment	7.8	9.4	6.0
Proceeds from insurance and (purchases) sales of investments, net	4.9	18.5	(3.9)
Payments for investments in businesses and acquisitions, net of cash acquired	(6.5)	(3.8)	(319.3)
Net cash used in investing activities	$ (251.0)	$ (232.5)	$ (543.3)

Purchases of Property, Plant and Equipment

In 2019, 2018 and 2017, we invested in equipment and expanded manufacturing facilities to support growth and improve manufacturing productivity in Asia, North America and Europe.

Purchases of Software and Other Deferred Charges

In 2019, we invested in enterprise resource planning system implementations in North America and enterprise resource planning system upgrades worldwide. In 2018, we invested in enterprise resource planning system implementations in North America and Asia. In 2017, we invested in enterprise resource planning system implementations in North America, Asia, and Europe.

Proceeds from Sales of Property, Plant and Equipment

In 2019, the majority of the proceeds from sales of property, plant and equipment was related to the sale of one property in each of North America, Asia and Europe. In 2018, the majority of the proceeds from sales of property, plant and equipment was related to the sale of two properties in Europe.

Proceeds from Insurance and (Purchases) Sales of Investments, Net

In 2019, we had lower proceeds from insurance associated with our corporate-owned life insurance policies, partially offset by lower net (purchases) sales of investments compared to 2018. In 2018, we had higher proceeds from insurance associated with our corporate-owned life insurance policies and lower net (purchases) sales of investments compared to 2017.

Payments for Investments in Businesses and Acquisitions, Net of Cash Acquired

In 2019 and 2018, we paid $6.5 million and $3.8 million for investments in unconsolidated businesses, respectively. In 2017, the aggregate payments for acquisitions, net of cash acquired, and investments in businesses were approximately $319 million, which we funded through cash and commercial paper borrowings. The 2017 Acquisitions were also partially funded using proceeds from the €500 million senior notes we issued in 2017.

Refer to Note 2, “Acquisitions,” to the Consolidated Financial Statements for more information.

Financing Activities

(In millions)	2019	2018	2017
Net change in borrowings and repayments of debt and finance leases	$ (23.9)	$ (84.0)	$ (343.0)
Additional long-term borrowings	—	493.3	542.9
Dividends paid	(189.7)	(175.0)	(155.5)
Share repurchases	(237.7)	(392.9)	(129.7)
Net (tax withholding) proceeds related to stock-based compensation	(17.4)	(32.2)	1.4
Payments of contingent consideration	(1.6)	(17.3)	—
Net cash used in financing activities	$ (470.3)	$ (208.1)	$ (83.9)

Borrowings and Repayment of Debt

During 2019, 2018, and 2017, our commercial paper borrowings were used to fund share repurchase activity, dividend payments, capital expenditures and acquisitions, and for other general corporate purposes.

In December 2018, we issued $500 million of senior notes, due December 2028. These senior notes bear an interest rate of 4.875% per year, payable semi-annually in arrears. The net proceeds from this offering, after deducting underwriting discounts and estimated offering expenses, were $493.3 million, which we used to repay commercial paper borrowings. Prior to the issuance of these senior notes, we used commercial paper borrowings in the third quarter to fund our $200 million contribution to the ADPP in connection with its termination.

In March 2017, we issued €500 million of senior notes, due March 2025. These senior notes bear an interest rate of 1.25% per year, payable annually in arrears. The net proceeds from this offering, after deducting underwriting discounts and estimated offering expenses, were $526.6 million (€495.5 million), a portion of which we used to repay commercial paper borrowed to finance a portion of the purchase price for our acquisition of the European business of Mactac and the remainder of which we used for general corporate purposes, including other acquisitions.

Refer to Note 2, “Acquisitions,” and Note 4, “Debt,” to the Consolidated Financial Statements for more information.

Dividends Paid

We paid dividends of $2.26 per share in 2019 compared to $2.01 per share in 2018. In April 2019, we increased our quarterly dividend to $.58 per share, representing an increase of approximately 12% from our previous dividend rate of $.52 per share.

Share Repurchases

From time to time, our Board authorizes the repurchase of shares of our outstanding common stock. Repurchased shares may be reissued under our long-term incentive plan or used for other corporate purposes. In 2019, we repurchased approximately 2 million shares of our common stock at an aggregate cost of $237.7 million. In 2018, we repurchased approximately 4 million shares of our common stock at an aggregate cost of $392.9 million.

In April 2019, our Board authorized the repurchase of shares of our common stock with a fair market value of up to $650 million, exclusive of any fees, commissions or other expenses related to such purchases, in addition to the amount outstanding under our previous Board authorization. Board authorizations remain in effect until shares in the amount authorized thereunder have been repurchased. As of December 28, 2019, shares of our common stock in the aggregate amount of $644.7 million remained authorized for repurchase under this Board authorization.

Net (Tax Withholding) Proceeds Related to Stock-Based Compensation

In 2019, tax withholding for stock-based compensation decreased compared to 2018 as a result of equity awards vesting at lower share prices. In 2018, tax withholding for stock-based compensation increased compared to 2017 as a result of higher share prices for equity awards vesting during the year.

Approximately .3 million, .03 million, and .6 million stock options were exercised in 2019, 2018, and 2017, respectively. Refer to Note 12, “Long-Term Incentive Compensation,” to the Consolidated Financial Statements for more information.

Analysis of Selected Balance Sheet Accounts

Long-lived Assets

Property, plant and equipment, net, increased by approximately $73 million to $1.2 billion at year-end 2019, which primarily reflected purchases of property, plant and equipment, partially offset by depreciation expense and the impact of foreign currency translation.

Goodwill decreased by approximately $11 million to $930.8 million at year-end 2019 due to the impact of foreign currency translation.

Other intangibles resulting from business acquisitions, net, decreased by approximately $18 million to $126.5 million at year-end 2019, which primarily reflected amortization expense.

Refer to Note 3, “Goodwill and Other Intangibles Resulting from Business Acquisitions,” to the Consolidated Financial Statements for more information.

Other assets increased by approximately $204 million to $654.8 million and long-term retirement benefits and other liabilities increased by approximately $87 million to $421.4 million, primarily reflecting the recognition of operating lease assets and liabilities as the result of our adoption of the accounting guidance update described in Note 1, “Summary of Significant Accounting Policies,” of the Consolidated Financial Statements.

Shareholders' Equity Accounts

The balance of our shareholders' equity increased by approximately $249 million to $1.2 billion at year-end 2019. Refer to Note 11, "Supplemental Equity and Comprehensive Income Information," to the Consolidated Financial Statements for more information.

Impact of Foreign Currency Translation

(In millions)	**2019**	**2018**
Change in net sales	$ (230)	$ 86

In 2019, international operations generated approximately 77% of our net sales. 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 2019 compared to 2018 was primarily related to euro-denominated sales and sales in China and Brazil.

On July 1, 2018, we began accounting for our operations in Argentina as highly inflationary, as the country's three-year cumulative inflation rate exceeded 100%. As a result, the functional currency of our Argentine subsidiary became the U.S. dollar.

Effect of Foreign Currency Transactions

The impact on net income from transactions denominated in foreign currencies is largely 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. We also utilized certain foreign-currency-denominated debt to mitigate our foreign currency translation exposure from our net investment in foreign operations. Refer to Note 5, "Financial Instruments," to the Consolidated Financial Statements for more information.

Analysis of Selected Financial Ratios

We utilize the financial ratios discussed below to assess our financial condition and operating performance. We believe this information assists our investors in understanding drivers of our cash flow other than net income and capital expenditures.

Operational Working Capital Ratio

Operational working capital, as a percentage of annualized current-quarter net sales, is reconciled to working capital below. Our objective is to minimize our investment in operational working capital, as a percentage of annualized current-quarter net sales, to maximize our cash flow and return on investment. Operational working capital, as a percentage of annualized current-quarter net sales in 2019 was modestly favorable compared to 2018.

(In millions, except percentages)	**2019**	**2018**
(A) Working capital	$ 86.8	$ 304.0
Reconciling items:		
Cash and cash equivalents	(253.7)	(232.0)
Other current assets	(211.7)	(224.9)
Short-term borrowings and current portion of long-term debt and finance leases	440.2	194.6
Current income taxes payable and other current accrued liabilities	747.5	768.9
(B) Operational working capital	$ 809.1	$ 810.6
(C) Fourth-quarter net sales, annualized	$ 7,091.6	$ 7,074.8
Operational working capital, as a percentage of annualized current-quarter net sales (B) ÷ (C)	11.4 %	11.5 %

Accounts Receivable Ratio

The average number of days sales outstanding was 63 days in 2019 compared to 62 days in 2018, calculated using the four-quarter average accounts receivable balance divided by the average daily sales in 2019 and 2018, respectively. The increase in average number of days sales outstanding primarily reflected the timing of collections and the impact of foreign currency translation.

Inventory Ratio

Average inventory turnover was 7.7 in 2019 compared to 7.8 in 2018, calculated using the annual cost of sales in 2019 and 2018, respectively, and divided by the four-quarter average inventory balance. The decrease in average inventory turnover primarily reflected the timing of inventory purchases.

Accounts Payable Ratio

The average number of days payable outstanding was 74 days in 2019 compared to 73 days in 2018, calculated using the four-quarter average accounts payable balance divided by the average daily cost of products sold in 2019 and 2018, respectively. The increase in average number of days payable outstanding primarily reflected longer payment terms with vendors and the impact of foreign currency translation.

Financial Covenants

Our revolving credit facility (the "Revolver") contains financial covenants requiring that we maintain specified ratios of total debt and interest expense in relation to certain measures of income. As of December 28, 2019 and December 29, 2018, we were in compliance with our financial covenants.

Fair Value of Debt

The estimated fair value of our long-term debt is primarily based on the credit spread above U.S. Treasury securities or euro government bond securities, as applicable, on notes with similar rates, credit ratings, and remaining maturities. The fair value of short-term borrowings, which includes 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 $2.05 billion at December 28, 2019 and $2 billion at December 29, 2018. 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. Refer to Note 1, "Summary of Significant Accounting Policies," for more information.

Capital Resources

Capital resources include cash flows from operations, cash and cash equivalents and debt financing, including access to commercial paper. We use these resources to fund operational needs.

At year-end 2019, we had cash and cash equivalents of $253.7 million held in accounts at third-party financial institutions. Our cash balances are held in numerous locations throughout the world. At year-end 2019, 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 and profits. However, if we were to repatriate incremental foreign earnings and profits, we could be subject to cash payments of withholding taxes imposed by foreign tax authorities and additional U.S. taxes due to the impact of foreign currency movements related to such earnings and profits.

In November 2017, we amended and restated the Revolver, increasing the amount available from certain domestic and foreign banks from $700 million to $800 million. The amendment also extended the Revolver's maturity date to November 8, 2022. The Revolver is used as a back-up facility for our commercial paper program and can be used for other corporate purposes.

No balance was outstanding under the Revolver as of December 28, 2019 or December 29, 2018. Commitment fees associated with the Revolver in 2019, 2018, and 2017 were $1.2 million, $1.2 million, and $1.1 million, respectively.

Subsequent to our fiscal year-end 2019, in February 2020, we again amended and restated the Revolver, extending the maturity date to February 13, 2025. The maturity date may be extended for an additional one-year period under certain circumstances. The commitments under the Revolver may be increased by up to $400 million, subject to lender approvals and customary requirements.

In addition to the Revolver, we have significant short-term lines of credit available in various countries of approximately $330 million in the aggregate at December 28, 2019. These lines may be cancelled at any time by us or the issuing banks. Short-term borrowings outstanding under our lines of credit were $37.4 million and $45.5 million at December 28, 2019 and December 29, 2018, respectively, with a weighted average interest rate of 6.4% and 7%, respectively.

Refer to Note 4, "Debt," to the 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 $27 million to $1.94 billion at year-end 2019 compared to $1.97 billion at year-end 2018, primarily reflecting a net decrease in commercial paper borrowings and the impact of foreign currency translation.

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 could impact our ability to access the commercial paper markets. If our access to commercial paper markets were to become limited, we expect that the Revolver and our other credit facilities would be available to meet our short-term funding requirements. 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.

Contractual Obligations, Commitments and Off-Balance Sheet Arrangements

Contractual Obligations at End of Year 2019

	Payments Due by Period						
(In millions)	**Total**	**2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**
Short-term borrowings	$ 170.7	$ 170.7	$ —	$ —	$ —	$ —	$ —
Long-term debt, including current portion	1,751.5	265.0	—	—	250.0	—	1,236.5
Interest on long-term debt	415.6	55.4	51.0	51.0	45.0	42.6	170.6
Finance leases	31.6	5.7	12.5	4.5	4.1	3.9	.9
Operating leases	159.7	46.0	35.2	22.4	15.2	11.1	29.8
Total contractual obligations	$ 2,529.1	$ 542.8	$ 98.7	$ 77.9	$ 314.3	$ 57.6	$ 1,437.8

The table above does not include:

- Purchase obligations or open purchase orders at year-end – It is impracticable for us to obtain this information or provide a reasonable estimate thereof due to the decentralized nature of our purchasing systems. In addition, purchase orders are generally entered into at fair value and cancelable without penalty.
- Cash funding requirements for pension benefits payable to certain eligible current and future retirees under our funded plans – Benefits under our funded pension plans are paid through trusts or trust equivalents. Cash funding requirements for our funded plans, which can be significantly impacted by earnings on investments, the discount rate, changes in the plans, and funding laws and regulations, are not included as we are not able to estimate required contributions to the trusts or trust equivalents. Refer to Note 6, “Pension and Other Postretirement Benefits,” to the Consolidated Financial Statements for information regarding expected contributions to these plans and plan terminations and settlements.
- Pension and postretirement benefit payments – As of December 28, 2019, we had unfunded benefit obligations from certain defined benefit plans. Refer to Note 6, "Pension and Other Postretirement Benefits," to the Consolidated Financial Statements for more information, including expected benefit payments over the next 10 years.
- Deferred compensation plan benefit payments – It is impracticable for us to obtain a reasonable estimate for 2019 and beyond due to the volatility of the payment amounts and certain events that could trigger immediate payment of benefits to participants. In addition, participant account balances are marked-to-market monthly and benefit payments are adjusted annually. Refer to Note 6, “Pension and Other Postretirement Benefits,” to the Consolidated Financial Statements for more information.
- Cash awards to employees under incentive compensation plans – The amounts to be paid to employees under these awards are based on our stock price and, if applicable, achievement of certain performance objectives as of the end of their respective performance periods, and, therefore, we cannot reasonably estimate the amounts to be paid on the vesting dates. Refer to Note 12, “Long-term Incentive Compensation,” to the Consolidated Financial Statements for more information.
- Unfunded termination indemnity benefits to certain employees outside of the U.S. – These benefits are subject to applicable agreements, local laws and regulations. We have not incurred significant costs related to these arrangements.
- Unrecognized tax benefits of $70 million – The resolution of the balance, including the timing of payments, is contingent upon various unknown factors and cannot be reasonably estimated. Refer to Note 14, “Taxes Based on Income,” to the Consolidated Financial Statements for more information.
- Payments related to cost reduction actions – The payments for severance and other contract terminations are subject to applicable agreements, local laws and practices. Refer to Note 13, “Cost Reduction Actions,” to the Consolidated Financial Statements for more information.
- Acquisition-related obligations - Obligations related to our agreement to acquire Smartrac's Transponder (RFID Inlay) division. Refer to Note 2, "Acquisitions," to the Consolidated Financial Statements for more information.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenue and expense. Actual results could differ from these estimates.

Critical accounting estimates are those that are important to our financial condition and results, and which require us to make difficult, subjective and/or complex judgments. Critical accounting estimates cover accounting matters that are inherently uncertain because their future resolution is unknown. We believe our critical accounting estimates include accounting for goodwill, pension and postretirement benefits, taxes based on income, and long-term incentive compensation.

Goodwill

Our reporting units are composed of either a discrete business or an aggregation of businesses with similar economic characteristics. We perform an annual impairment test of goodwill during the fourth quarter, unless certain factors indicate the need to perform an impairment assessment in addition to the annual test. In performing the required impairment tests, we have the option to first assess qualitative factors to determine whether it is necessary to perform a quantitative assessment for goodwill impairment. If the qualitative assessment indicates that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, a quantitative assessment is performed. A quantitative assessment primarily consists of a present value (discounted cash flow) method to determine the fair value of the reporting units with goodwill.

Certain factors may result in the need to perform an impairment test prior to the fourth quarter, including significant underperformance of a business relative to expected operating results, significant adverse economic and industry trends, significant decline in our market capitalization for an extended period of time relative to net book value, or a decision to divest a portion of a reporting unit.

We compare the fair value of each reporting unit to its carrying amount, and, to the extent the carrying amount exceeds the unit's fair value, an impairment of goodwill is recognized for the excess up to the amount of goodwill of that reporting unit.

In consultation with outside specialists, we estimate the fair value of our reporting units using various valuation techniques, with the primary technique being a discounted cash flow analysis. A discounted cash flow analysis requires us to make various assumptions about the reporting units, including their respective forecasted sales, operating margins and growth rates, and discount rates. Assumptions about discount rates are based on a weighted average cost of capital for comparable companies. Assumptions about sales, operating margins, and growth rates are based on our forecasts, business plans, economic projections, anticipated future cash flows, and marketplace data. Assumptions are also made for varying perpetual growth rates for periods beyond the long-term business plan period. We base our fair value estimates on projected financial information and assumptions that we believe are reasonable. However, actual future results may materially differ from these estimates and projections. The valuation methodology used to estimate the fair value of reporting units requires inputs and assumptions that reflect current market conditions, as well as the impact of planned business and operational strategies that require management judgment. The estimated fair value could increase or decrease depending on changes in the inputs and assumptions.

In our annual impairment analysis in the fourth quarter of 2019, the goodwill of all reporting units in our Label and Graphic Materials and Retail Branding and Information Solutions reportable segments, as well as the goodwill of one reporting unit in our Industrial and Healthcare Materials reportable segment, were tested utilizing a qualitative assessment. Based on this assessment, we determined that the fair values of these reporting units were more likely than not greater than their respective carrying values. Therefore, the goodwill in these reporting units was not impaired.

Additionally, in our annual 2019 impairment analysis, the goodwill of one reporting unit in our Industrial and Healthcare Materials reportable segment was tested utilizing a quantitative assessment. This assessment indicated that the fair value of this reporting unit exceeded its carrying amount, including goodwill, by more than 100% and the goodwill of this reporting unit was not impaired.

Pension and Postretirement Benefits

Assumptions used in determining projected benefit obligations and the fair value of plan assets for our defined benefit pension plans and other postretirement benefit plans are evaluated by management in consultation with outside actuaries. In the event that we determine that changes are warranted in the assumptions used, such as the discount rate, expected long-term rate of return, or health care costs, future pension and postretirement benefit expenses could increase or decrease. Due to changes in market conditions or participant population, the actuarial assumptions that we use may differ from actual results, which could have a significant impact on our pension and postretirement liability and related costs.

Discount Rate

In consultation with our actuaries, we annually review and determine the discount rates to be used in valuing our postretirement obligations. The assumed discount rates for our international pension plans reflect market rates for high quality corporate bonds currently available. Our discount rates are determined by evaluating yield curves consisting of large populations of high quality corporate bonds. The projected pension benefit payment streams are then matched with the bond portfolios to determine a rate that reflects the liability duration unique to our plans. As of December 28, 2019, a .25% increase in the discount rates associated with our international plans would have decreased our year-end projected benefit obligation by $42 million and increased expected periodic benefit cost for the coming year by approximately $1 million. Conversely, a .25% decrease in the discount rates associated with our international plans would have increased our year-end projected benefit obligation by approximately $42 million and decreased expected periodic benefit cost for the coming year by approximately $2 million.

We use the full yield curve approach to estimate the service and interest cost components of net periodic benefit cost for our pension and other postretirement benefit plans. Under this approach, we apply multiple discount rates from a yield curve composed of the rates of return on several hundred high-quality, fixed income corporate bonds available at the measurement date. We believe this approach provides a more precise measurement of service and interest cost by aligning the timing of the plans' liability cash flows to the corresponding rates on the yield curve.

Long-term Return on Plan Assets

We determine the long-term rate of return assumption for plan assets by reviewing the historical and expected returns of both the equity and fixed income markets, taking into account our asset allocation, the correlation between returns in our asset classes, and our mix of active and passive investments. Additionally, current market conditions, including interest rates, are evaluated and market data is reviewed for reasonableness and appropriateness. An increase or decrease of .25% on the long-term return on assets associated with our international plans would have decreased or increased, respectively, our periodic benefit cost for the coming year by approximately $2 million.

Taxes Based on Income

We are subject to income tax in the U.S. and multiple foreign jurisdictions, whereby judgment is required in evaluating and estimating our worldwide provision, accruals for taxes, deferred taxes and for evaluating our tax positions. Our provision for income taxes is determined using the asset and liability approach in accordance with GAAP. Deferred tax assets represent amounts available to reduce income taxes payable in future years. These assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating losses and tax credit carryforwards. These amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. We evaluate the realizability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. Our assessment of these sources of income relies heavily on estimates. Our forecasted earnings by jurisdiction are determined by how we operate our business and any changes to our operations may affect our effective tax rate. For example, our future income tax rate could be adversely affected by earnings being lower than anticipated in jurisdictions in which we have significant deferred tax assets that are dependent on such earnings to be realized. We use historical experience along with operating forecasts to evaluate expected future taxable income. To the extent we do not consider it more- likely-than-not that a deferred tax asset will be recovered, a valuation allowance is established in the period we make that determination. A tax planning strategy is defined as "an action that: is prudent and feasible; an enterprise ordinarily might not take, but would take to prevent an operating loss or tax credit carryforward from expiring unused; and would result in realization of deferred tax assets."

Our income tax rate is significantly affected by the different tax rates applicable in the jurisdictions in which we do business.

We calculate our current and deferred tax provision based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified.

Tax laws are complex and subject to different interpretations by taxpayers and governmental taxing authorities. We review our tax positions quarterly and adjust the balances as new information becomes available. Significant judgment is required in determining our tax expense and evaluating our tax positions, including evaluating uncertainties. Our estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant facts and circumstances existing at the balance sheet date, taking into consideration existing laws, regulations and practices of any governmental authorities exercising jurisdiction over our operations. For example, the European Commission has conducted investigations in multiple countries focusing on whether local country tax rulings or tax legislation provides preferential tax treatment that violates European Union state aid rules and concluded that certain countries, including the Netherlands, Luxembourg, Belgium, Ireland, and the United Kingdom, have provided illegal state aid in certain cases. We continue to monitor state aid developments since they involve jurisdictions in which we have significant operations, and consider these matters in determining our uncertain tax positions.

Refer to Note 14, "Taxes Based on Income," to the Consolidated Financial Statements for more information.

Long-Term Incentive Compensation

Valuation of Stock-Based Awards

Our stock-based compensation expense is based on the fair value of awards, adjusted for estimated forfeitures, and amortized on a straight-line basis over the requisite service period for stock options, restricted stock units ("RSUs"), and performance units ("PUs"). The compensation expense related to market-leveraged stock units ("MSUs") is based on the fair value of awards, adjusted for estimated forfeitures, and amortized on a graded-vesting basis over their respective performance periods.

Compensation expense for awards with a market condition as a performance objective, which includes PUs and MSUs, is not adjusted if the condition is not met, as long as the requisite service period is met.

The fair value of stock options is estimated as of the date of grant using the Black-Scholes option-pricing model. This model requires input assumptions for our expected dividend yield, expected stock price volatility, risk-free interest rate and the expected option term.

The following assumptions are used in estimating the fair value of granted stock options:

Risk-free interest rate is based on the 52-week average of the Treasury-Bond rate that has a term corresponding to the expected option term.

Expected stock price volatility represents an average of implied and historical volatility.

Expected dividend yield is based on the current annual dividend divided by the 12-month average of our monthly stock price prior to the date of grant.

Expected option term is determined based on historical experience under our long-term incentive plans.

The fair value of RSUs and the component of PUs that is subject to achievement of performance objectives based on a financial performance condition is determined based on the fair market value of our common stock on the grant date, adjusted for foregone dividends.

The fair value of stock-based awards that are subject to achievement of performance objectives based on a market condition, which includes MSUs and the other component of PUs, is determined using the Monte-Carlo simulation model, which utilizes multiple input variables, including expected stock price volatility and other assumptions appropriate for determining fair value, to estimate the probability of satisfying the target performance objectives established for the award.

Forfeiture Rate

Changes in estimated forfeiture rates are recorded as cumulative adjustments in the period estimates are revised.

Certain of these assumptions are based on management's estimates, in consultation with outside specialists. Significant changes in assumptions for future awards and actual forfeiture rates could materially impact stock-based compensation expense and our results of operations.

Valuation of Cash-Based Awards

Cash-based awards consist of long-term incentive units ("LTI Units") granted to eligible employees. LTI Units are classified as liability awards and remeasured at each quarter-end over the applicable vesting or performance period. In addition to LTI Units with terms and conditions that mirror those of RSUs, we also grant certain employees LTI Units with terms and conditions that mirror those of PUs and MSUs.

RECENT ACCOUNTING REQUIREMENTS

Refer to Note 1, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements for this information.

MARKET-SENSITIVE INSTRUMENTS AND RISK MANAGEMENT

Risk Management

We are exposed to the impact of changes in foreign currency exchange rates and interest rates.

We generally do not purchase or hold foreign currency or interest rate or commodity contracts for trading purposes.

Our objective in managing our exposure to foreign currency changes is to reduce the risk to our earnings and cash flow associated with foreign exchange rate changes. As a result, we enter into foreign exchange forward, option and swap contracts to reduce risks associated with the value of our existing foreign currency assets, liabilities, firm commitments and anticipated foreign revenues and costs, when available and appropriate. The gains and losses on these contracts are intended to offset changes in the related exposures. We do not hedge our foreign currency translation exposure in a manner that would entirely eliminate the effects of changes in foreign exchange rates on our net income. We also utilize certain foreign-currency-denominated debt to mitigate our foreign currency translation exposure from our net investment in foreign operations.

Our objective in managing our exposure to interest rate changes is to reduce the impact of interest rate changes on earnings and cash flows. To achieve our objectives, we may periodically use interest rate contracts to manage our exposure to interest rate changes.

Additionally, we enter into certain natural gas futures contracts to reduce the risks associated with natural gas anticipated to be used in manufacturing and operations. These amounts are not material to our financial statements.

In the normal course of operations, we also face other risks that are either non-financial or non-quantifiable. These risks principally include changes in economic or political conditions, other risks associated with foreign operations, commodity price risk and litigation and compliance risk, which are not reflected in the analyses described below.

Foreign Exchange Value-At-Risk

We use a Value-At-Risk ("VAR") model to determine the estimated maximum potential one-day loss in earnings associated with our foreign exchange positions and contracts. This approach assumes that market rates or prices for foreign exchange positions and contracts are normally distributed. VAR model estimates are made assuming normal market conditions. The model includes foreign exchange derivative contracts. Forecasted transactions, firm commitments, and accounts receivable and accounts payable denominated in foreign currencies, which certain of these instruments are intended to hedge, are excluded from the model.

The VAR model is a risk analysis tool and does not represent actual losses in fair value that we could incur, nor does it consider the potential effect of favorable changes in market factors.

In both 2019 and 2018, the VAR was estimated using a variance-covariance methodology. The currency correlation was based on one-year historical data obtained from one of our domestic banks. A 95% confidence level was used for a one-day time horizon.

The estimated maximum potential one-day loss in earnings for our foreign exchange positions and contracts was not significant at year-end 2019 or 2018.

Interest Rate Sensitivity

In 2019 and 2018, an assumed 30 basis point increase in interest rates affecting our variable-rate borrowings (10% of our weighted average interest rate on floating rate debt) would not have had a significant impact on interest expense.

Consolidated Balance Sheets

(Dollars in millions, except per share amount)	December 28, 2019	December 29, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 253.7	$ 232.0
Trade accounts receivable, less allowances of $27.1 and $21.1 at year-end 2019 and 2018, respectively	1,212.2	1,189.7
Inventories, net	663.0	651.4
Other current assets	211.7	224.9
Total current assets	2,340.6	2,298.0
Property, plant and equipment, net	1,210.7	1,137.4
Goodwill	930.8	941.8
Other intangibles resulting from business acquisitions, net	126.5	144.0
Deferred tax assets	225.4	205.3
Other assets	654.8	451.0
	$ 5,488.8	$ 5,177.5
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings and current portion of long-term debt and finance leases	$ 440.2	$ 194.6
Accounts payable	1,066.1	1,030.5
Accrued payroll and employee benefits	220.4	217.9
Accrued trade rebates	132.4	129.8
Income taxes payable	71.4	58.1
Other current liabilities	323.3	363.1
Total current liabilities	2,253.8	1,994.0
Long-term debt and finance leases	1,499.3	1,771.6
Long-term retirement benefits and other liabilities	421.4	334.7
Deferred tax liabilities and income taxes payable	110.3	122.1
Commitments and contingencies (see Notes 7 and 8)		
Shareholders' equity:		
Common stock, $1 par value per share, authorized – 400,000,000 shares at year-end 2019 and 2018; issued – 124,126,624 shares at year-end 2019 and 2018; outstanding – 83,366,840 and 84,723,655 shares at year-end 2019 and 2018, respectively	124.1	124.1
Capital in excess of par value	874.0	872.0
Retained earnings	2,979.1	2,864.9
Treasury stock at cost, 40,759,784 and 39,402,969 shares at year-end 2019 and 2018, respectively	(2,425.1)	(2,223.9)
Accumulated other comprehensive loss	(348.1)	(682.0)
Total shareholders' equity	1,204.0	955.1
	$ 5,488.8	$ 5,177.5

See Notes to Consolidated Financial Statements

Consolidated Statements of Income

(In millions, except per share amounts)	2019	2018	2017
Net sales	$ 7,070.1	$ 7,159.0	$ 6,613.8
Cost of products sold	5,166.0	5,243.5	4,801.6
Gross profit	1,904.1	1,915.5	1,812.2
Marketing, general and administrative expense	1,080.4	1,127.5	1,105.2
Other expense, net	53.2	69.9	36.5
Interest expense	75.8	58.5	63.0
Other non-operating expense, net	445.2	104.8	18.0
Income before taxes	249.5	554.8	589.5
(Benefit from) provision for income taxes	(56.7)	85.4	307.7
Equity method investment losses	(2.6)	(2.0)	—
Net income	$ 303.6	$ 467.4	$ 281.8
Per share amounts:			
Net income per common share	$ 3.61	$ 5.35	$ 3.19
Net income per common share, assuming dilution	$ 3.57	$ 5.28	$ 3.13
Weighted average number of shares outstanding:			
Common shares	84.0	87.3	88.3
Common shares, assuming dilution	85.0	88.6	90.1

See Notes to Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(In millions)	2019	2018	2017
Net income	$ 303.6	$ 467.4	$ 281.8
Other comprehensive income (loss), net of tax:			
Foreign currency translation:			
Translation gain (loss)	2.3	(91.2)	56.4
Pension and other postretirement benefits:			
Net gain (loss) recognized from actuarial gain/loss and prior service cost/credit	66.4	(4.1)	(3.0)
Reclassifications to net income	266.1	93.8	19.3
Cash flow hedges:			
Gains (losses) recognized on cash flow hedges	.5	1.1	(2.2)
Reclassifications to net income	(1.4)	(1.1)	.9
Other comprehensive income (loss), net of tax	333.9	(1.5)	71.4
Total comprehensive income, net of tax	$ 637.5	$ 465.9	$ 353.2

See Notes to Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

(Dollars in millions, except per share amounts)	Common stock, $1 par value	Capital in excess of par value	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total
Balance as of December 31, 2016	$ 124.1	$ 852.0	$ 2,473.3	$ (1,772.0)	$ (751.9)	$ 925.5
Net income	—	—	281.8	—	—	281.8
Other comprehensive income, net of tax	—	—	—	—	71.4	71.4
Repurchase of 1,488,890 shares for treasury	—	—	—	(129.7)	—	(129.7)
Issuance of 960,656 shares under stock-based compensation plans	—	10.6	(14.4)	36.2	—	32.4
Contribution of 230,915 shares to 401(k) Plan	—	—	11.5	8.8	—	20.3
Dividends of $1.76 per share	—	—	(155.5)	—	—	(155.5)
Balance as of December 30, 2017	$ 124.1	$ 862.6	$ 2,596.7	$ (1,856.7)	$ (680.5)	$ 1,046.2
Tax accounting for intra-entity asset transfers(1)	—	—	(13.8)	—	—	(13.8)
Balance as of December 31, 2017	$ 124.1	$ 862.6	$ 2,582.9	$ (1,856.7)	$ (680.5)	$ 1,032.4
Net income	—	—	467.4	—	—	467.4
Other comprehensive loss, net of tax	—	—	—	—	(1.5)	(1.5)
Repurchase of 3,951,215 shares for treasury	—	—	—	(392.9)	—	(392.9)
Issuance of 458,506 shares under stock-based compensation plans	—	9.4	(24.1)	17.6	—	2.9
Contribution of 204,823 shares to 401(k) Plan	—	—	13.7	8.1	—	21.8
Dividends of $2.01 per share	—	—	(175.0)	—	—	(175.0)
Balance as of December 29, 2018	$ 124.1	$ 872.0	$ 2,864.9	$ (2,223.9)	$ (682.0)	$ 955.1
Net income	—	—	303.6	—	—	303.6
Other comprehensive income, net of tax	—	—	—	—	333.9	333.9
Repurchase of 2,222,937 shares for treasury	—	—	—	(237.7)	—	(237.7)
Issuance of 665,380 shares under stock-based compensation plans	—	2.0	(13.6)	28.0	—	16.4
Contribution of 200,742 shares to 401(k) Plan	—	—	13.9	8.5	—	22.4
Dividends of $2.26 per share	—	—	(189.7)	—	—	(189.7)
Balance as of December 28, 2019	$ 124.1	$ 874.0	$ 2,979.1	$ (2,425.1)	$ (348.1)	$ 1,204.0

(1) In the first quarter of 2018, we adopted an accounting guidance update that requires recognition of the income tax effects of intra-entity sales and transfers of assets other than inventory in the period in which they occur.

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

(In millions)	2019	2018	2017
Operating Activities			
Net income	$ 303.6	$ 467.4	$ 281.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	140.3	141.5	126.6
Amortization	38.7	39.5	52.1
Provision for doubtful accounts and sales returns	58.7	45.6	37.6
Stock-based compensation	34.5	34.3	30.2
Pension plan settlements and related charges	444.1	93.7	—
Deferred taxes and other non-cash taxes	(216.9)	(32.7)	151.6
Other non-cash expense and loss (income and gain), net	28.3	60.4	53.5
Changes in assets and liabilities and other adjustments:			
Trade accounts receivable	(42.2)	(62.5)	(141.2)
Inventories	(18.1)	(70.5)	(14.9)
Accounts payable	46.4	43.6	83.4
Taxes on income	5.4	(35.5)	29.6
Other assets	38.4	(11.6)	(20.9)
Other liabilities	(114.7)	(255.3)	(23.7)
Net cash provided by operating activities	746.5	457.9	645.7
Investing Activities			
Purchases of property, plant and equipment	(219.4)	(226.7)	(190.5)
Purchases of software and other deferred charges	(37.8)	(29.9)	(35.6)
Proceeds from sales of property, plant and equipment	7.8	9.4	6.0
Proceeds from insurance and (purchases) sales of investments, net	4.9	18.5	(3.9)
Payments for investments in businesses and acquisitions, net of cash acquired	(6.5)	(3.8)	(319.3)
Net cash used in investing activities	(251.0)	(232.5)	(543.3)
Financing Activities			
Net decrease in borrowings (maturities of three months or less)	(5.3)	(77.6)	(89.2)
Additional long-term borrowings	—	493.3	542.9
Repayments of long-term debt and finance leases	(18.6)	(6.4)	(253.8)
Dividends paid	(189.7)	(175.0)	(155.5)
Share repurchases	(237.7)	(392.9)	(129.7)
Net (tax withholding) proceeds related to stock-based compensation	(17.4)	(32.2)	1.4
Payments of contingent consideration	(1.6)	(17.3)	—
Net cash used in financing activities	(470.3)	(208.1)	(83.9)
Effect of foreign currency translation on cash balances	(3.5)	(9.7)	10.8
Increase in cash and cash equivalents	21.7	7.6	29.3
Cash and cash equivalents, beginning of year	232.0	224.4	195.1
Cash and cash equivalents, end of year	$ 253.7	$ 232.0	$ 224.4

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Our businesses include the production of pressure-sensitive materials and a variety of tickets, tags, labels and other converted products. We sell most of our pressure-sensitive materials to label printers and converters that convert the materials into labels and other products through embossing, printing, stamping and die-cutting. We sell other pressure-sensitive materials in converted form as tapes and reflective sheeting. We also manufacture and sell a variety of other converted products and items not involving pressure-sensitive components, such as fasteners, tickets, tags, radio-frequency identification ("RFID") inlays and tags, and imprinting equipment and related solutions, which serve the apparel and other end markets.

Principles of Consolidation

Our Consolidated Financial Statements include the accounts of majority-owned and controlled subsidiaries. Intercompany accounts, transactions, and profits are eliminated in consolidation. We apply the equity method of accounting for investments in which we have significant influence but not a controlling interest.

Reclassifications

Certain amounts in the prior year's Consolidated Financial Statements have been reclassified to conform to the current year presentation.

Fiscal Year

Normally, our fiscal years consist of 52 weeks, but every fifth or sixth fiscal year consists of 53 weeks. Our 2019, 2018, and 2017 fiscal years consisted of 52-week periods ending December 28, 2019, December 29, 2018, and December 30, 2017, respectively.

Accounting Guidance Updates

Leases

In the first quarter of 2019, we adopted accounting guidance that requires lessees to recognize on their balance sheets the rights and obligations created by leases. This guidance also requires enhanced disclosures regarding the amount, timing, and uncertainty of cash flows from leases. As allowed by this guidance, we elected to apply it using a modified retrospective approach. This approach applies to all leases that existed at or commenced after the date of our initial adoption. As such, prior year comparative amounts have not been adjusted. We elected the transition practical expedients allowed under this guidance. See Note 7, "Commitments and Leases," for more information.

Hedge accounting

In the first quarter of 2019, we prospectively adopted amended accounting guidance issued to improve the financial reporting of hedging relationships by better reflecting the economic results of an entity's risk management activities in its financial statements and simplifying the application of hedge accounting. As a result of adopting this guidance, our reclassification of gains and losses from cash flow hedges to earnings is included in the same financial statement line item as the hedged item. Our adoption of this guidance did not have a material impact on our financial position, results of operations, cash flows, or disclosures.

Reclassification of certain tax effects from accumulated other comprehensive income

In the first quarter of 2019, we adopted accounting guidance that provides entities with the option to reclassify certain tax effects of the U.S. Tax Cuts and Jobs Act ("TCJA") in accumulated other comprehensive income ("AOCI") to retained earnings. We elected not to reclassify the income tax effects stranded in AOCI to retained earnings. Our accounting policy is to release the income tax effects from AOCI to the income statement at the current statutory rate when the related pretax change is recognized. We also release the disproportionate tax effects in AOCI through the income statement as a discrete tax adjustment in the period when the circumstances upon which they are premised cease to exist.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, requires management to make estimates and assumptions for the reporting period and as of the date of the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenue and expense. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash on hand, deposits in banks, cash-in-transit, and bank drafts and short-term investments with maturities of three months or less when purchased or received. The carrying value of these assets approximates fair value due to the short maturity of the instruments.

Trade Accounts Receivable

We record trade accounts receivable at the invoiced amount. The allowance for doubtful accounts reserve represents allowances for customer trade accounts receivable that are estimated to be partially or entirely uncollectible. These allowances are used to reduce gross trade receivables to their net realizable values. We record these allowances based on estimates related to the following:

- Customer-specific allowances;
- Amounts based on an aging schedule; and
- An amount based on our historical experience.

No single customer represented 10% or more of our net sales in, or trade accounts receivable at, year-end 2019 or 2018. However, during 2019, 2018, and 2017, our ten largest customers by net sales in the aggregate represented approximately 16%, 15%, and 15% of our net sales, respectively. As of December 28, 2019 and December 29, 2018, our ten largest customers by trade accounts receivable in the aggregate represented approximately 12% and 14% of our trade accounts receivable, respectively. These customers were concentrated primarily in our Label and Graphic Materials reportable segment. We generally do not require our customers to provide collateral.

Inventories

Inventories are stated at the lower of cost or net realizable value and categorized as raw materials, work-in-progress, or finished goods. Cost is determined using the first-in, first-out method. Inventory reserves are recorded to cost of products sold for damaged, obsolete, excess and slow-moving inventory and we establish a lower cost basis for the inventory. We use estimates to record these reserves. Slow-moving inventory is reviewed by category and may be partially or fully reserved for depending on the type of product, level of usage, and the length of time the product has been included in inventory.

Property, Plant and Equipment

Depreciation is generally computed using the straight-line method over the estimated useful lives of the respective assets, ranging from ten to forty-five years for buildings and improvements and three to fifteen years for machinery and equipment. Leasehold improvements are depreciated over the shorter of the useful life of the asset or the term of the associated leases. Maintenance and repair costs are expensed as incurred; renewals and improvements are capitalized. Upon the sale or retirement of assets, the accounts are relieved of the cost and the related accumulated depreciation, with any resulting gain or loss included in net income.

Leases

Our leases primarily relate to office and warehouse space, machinery, transportation, and equipment for information technology. For lease accounting purposes, we do not separate lease and nonlease components, nor do we record operating or finance lease assets and liabilities for short-term leases. We determine if an arrangement is a lease or contains a lease at inception. We have options to renew or terminate some of our leases. We evaluate renewal and termination options based on considerations available at the lease commencement date and over the lease term to determine if we are reasonably certain to exercise these options. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date to determine the present value of lease payments. We recognize expense for operating leases on a straight-line basis over the lease term, with variable lease payments recognized in the periods in which they are incurred.

Software

We capitalize software costs incurred during the application development stage of software development, including costs incurred for design, coding, installation to hardware, testing, and upgrades and enhancements that provide the software or hardware with additional functionalities and capabilities. Software costs, including internal and external training costs and maintenance costs, incurred during the preliminary project stage and the post-implementation and/or operation stage are expensed. In addition, we capitalize implementation costs incurred under a hosting arrangement that is a service contract. Capitalized software, which is included in “Other assets” in the Consolidated Balance Sheets, is amortized on a straight-line basis over the estimated useful life of the software, which is generally between five and ten years.

Impairment of Long-lived Assets

Impairment charges are recorded when the carrying amounts of long-lived assets are determined not to be recoverable. Recoverability is measured by comparing the undiscounted cash flows expected from the applicable asset or asset group’s use and eventual disposition to its carrying value. The amount of impairment loss is calculated as the excess of the carrying value over the fair value. Historically, changes in market conditions and management strategy have caused us to reassess the carrying amount of our long-lived assets.

Goodwill and Other Intangibles Resulting from Business Acquisitions

Business combinations are accounted for using the acquisition method, with the excess of the acquisition cost over the fair value of net tangible assets and identified intangible assets acquired considered goodwill. As a result, we disclose goodwill separately from other intangible assets. Other identifiable intangibles include customer relationships, patents and other acquired technology, and trade names and trademarks.

We perform an annual impairment test of goodwill during the fourth quarter, unless certain factors indicate the need to perform an impairment assessment in addition to the annual test. In performing the required impairment tests, we have the option to first assess qualitative factors to determine whether it is necessary to perform a quantitative assessment for goodwill impairment. If the qualitative assessment indicates that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, a quantitative assessment is performed. A quantitative assessment primarily consists of a present value (discounted cash flow) method to determine the fair value of the reporting units with goodwill.

Certain factors may result in the need to perform an impairment test prior to the fourth quarter, including significant underperformance of a business relative to expected operating results, significant adverse economic and industry trends, significant decline in our market capitalization for an extended period of time relative to net book value, or a decision to divest a portion of a reporting unit.

We compare the fair value of each reporting unit to its carrying amount, and, to the extent the carrying amount exceeds the unit's fair value, an impairment of goodwill is recognized for the excess up to the amount of goodwill of that reporting unit.

In consultation with outside specialists, we estimate the fair value of our reporting units using various valuation techniques, with the primary technique being a discounted cash flow analysis. A discounted cash flow analysis requires us to make various assumptions about the reporting units, including their respective forecasted sales, operating margins and growth rates, and discount rates. Assumptions about discount rates are based on a weighted average cost of capital for comparable companies. Assumptions about sales, operating margins, and growth rates are based on our forecasts, business plans, economic projections, anticipated future cash flows, and marketplace data. Assumptions are also made for varying perpetual growth rates for periods beyond the long-term business plan period. We base our fair value estimates on projected financial information and assumptions that we believe are reasonable. However, actual future results may materially differ from these estimates and projections. The valuation methodology used to estimate the fair value of reporting units requires inputs and assumptions that reflect current market conditions, as well as the impact of planned business and operational strategies that require management judgment. The estimated fair value could increase or decrease depending on changes in the inputs and assumptions.

We test indefinite-lived intangible assets, consisting of trade names and trademarks, for impairment in the fourth quarter or whenever events or circumstances indicate that it is more-likely-than-not that their carrying amounts exceed their fair values. Fair value is estimated as the discounted value of future revenues using a royalty rate that a third party would pay for use of the asset. Variation in the royalty rates could impact the estimate of fair value. If the carrying amount of an asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

We amortize finite-lived intangible assets, consisting of customer relationships, patents and other acquired technology, trade names and trademarks, and other intangibles, on a straight-line basis over the estimated useful life of the assets.

See Note 3, "Goodwill and Other Intangibles Resulting from Business Acquisitions," for more information.

Foreign Currency

Asset and liability accounts of international operations are translated into U.S. dollars at current rates. Revenues and expenses are translated at the weighted average currency rate for the fiscal year. Gains and losses resulting from hedging the value of investments in certain international operations and from the translation of balance sheet accounts are recorded directly as a component of other comprehensive income.

On July 1, 2018, we began accounting for our operations in Argentina as highly inflationary, as the country's three-year cumulative inflation rate exceeded 100%. As a result, the functional currency of our Argentine subsidiary became the U.S. dollar.

Financial Instruments

We enter into foreign exchange derivative 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. From time to time, 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.

On the date we enter into a derivative contract, we determine whether the derivative will be designated as a hedge. Derivatives designated as hedges are classified as either (1) hedges of the fair value of a recognized asset or liability or an unrecognized firm commitment ("fair value" hedges) or (2) hedges of a forecasted transaction or the variability of cash flows that are to be received or paid in connection with a recognized asset or liability ("cash flow" hedges). Other derivatives not designated as hedges are recorded on the balance sheets at fair value, with changes in fair value recognized in earnings. Our policy is not to purchase or hold any foreign currency, interest rate or commodity contracts for trading purposes.

We assess, both at the inception of any hedge and on an ongoing basis, whether our hedges are highly effective. If it is determined that a hedge is not highly effective, we prospectively discontinue hedge accounting. For cash flow hedges, gains and losses are recorded as components of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction affects earnings. In the event that the anticipated transaction is no longer likely to occur, we recognize the change in fair value of the instrument in current period earnings. Changes in fair value hedges are recognized in current period earnings. Changes in the fair value of underlying hedged items (such as recognized assets or liabilities) are also recognized in current period earnings and offset the changes in the fair value of the derivative.

In the Consolidated Statements of Cash Flows, hedges are classified in the same category as the item hedged, primarily in operating activities.

We also utilized certain foreign-currency-denominated debt to mitigate our foreign currency translation exposure from our net investment in foreign operations.

See Note 5, "Financial Instruments," for more information.

Fair Value Measurements

We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability.

We determine fair value based on a three-tier fair value hierarchy, which we use to prioritize the inputs used in measuring fair value. These tiers consist of Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, which require us to develop our own assumptions to determine the best estimate of fair value.

Revenue Recognition

Sales are recognized when or as we satisfy a performance obligation by transferring control of a product or service to a customer, in an amount that reflects the consideration to which we expect to be entitled for the product or service. We consider a number of factors in determining when we have transferred control to a customer, including the following: (i) our present right to payment; (ii) the customer's legal title to the asset; (iii) physical possession of the asset; (iv) the customer's significant risks and rewards of ownership of the asset; and (v) the customer's acceptance of the asset.

Generally, payment terms with our customers are consistent with those used in our industries and the regions in which we operate.

Sales returns are accepted in certain limited circumstances. We record an estimate for return liabilities and a corresponding reduction to sales, in the amount we expect to repay or credit customers, which we base on historical returns and outstanding customer claims. Changes in estimates are updated each reporting period.

Sales rebates, discounts, and other customer concessions represent variable consideration and are common in the industries and regions in which we operate and are accounted for as a reduction to sales based on estimates at the time at which products are sold. These estimates are based on our historical experience, as well as current information such as sales forecasts. We review our estimates regularly and, as additional information becomes available, we adjust our sales and the respective accruals, as necessary.

Sales tax, value-added tax, and other taxes we collect from customers are excluded from sales.

Shipping and handling activities after control of a product is transferred to a customer are accounted for as fulfillment costs and not as separate performance obligations. As a practical expedient, we have elected not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of less than one year.

We generally expense sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded in "Marketing, general and administrative expense" in the Consolidated Statements of Income.

Research and Development

Research and development costs are related to research, design, and testing of new products and applications and are expensed as incurred.

Long-Term Incentive Compensation

No long-term incentive compensation expense was capitalized in 2019, 2018, or 2017.

Valuation of Stock-Based Awards

Our stock-based compensation expense is based on the fair value of awards, adjusted for estimated forfeitures, and amortized on a straight-line basis over the requisite service period for stock options and restricted stock units ("RSUs"). Compensation expense for performance units ("PUs") is based on the fair value of awards, adjusted for estimated forfeitures, and amortized on a straight-line basis as these awards cliff-vest at the end of the requisite service period. Compensation expense related to market-leveraged stock units ("MSUs") is based on the fair value of awards, adjusted for estimated forfeitures, and amortized on a graded-vesting basis over their respective performance periods.

Compensation expense for awards with a market condition as a performance objective, which includes PUs and MSUs, is not adjusted if the condition is not met, as long as the requisite service period is met.

The fair value of stock options is estimated as of the date of grant using the Black-Scholes option-pricing model. This model requires input assumptions for our expected dividend yield, expected stock price volatility, risk-free interest rate, and the expected option term.

The fair value of RSUs and the component of PUs that is subject to the achievement of a performance objective based on a financial performance condition is determined based on the fair market value of our common stock as of the date of grant, adjusted for foregone dividends.

The fair value of stock-based awards that are subject to achievement of performance objectives based on a market condition, which includes MSUs and the other component of PUs, is determined using the Monte-Carlo simulation method, which utilizes multiple input variables, including expected stock price volatility and other assumptions appropriate for determining fair value, to estimate the probability of satisfying the target performance objectives established for the award.

Certain of these assumptions are based on management's estimates, in consultation with outside specialists. Significant changes in assumptions for future awards and actual forfeiture rates could materially impact stock-based compensation expense and our results of operations.

Valuation of Cash-Based Awards

Cash-based awards consist of long-term incentive units (“LTI Units”) granted to eligible employees. LTI Units are classified as liability awards and remeasured at each quarter-end over the applicable vesting or performance period. In addition to LTI Units with terms and conditions that mirror those of RSUs, we also grant certain employees LTI Units with terms and conditions that mirror those of PUs and MSUs.

Forfeitures

We estimate expected forfeitures in determining the compensation cost to be recognized each period, rather than accounting for forfeitures as they occur. Changes in estimated forfeiture rates are recorded as cumulative adjustments in the period estimates are revised.

See Note 12, “Long-term Incentive Compensation,” for more information.

Taxes Based on Income

We are subject to income tax in the U.S. and multiple foreign jurisdictions, whereby judgment is required in evaluating and estimating our worldwide provision, accruals for taxes, deferred taxes and for evaluating our tax positions. Our provision for income taxes is determined using the asset and liability approach in accordance with GAAP. Under this approach, deferred taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. We record a valuation allowance to reduce our deferred tax assets when uncertainty regarding their realizability exists. We recognize and measure our uncertain tax positions following the more-likely-than-not threshold for recognition and measurement for tax positions we take or expect to take on a tax return.

See Note 14, “Taxes Based on Income,” for more information.

Recent Accounting Requirements

In November 2018, the Financial Accounting Standards Board ("FASB") issued guidance that clarifies the interaction between guidance regarding collaborative arrangements and revenue from contracts with customers. This guidance is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. We do not anticipate that the adoption of this guidance will have a significant impact on our financial position, results of operations, cash flows, and disclosures.

In June 2016, the FASB issued revised guidance on the measurement of credit losses on financial instruments. Credit losses on loans, trade and other receivables, held-to-maturity debt securities, and other instruments will reflect the current estimate of the expected credit losses. This guidance is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. We do not anticipate that our adoption of this guidance will have a significant impact on our financial position, results of operations, cash flows, and disclosures.

NOTE 2. ACQUISITIONS

In November 2019, we announced our agreement to acquire Smartrac's Transponder (RFID Inlay) division, a manufacturer of RFID products, for a purchase price of approximately $250 million (€225 million), subject to customary adjustments. We expect to complete this acquisition in the first quarter of 2020.

On June 23, 2017, we completed the stock acquisition of Yongle Tape Ltd. ("Yongle Tape"), a China-based manufacturer of specialty tapes and related products used in a variety of industrial markets, from Yongle Tape's management and Shaw Kwei & Partners.

On May 19, 2017, we completed the stock acquisition of Finesse Medical Limited ("Finesse Medical"), an Ireland-based manufacturer of healthcare products used in the management of wound care and skin conditions, from Finesse Medical’s management.

On March 1, 2017, we completed the net asset acquisition of Hanita Coatings Rural Cooperative Association Limited and stock acquisition of certain of its subsidiaries (“Hanita”), an Israel-based pressure-sensitive manufacturer of specialty films and laminates, from Kibbutz Hanita Coatings and Tene Investment Funds.

The aggregate purchase consideration for the acquisitions we made in 2017 (the “2017 Acquisitions”) was approximately $340 million. The 2017 Acquisitions were funded through cash and existing credit facilities.

The 2017 Acquisitions were not material, individually or in the aggregate, to our Consolidated Financial Statements.

NOTE 3. GOODWILL AND OTHER INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS

Goodwill

Results from our annual goodwill impairment test in the fourth quarter of 2019 indicated that no impairment occurred during 2019. The assumptions used in our assessment of these assets were primarily based on Level 3 inputs.

Changes in the net carrying amount of goodwill for 2019 and 2018 by reportable segment were as follows:

(In millions)	Label and Graphic Materials	Retail Branding and Information Solutions	Industrial and Healthcare Materials	Total
Goodwill as of December 30, 2017	$ 429.5	$ 355.4	$ 200.2	$ 985.1
Acquisition adjustments[1]	—	—	(17.7)	(17.7)
Translation adjustments	(14.0)	(5.7)	(5.9)	(25.6)
Goodwill as of December 29, 2018	415.5	349.7	176.6	941.8
Translation adjustments	(7.7)	(.4)	(2.9)	(11.0)
Goodwill as of December 28, 2019	$ 407.8	$ 349.3	$ 173.7	$ 930.8

[1] Goodwill purchase price allocation adjustments and measurement period adjustments for contingent consideration liabilities related to the acquisition of Yongle Tape.

The carrying amounts of goodwill at December 28, 2019 and December 29, 2018 were net of accumulated impairment losses of $820 million recognized in fiscal year 2009 by our Retail Branding and Information Solutions ("RBIS") reportable segment.

Indefinite-Lived Intangible Assets

Results from our annual indefinite-lived intangible assets impairment test in the fourth quarter indicated that no impairment occurred in 2019.

The carrying value of indefinite-lived intangible assets resulting from business acquisitions, consisting of trade names and trademarks, was $20.8 million and $21.1 million at December 28, 2019 and December 29, 2018, respectively.

Finite-Lived Intangible Assets

In connection with the 2017 Acquisitions, we acquired approximately $107 million of identifiable intangible assets, which consisted of customer relationships, trade names and trademarks, and patents and other acquired technology. We utilized the income approach to estimate the fair values of the identifiable intangible assets associated with the 2017 Acquisitions, using primarily Level 3 inputs. The discount rates we used to value these assets were between 11% and 16.5%.

The table below summarizes the amounts and weighted useful lives of these intangible assets at acquisition.

	Amount (in millions)	Weighted average amortization period (in years)
Customer relationships	$ 70.9	16
Patents and other acquired technology	31.9	9
Trade names and trademarks	4.2	6

Refer to Note 2, “Acquisitions,” for more information.

The following table sets forth our finite-lived intangible assets resulting from business acquisitions at December 28, 2019 and December 29, 2018, which continue to be amortized:

	2019			2018		
(In millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 319.5	$ 238.7	$ 80.8	$ 322.2	$ 231.8	$ 90.4
Patents and other acquired technology	81.7	61.3	20.4	84.0	56.8	27.2
Trade names and trademarks	24.3	19.8	4.5	27.0	21.7	5.3
Other intangibles	.2	.2	—	11.9	11.9	—
Total	$ 425.7	$ 320.0	$ 105.7	$ 445.1	$ 322.2	$ 122.9

Amortization expense for finite-lived intangible assets resulting from business acquisitions was $13.5 million for 2019, $15.2 million for 2018, and $18.6 million for 2017.

The estimated amortization expense for finite-lived intangible assets resulting from business acquisitions for each of the next five fiscal years is expected to be as follows:

(In millions)	Estimated Amortization Expense
2020	$ 12.2
2021	11.6
2022	10.6
2023	9.6
2024	8.0

NOTE 4. DEBT

Short-Term Borrowings

We had $83.2 million and $131 million of borrowings from U.S. commercial paper issuances outstanding at December 28, 2019 and December 29, 2018, respectively, with a weighted average interest rate of 1.98% and 2.75%, respectively.

We have a Euro-Commercial Paper Program under which we may issue unsecured commercial paper notes up to a maximum aggregate amount outstanding of $500 million. Proceeds from issuances under this program may be used for general corporate purposes. The maturities of the notes vary, but may not exceed 364 days from the date of issuance. Our payment obligations with respect to any notes issued under this program are backed by our revolving credit facility (the “Revolver”). There are no financial covenants under this program. We had a balance of $50.1 million outstanding under this program as of December 28, 2019. There was no balance outstanding as of December 29, 2018.

Short-Term Credit Facilities

In November 2017, we amended and restated the Revolver, increasing the amount available from certain domestic and foreign banks from $700 million to $800 million. The amendment also extended the Revolver’s maturity date to November 8, 2022. The Revolver is used as a back-up facility for our commercial paper program and can be used for other corporate purposes.

No balance was outstanding under the Revolver as of December 28, 2019 or December 29, 2018. Commitment fees associated with the Revolver in 2019, 2018, and 2017 were $1.2 million, $1.2 million, and $1.1 million, respectively.

Subsequent to our fiscal year-end 2019, in February 2020, we again amended and restated the Revolver, extending the maturity date to February 13, 2025. The maturity date may be extended for an additional one-year period under certain circumstances. The commitments under the Revolver may be increased by up to $400 million, subject to lender approvals and customary requirements.

In addition to the Revolver, we have significant short-term lines of credit available in various countries of approximately $330 million in the aggregate at December 28, 2019. These lines may be cancelled at any time by us or the issuing banks. Short-term borrowings outstanding under our lines of credit were $37.4 million and $45.5 million at December 28, 2019 and December 29, 2018, respectively, with a weighted average interest rate of 6.4% and 7%, respectively.

From time to time, certain of our subsidiaries provide guarantees on certain arrangements with banks. Our exposure to these guarantees is not material.

Long-Term Borrowings

In December 2018, we issued $500 million of senior notes, due December 2028. These senior notes bear an interest rate of 4.875% per year, payable semiannually in arrears. The net proceeds from this offering, after deducting underwriting discounts and offering expenses, were $493.3 million, which we used to repay commercial paper borrowings. Prior to the issuance of these senior notes, we used commercial paper borrowings in August 2018 to fund our $200 million contribution to the Avery Dennison Pension Plan in connection with its termination. Refer to Note 6, “Pension and Other Postretirement Benefits.”

In March 2017, we issued €500 million of senior notes, due March 2025. These senior notes bear an interest rate of 1.25% per year, payable annually in arrears. The net proceeds from this offering, after deducting underwriting discounts and estimated offering expenses, were $526.6 million (€495.5 million), a portion of which we used to repay commercial paper borrowings used to finance a portion of our purchase price for the acquisition of Mactac, and the remainder of which we used for general corporate purposes and the 2017 Acquisitions. Refer to Note 5, "Financial Instruments," for more information.

Long-term debt, including its respective interest rates, at year-end are shown below.

(In millions)	2019	2018
Long-term debt		
Medium-term notes:		
Series 1995 due 2020 through 2025	$ 45.0	$ 45.0
Long-term notes:		
Senior notes due 2020 at 5.4%	250.0	249.7
Senior notes due 2023 at 3.4%	249.1	248.9
Senior notes due 2025 at 1.25%(1)	553.4	569.0
Senior notes due 2028 at 4.875%	493.9	493.3
Senior notes due 2033 at 6.0%	148.9	148.8
Other borrowings(2)	—	14.4
Less amount classified as current	(265.0)	(18.2)
Total long-term debt(3)	$ 1,475.3	$ 1,750.9

(1) These senior notes are euro-denominated.

(2) Other borrowings consisted of long-term bank borrowings by foreign subsidiaries.

(3) Includes unamortized debt issuance cost and debt discount of $5.6 million and $5.7 million, respectively, as of year-end 2019 and $6.8 million and $6.3 million, respectively, as of year-end 2018.

At year-end 2019 and 2018, our medium-term notes had maturities from 2020 through 2025 and accrued interest at a weighted average fixed rate of 7.5%.

We expect maturities of our long-term debt for each of the next five fiscal years and thereafter to be as follows:

Year	(In millions)
2020 (classified as current)	$ 265.0
2021	—
2022	—
2023	250.0
2024	—
2025 and thereafter	1,236.5

Refer to Note 7, “Commitments and Leases,” for information related to finance leases.

Other

The Revolver contains financial covenants requiring that we maintain specified ratios of total debt and interest expense in relation to certain measures of income. As of December 28, 2019 and December 29, 2018, we were in compliance with our financial covenants.

Our total interest costs in 2019, 2018, and 2017 were $81.1 million, $63.8 million, and $67.9 million, respectively, of which $5.3 million, $5.3 million, and $4.9 million, respectively, was capitalized as part of the cost of assets.

The estimated fair value of our long-term debt is primarily based on the credit spread above U.S. Treasury securities or euro government bond securities, as applicable, on notes with similar rates, credit ratings, and remaining maturities. The fair value of short-term borrowings, which includes 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 $2.05 billion at December 28, 2019 and $2 billion at December 29, 2018. 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. Refer to Note 1, “Summary of Significant Accounting Policies,” for more information.

NOTE 5. FINANCIAL INSTRUMENTS

As of December 28, 2019, the aggregate U.S. dollar equivalent notional value of our outstanding commodity contracts and foreign exchange contracts was $3.2 million and $1.19 billion, respectively.

We recognize derivative instruments as either assets or liabilities at fair value in the Consolidated Balance Sheets. We designate commodity forward contracts on forecasted purchases of commodities and foreign exchange contracts on forecasted transactions as cash flow hedges. We also enter into foreign exchange contracts to offset certain of our economic exposures arising from foreign exchange rate fluctuations.

The following table shows the fair value and balance sheet locations of cash flow hedges as of December 28, 2019 and December 29, 2018:

	Asset			Liability		
(In millions)	Balance Sheet Location	2019	2018	Balance Sheet Location	2019	2018
Foreign exchange contracts	Other current assets	$ .4	$ .5	Other current liabilities	$ .9	$ .8
Commodity contracts	Other current assets	—	.1	Other current liabilities	.4	—
		$ .4	$ .6		$ 1.3	$ .8

The following table shows the fair value and balance sheet locations of other derivatives as of December 28, 2019 and December 29, 2018:

	Asset			Liability		
(In millions)	Balance Sheet Location	2019	2018	Balance Sheet Location	2019	2018
Foreign exchange contracts	Other current assets	$ 4.8	$ 3.0	Other current liabilities	$ 4.7	$ 7.9

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 these derivatives, representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness, are recognized in current earnings.

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

(In millions)	2019	2018	2017
Foreign exchange contracts	$ 1.4	$ 1.0	$ (2.2)
Commodity contracts	(.8)	.4	(.6)
	$ .6	$ 1.4	$ (2.8)

Neither the amount recognized in income related to the ineffective portion of, nor the amount excluded from effectiveness testing for, cash flow hedges was material in 2019, 2018, or 2017.

As of December 28, 2019, we expected a net loss of approximately $.5 million to be reclassified from “Accumulated other comprehensive loss” to earnings within the next 12 months.

Other Derivatives

For other derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings.

The following table shows the components of the net gains (losses) recognized in income related to these derivative instruments:

(In millions)	Statements of Income Location	2019	2018	2017
Foreign exchange contracts	Cost of products sold	$ (1.5)	$ 4.5	$ (1.2)
Foreign exchange contracts	Marketing, general and administrative expense	3.5	(27.0)	(42.9)
		$ 2.0	$ (22.5)	$ (44.1)

Net Investment Hedge

In March 2017, we designated €500 million of our 1.25% senior notes due 2025 as a net investment hedge of our investment in foreign operations. In January 2018, we reduced the amount we designated as a net investment hedge to €255 million. In May 2019, we de-designated the remaining net investment hedge as a result of changes in our intercompany capital structure. Through the period preceding the de-designation, the net assets from our investment in foreign operations were greater than the amount designated as a net investment hedge, and, as such, the net investment hedge was effective.

Refer to Note 4, “Debt,” for more information.

Gains (losses), before tax, recognized in “Accumulated other comprehensive loss” (effective portion) related to the net investment hedge were as follows:

(In millions)	2019	2018	2017
Foreign currency denominated debt	$ 6.8	$ 1.3	$ (63.7)

We recorded no ineffectiveness from our net investment hedge to earnings during 2019, 2018 and 2017.

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 have been included in the disclosures below.

In July 2018, our Board of Directors (“Board”) approved the termination of the Avery Dennison Pension Plan (the “ADPP”), a U.S. defined benefit plan, effective as of September 28, 2018. In connection with the termination, we contributed $200 million to the ADPP in August 2018; settled approximately $152 million of ADPP liabilities during the fourth quarter of 2018 through lump-sum payments from existing plan assets to eligible participants who elected to receive them; and recorded approximately $85 million of non-cash charges associated with these settlements, partially offset by related tax benefits of approximately $19 million. During 2019, we settled approximately $749 million of ADPP liabilities by entering into an agreement to purchase annuities primarily from American General Life Insurance Company (“AGL"). This agreement covered approximately 8,300 active and former employees and their beneficiaries, with AGL assuming the future annuity payments for these individuals, commencing April 1, 2019. Additionally, we settled approximately $4 million of ADPP liabilities through a combination of annuities and direct funding to the Pension Benefit Guaranty Corporation for the remaining approximately 200 former employees and their beneficiaries. We contributed approximately $10 million of cash during fiscal 2019 to the ADPP to cover costs associated with the final settlement of these liabilities. These settlements resulted in approximately $444 million of pretax charges in 2019, partially offset by related tax benefits of approximately $179 million.

Plan Assets

Assets in our international plans are invested in accordance with locally accepted practices and primarily include equity securities, fixed income securities, insurance contracts and cash. Asset allocations and investments vary by country and plan. Our target plan asset investment allocation for our international plans in the aggregate is 32% in equity securities, 44% in fixed income securities and cash, and 24% in insurance contracts and other investments, subject to periodic fluctuations in these respective asset classes.

Fair Value Measurements

The valuation methodologies we use for assets measured at fair value are described below.

Cash is valued at nominal value. Cash equivalents and mutual funds are valued at fair value as determined by quoted market prices, based upon the net asset value ("NAV") of shares held at year-end. Fixed income treasury securities are valued at fair value as determined by quoted prices in active markets. The fixed income municipal and corporate bonds are valued at fair value based on quoted prices for similar instruments in active markets or other inputs that are observable or can be corroborated by observable market data. Pooled funds are structured as collective trusts, not publicly traded, and valued by calculating NAV per unit based on the NAV of the underlying funds/trusts as a practical expedient for the fair value of the pooled funds. Insurance contracts are valued at book value, which approximates fair value and is calculated using the prior year balance plus or minus investment returns and changes in cash flows.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while we believe these valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the fair value hierarchy (as applicable), international plan assets at fair value:

		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)**
2019				
Cash	$ 1.2	$ 1.2	$ —	$ —
Insurance contracts	36.3	—	—	36.3
Pooled funds – fixed income securities[1]	329.9			
Pooled funds – equity securities[1]	268.8			
Pooled funds – other investments[1]	98.2			
Total international plan assets at fair value	$ 734.4			
2018				
Cash	$ 4.1	$ 4.1	$ —	$ —
Insurance contracts	36.9	—	—	36.9
Pooled funds – fixed income securities[1]	300.4			
Pooled funds – equity securities[1]	185.0			
Pooled funds – other investments[1]	105.4			
Total international plan assets at fair value	$ 631.8			

[1] Pooled funds that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to reconcile to total international plan assets.

The following table presents a reconciliation of Level 3 international plan asset activity during the year ended December 28, 2019:

(In millions)	**Level 3 Assets Insurance Contracts**
Balance at December 29, 2018	$ 36.9
Net realized and unrealized gain	1.5
Purchases	5.6
Settlements	(7.0)
Impact of changes in foreign currency exchange rates	(.7)
Balance at December 28, 2019	$ 36.3

As a result of the ADPP settlements, there were no U.S. plan assets as of December 28, 2019. The following table sets forth, by level within the fair value hierarchy (as applicable), U.S. plan assets (all in the ADPP) at fair value as of December 29, 2018.

		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)
2018				
Cash and cash equivalents	$ 27.1	$ 27.1	$ —	$ —
Equity securities	.3	—	.3	—
Fixed income securities – government and municipal bonds	113.0	66.3	46.7	—
Fixed income securities – corporate bonds	592.8	—	592.8	—
Other	2.4	—	2.4	—
Total U.S. plan assets	$ 735.6			

Plan Assumptions

Discount Rate

In consultation with our actuaries, we annually review and determine the discount rates used to value our postretirement obligations. The assumed discount rate for each pension plan reflects market rates for high quality corporate bonds currently available. Our discount rate is determined by evaluating yield curves consisting of large populations of high quality corporate bonds. The projected pension benefit payment streams are then matched with bond portfolios to determine a rate that reflects the liability duration unique to our plans. As of December 29, 2018, the discount rate for the ADPP, after reflecting the plan's termination, was based on estimated insurer pricing.

We use the full yield curve approach to estimate the service and interest cost components of net periodic benefit cost for our pension and other postretirement benefit plans. Under this approach, we apply multiple discount rates from a yield curve composed of the rates of return on several hundred high-quality, fixed income corporate bonds available at the measurement date. We believe this approach provides a more precise measurement of service and interest cost by aligning the timing of a plans' liability cash flows to its corresponding rates on the yield curve.

Long-term Return on Assets

We determine the long-term rate of return assumption for plan assets by reviewing the historical and expected returns of both the equity and fixed income markets, taking into account our asset allocation, the correlation between returns in our asset classes, and the mix of active and passive investments. Additionally, current market conditions, including interest rates, are evaluated and market data is reviewed for reasonableness and appropriateness.

Measurement Date

We measure the actuarial value of our benefit obligations and plan assets using the calendar month-end closest to our fiscal year-end and adjust for any contributions or other significant events between the measurement date and our fiscal year-end.

Plan Balance Sheet Reconciliations

The following table provides a reconciliation of benefit obligations, plan assets, funded status of the plans and accumulated other comprehensive loss for our defined benefit plans:

Plan Benefit Obligations

	Pension Benefits			
	2019		2018	
(In millions)	U.S.	Int'l	U.S.	Int'l
Change in projected benefit obligations				
Projected benefit obligations at beginning of year	$ 868.5	$ 755.8	$ 1,082.1	$ 836.7
Service cost	—	15.6	—	19.2
Interest cost	9.0	14.8	34.5	15.7
Participant contribution	—	4.1	—	3.8
Amendments	—	1.8	—	—
Actuarial (gain) loss	(27.1)	56.8	(13.2)	(58.8)
Benefits paid	(20.7)	(21.3)	(61.8)	(22.3)
Settlements[(1)]	(754.0)	(4.5)	(173.1)	(9.5)
Foreign currency translation	—	(11.4)	—	(29.0)
Projected benefit obligations at end of year	$ 75.7	$ 811.7	$ 868.5	$ 755.8
Accumulated benefit obligations at end of year	$ 75.7	$ 754.0	$ 868.5	$ 696.7

[(1)] In 2019, settlements in the U.S. related to the ADPP termination. Settlements in our international plans related to lump-sum payments in Switzerland. In 2018, settlements in the U.S. related to lump-sum payments associated with the ADPP termination and two nonqualified benefit plans. Settlements in our international plans related to lump-sum payments in the UK and France.

Plan Assets

	Pension Benefits			
	2019		2018	
(In millions)	U.S.	Int'l	U.S.	Int'l
Change in plan assets				
Plan assets at beginning of year	$ 735.6	$ 631.8	$ 740.2	$ 683.7
Actual return on plan assets	20.7	118.5	(3.6)	(13.3)
Employer contributions(1)	18.4	13.6	233.9	14.7
Participant contributions	—	4.1	—	3.8
Benefits paid	(20.7)	(21.3)	(61.8)	(22.3)
Settlements(2)	(754.0)	(4.5)	(173.1)	(9.5)
Foreign currency translation	—	(7.8)	—	(25.3)
Plan assets at end of year	$ —	$ 734.4	$ 735.6	$ 631.8

(1) In 2019, an additional contribution of $10 million was made to the ADPP to cover the remaining liabilities associated with its termination. In August 2018, a contribution of $200 million had been made to the ADPP using commercial paper borrowings.
(2) In 2019, settlements in the U.S. related to the ADPP termination. Settlements in our international plans related to lump-sum payments in Switzerland. In 2018, settlements in the U.S. related to lump-sum payments associated with the ADPP and two nonqualified benefit plans. Settlements in our international plans related to lump-sum payments in the UK and France.

Funded Status

	Pension Benefits			
	2019		2018	
(In millions)	U.S.	Int'l	U.S.	Int'l
Funded status of the plans				
Other assets	$ —	$ 50.8	$ —	$ 12.6
Other accrued liabilities(1)	(7.5)	(2.4)	(65.1)	(2.0)
Long-term retirement benefits and other liabilities(2)	(68.2)	(125.7)	(67.8)	(134.6)
Plan assets less than benefit obligations	$ (75.7)	$ (77.3)	$ (132.9)	$ (124.0)

(1) In 2019, in connection with its termination, we settled ADPP's 2018 underfunded benefit obligation of approximately $57 million.
(2) In accordance with our funding strategy, we have the option to fund certain of these U.S. liabilities with proceeds from our corporate-owned life insurance policies.

	Pension Benefits			
	2019		2018	
	U.S.	Int'l	U.S.	Int'l
Weighted average assumptions used to determine year-end benefit obligations				
Discount rate	2.93 %	1.66 %	3.72 %	2.39 %
Compensation rate increase	—	2.21	—	2.23

For U.S. and international plans combined, the projected benefit obligations and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were $263 million and $59 million, respectively, at year-end 2019 and $1.47 billion and $1.20 billion, respectively, at year-end 2018.

For U.S. and international plans combined, the accumulated benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $237 million and $59 million, respectively, at year-end 2019 and $1.02 billion and $792 million, respectively, at year-end 2018.

Accumulated Other Comprehensive Loss

The following table sets forth the pre-tax amounts recognized in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets:

	Pension Benefits			
	2019		2018	
(In millions)	U.S.	Int'l	U.S.	Int'l
Net actuarial loss	$ 15.5	$ 101.9	$ 487.5	$ 149.3
Prior service (credit) cost	—	(4.3)	15.9	(6.7)
Net transition obligation	—	—	—	.1
Net amount recognized in accumulated other comprehensive loss	$ 15.5	$ 97.6	$ 503.4	$ 142.7

The following table sets forth the pre-tax amounts recognized in "Other comprehensive loss (income)":

	Pension Benefits					
	2019		2018		2017	
(In millions)	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
Net actuarial (gain) loss	$ (44.6)	$ (42.7)	$ 33.5	$ (27.2)	$ 21.8	$ (17.2)
Prior service credit	—	1.8	—	—	—	(2.1)
Amortization of unrecognized:						
Net actuarial gain	(.5)	(4.0)	(21.2)	(8.1)	(18.7)	(10.8)
Prior service credit (cost)	—	.4	(.8)	.5	(.9)	.4
Settlements	(442.8)	(.6)	(92.0)	(1.7)	—	—
Net amount recognized in other comprehensive (income) loss	$ (487.9)	$ (45.1)	$ (80.5)	$ (36.5)	$ 2.2	$ (29.7)

Plan Income Statement Reconciliations

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

	Pension Benefits					
	2019		2018		2017	
(In millions)	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
Service cost	$ —	$ 15.6	$ —	$ 19.2	$ .5	$ 18.2
Interest cost	2.7	14.8	34.5	15.7	35.3	14.3
Actuarial loss (gain)	2.5	—	(.6)	—	1.7	—
Expected return on plan assets	—	(21.0)	(42.5)	(23.8)	(40.5)	(21.1)
Amortization of actuarial loss	.5	4.0	21.2	8.1	18.7	10.8
Amortization of prior service (credit) cost	—	(.4)	.8	(.5)	.9	(.4)
Recognized loss on settlements(1)	443.5	.6	92.0	1.7	—	—
Net periodic benefit cost (credit)	$ 449.2	$ 13.6	$ 105.4	$ 20.4	$ 16.6	$ 21.8

(1) In 2019, settlements in the U.S. related to the ADPP termination. Settlements in our international plans related to lump-sum payments in Switzerland. In 2018, settlements in the U.S. related to lump-sum payments associated with the ADPP and two nonqualified benefit plans. Settlements in our international plans related to lump-sum payments in the UK and France.

Service cost and components of net periodic benefit cost other than service cost were included in "Marketing, general and administrative expense" and "Other non-operating expense" in the Consolidated Statements of Income, respectively.

The following table sets forth the weighted average assumptions used to determine net periodic cost:

	Pension Benefits					
	2019		2018		2017	
	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
Discount rate	3.73 %	2.39 %	3.72 %	2.25 %	4.18 %	2.12 %
Expected return on assets	—	3.38	7.00	3.78	7.00	3.77
Compensation rate increase	—	2.23	—	2.26	—	2.24

Plan Contributions

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. The following table sets forth our expected contributions in 2020:

(In millions)	
U.S. pension plans	$ 7.6
International pension plans	13.2

Future Benefit Payments

The future benefit payments shown below reflect expected service periods for eligible participants.

	Pension Benefits	
(In millions)	U.S.	Int'l
2020	$ 7.6	$ 20.2
2021	8.0	22.0
2022	6.6	23.1
2023	6.4	22.6
2024	6.4	22.7
2025-2029	26.0	141.6

Postretirement Health Benefits

We provide postretirement health benefits to certain of our retired U.S. employees up to the age of 65 under a cost-sharing arrangement and provide supplemental Medicare benefits to certain of our U.S. retirees over the age of 65. Our policy is to fund the cost of these postretirement benefits from operating cash flows. While we have not expressed any intent to terminate these postretirement health benefits, we may do so at any time, subject to applicable laws and regulations. At year-end 2019, our postretirement health benefits obligation and related loss recorded in "Accumulated other comprehensive loss" were approximately $3 million and approximately $8 million, respectively. At year-end 2018, our postretirement health benefits obligation and related loss recorded in "Accumulated other comprehensive loss" were approximately $4 million and approximately $6 million, respectively. Net periodic benefit cost was not material in 2019, 2018, or 2017.

Defined Contribution Plans

We sponsor various defined contribution plans worldwide, the largest of which is the Avery Dennison Corporation Employee Savings Plan ("Savings Plan"), a 401(k) plan for our U.S. employees.

We recognized expense of $22.4 million, $21.8 million, and $20.2 million in 2019, 2018, and 2017, respectively, related to our employer contributions and employer match of participant contributions to the Savings Plan.

Other Retirement Plans

We have deferred compensation plans that permit eligible employees and directors to defer a portion of their compensation. The compensation voluntarily deferred by the participant, together with certain employer contributions, earns specified and variable rates of return. As of year-end 2019 and 2018, we had accrued $91.6 million and $84.3 million, respectively, for our obligations under these plans. A portion of the interest on certain of our contributions may be forfeited by participants if their employment terminates before age 55 other than by reason of death or disability.

Our Directors Deferred Equity Compensation Program allows our non-employee directors to elect to receive their cash compensation in deferred stock units ("DSUs") issued under our equity plan. Additionally, two legacy deferred compensation plans had DSUs that were issued under our then-active equity plans. Dividend equivalents, representing the value of dividends per share paid on shares of our common stock and calculated with reference to the number of DSUs held as of a quarterly dividend record date, are credited in the form of additional DSUs on the applicable payable date. DSUs are converted into shares of our common stock upon a director's resignation or retirement. Approximately .2 million DSUs were outstanding as of year-end 2019 and 2018, respectively, with an aggregate value of $25 million and $17 million, respectively.

We hold corporate-owned life insurance policies, the proceeds from which are payable to us upon the death of covered participants. The cash surrender values of these policies, net of outstanding loans, which are included in "Other assets" in the Consolidated Balance Sheets, were $236.9 million and $227.4 million at year-end 2019 and 2018, respectively.

NOTE 7. COMMITMENTS AND LEASES

Supplemental cost information related to leases is shown below.

(In millions)	2019
Operating lease cost	$ 65.4

Lease costs related to finance leases were immaterial in 2019.

Supplemental balance sheet information related to leases is shown below.

(In millions)	Balance Sheet Location	2019
Assets		
Operating	Other assets	$ 138.1
Finance[1]	Property, plant and equipment, net	36.1
Total leased assets		$ 174.2
Liabilities		
Current:		
Operating	Other current liabilities	$ 41.4
Finance	Short-term borrowings and current portion of long-term debt and finance leases	4.5
Non-current:		
Operating	Long-term retirement benefits and other liabilities	98.9
Finance	Long-term debt and finance leases	24.0
Total lease liabilities		$ 168.8

[1] Finance lease assets are net of accumulated amortization of $5.7 million as of December 28, 2019.

Supplemental cash flow information related to leases is shown below.

(In millions)	2019
Cash paid for amounts included in the measurement of operating lease liabilities	$ 53.1
Operating lease assets obtained in exchange for operating lease liabilities	32.6

Cash flows related to finance leases were immaterial in 2019.

Weighted average remaining lease term and discount rate information related to leases is shown below.

	2019
Weighted average remaining lease term (in years):	
Operating	5.5
Finance	4.1
Weighted average discount rate (percentage):	
Operating	4.9 %
Finance	3.1

Operating and finance lease liabilities by maturity date from December 28, 2019 are shown below.

(In millions)	Operating Leases	Finance Leases
2020	$ 46.0	$ 5.7
2021	35.2	12.5
2022	22.4	4.5
2023	15.2	4.1
2024	11.1	3.9
2025 and thereafter	29.8	.9
Total lease payments	159.7	31.6
Less: imputed interest	(19.4)	(3.1)
Present value of lease liabilities	$ 140.3	$ 28.5

As of December 28, 2019, we had no significant operating or finance leases that had not yet commenced.

Rent expense for operating leases was approximately $66 million in 2018 and $64 million in 2017.

NOTE 8. 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. When it is probable that a loss will be incurred and where a range of the loss can be reasonably estimated, the best estimate within the range is accrued. When the best estimate within the range cannot be determined, the low end of the range is accrued. The ultimate resolution of these claims could affect future results of operations should our exposure be materially different from our estimates or should liabilities be incurred that were not previously accrued. Potential insurance reimbursements are not offset against potential liabilities.

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 Expenditures

Environmental expenditures are generally expensed. However, environmental expenditures for newly acquired assets and those that extend or improve the economic useful life of existing assets are capitalized and amortized over the shorter of the estimated useful life of the acquired asset or the remaining life of the existing asset. We review our estimates of the costs of complying with environmental laws related to remediation and cleanup of various sites, including sites in which governmental agencies have designated us as a potentially responsible party (“PRP”). When it is probable that a loss will be incurred and where a range of the loss can be reasonably estimated, the best estimate within the range is accrued. When the best estimate within the range cannot be determined, the low end of the range is accrued. Potential insurance reimbursements are not offset against potential liabilities.

As of December 28, 2019, we have been designated by the U.S. Environmental Protection Agency (“EPA”) and/or other responsible state agencies as a PRP at eleven waste disposal or waste recycling sites that are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination. No settlement of our liability related to any of these sites has been agreed upon. We are participating with other PRPs at these sites and anticipate that our share of remediation costs will be determined pursuant to agreements that we negotiate with the EPA or other governmental authorities.

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, our 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 related to our environmental liabilities in 2019 and 2018 were as follows:

(In millions)	**2019**	**2018**
Balance at beginning of year	$ 20.0	$ 21.1
Charges, net of reversals	7.4	3.9
Payments	(6.0)	(5.0)
Balance at end of year	$ 21.4	$ 20.0

Approximately $10 million and $5 million, respectively, of the balance was classified as short-term and included in “Other current liabilities” in the Consolidated Balance Sheets as of December 28, 2019 and December 29, 2018

NOTE 9. 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 December 28, 2019:

(In millions)	Total	Fair Value Measurements Using: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Trading securities	$ 30.6	$ 26.0	$ 4.6	$ —
Derivative assets	5.2	—	5.2	—
Bank drafts	21.3	21.3	—	—
Liabilities				
Derivative liabilities	$ 6.0	$ .4	$ 5.6	$ —

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of December 29, 2018:

(In millions)	Total	Fair Value Measurements Using: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Trading securities	$ 26.3	$ 21.5	$ 4.8	$ —
Derivative assets	3.6	.1	3.5	—
Bank drafts	23.0	23.0	—	—
Liabilities				
Derivative liabilities	$ 8.7	$ —	$ 8.7	$ —
Contingent consideration liabilities	1.6	—	—	1.6

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 NAV. As of December 28, 2019, trading securities of $.4 million and $30.2 million were included in “Cash and cash equivalents” and “Other current assets,” respectively, in the Consolidated Balance Sheets. As of December 29, 2018, trading securities of $.2 million and $26.1 million were included in “Cash and cash equivalents” and “Other current assets,” respectively, in the 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. Bank drafts (maturities greater than three months) are valued at face value due to their short-term nature and were included in “Other current assets” in the Consolidated Balance Sheets. Contingent consideration liability in 2018, which was included in “Other current liabilities” in the Consolidated Balance Sheets, related to an estimated earn-out payment associated with an acquisition we completed in 2017 and was classified as Level 3. This liability was based on the acquired company’s achievement of the designated performance target in 2018 under the terms of the purchase agreement and paid in the first quarter of 2019.

Non-Recurring Fair Value Measurements

During the year ended December 29, 2018, long-lived assets with carrying amounts totaling $18.1 million were written down to their fair value of $10.6 million, resulting in an impairment charge of $7.5 million, which was included in “Other expense, net” in the Consolidated Statements of Income. The fair value was based on the estimated sale price of the assets, less estimated broker fees, which is primarily a Level 3 input.

NOTE 10. NET INCOME PER COMMON SHARE

Net income per common share was computed as follows:

(In millions, except per share amounts)	2019	2018	2017
(A) Net income	$ 303.6	$ 467.4	$ 281.8
(B) Weighted average number of common shares outstanding	84.0	87.3	88.3
Dilutive shares (additional common shares issuable under stock-based awards)	1.0	1.3	1.8
(C) Weighted average number of common shares outstanding, assuming dilution	85.0	88.6	90.1
Net income per common share: (A) ÷ (B)	$ 3.61	$ 5.35	$ 3.19
Net income per common share, assuming dilution (A) ÷ (C)	$ 3.57	$ 5.28	$ 3.13

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 were not significant in 2019, 2018 or 2017.

NOTE 11. SUPPLEMENTAL EQUITY AND COMPREHENSIVE INCOME INFORMATION

Common Stock and Share Repurchase Program

Our Amended and Restated Certificate of Incorporation authorizes five million shares of $1 par value preferred stock (of which no shares are outstanding), with respect to which our Board may fix the series and terms of issuance, and 400 million shares of $1 par value voting common stock.

From time to time, our Board authorizes the repurchase of shares of our outstanding common stock. Repurchased shares may be reissued under our long-term incentive plan or used for other corporate purposes. In 2019, we repurchased approximately 2 million shares of our common stock at an aggregate cost of $237.7 million. In 2018, we repurchased approximately 4 million shares of our common stock at an aggregate cost of $392.9 million.

In April 2019, our Board authorized the repurchase of shares of our common stock with a fair market value of up to $650 million, exclusive of any fees, commissions or other expenses related to such purchases, in addition to the amount then outstanding under our previous Board authorization. Board authorizations remain in effect until shares in the amount authorized thereunder have been repurchased. Shares of our common stock in the aggregate amount of $644.7 million as of December 28, 2019 remained authorized for repurchase under this Board authorization.

Treasury Shares Reissuance

We fund a portion of our employee-related expenses using shares of our common stock held in treasury. We record net gains or losses associated with our use of treasury shares to retained earnings.

Accumulated Other Comprehensive Loss

The changes in "Accumulated other comprehensive loss" (net of tax) for 2019 and 2018 were as follows:

(In millions)	Foreign Currency Translation	Pension and Other Postretirement Benefits	Cash Flow Hedges	Total
Balance as of December 30, 2017	$ (156.2)	$ (524.0)	$ (.3)	$ (680.5)
Other comprehensive (loss) income before reclassifications, net of tax	(91.2)	(4.1)	1.1	(94.2)
Reclassifications to net income, net of tax	—	93.8	(1.1)	92.7
Net current-period other comprehensive (loss) income, net of tax	(91.2)	89.7	—	(1.5)
Balance as of December 29, 2018	$ (247.4)	$ (434.3)	$ (.3)	$ (682.0)
Other comprehensive income before reclassifications, net of tax	2.3	66.4	.5	69.2
Reclassifications to net income, net of tax	—	266.1	(1.4)	264.7
Net current-period other comprehensive income (loss), net of tax	2.3	332.5	(.9)	333.9
Balance as of December 28, 2019	$ (245.1)	$ (101.8)	$ (1.2)	$ (348.1)

The amounts reclassified from “Accumulated other comprehensive loss” to increase (decrease) net income were as follows:

(In millions)	2019	2018	2017	Statements of Income Location
Cash flow hedges:				
Foreign exchange contracts	$ 2.1	$ 1.3	$ .2	Cost of products sold
Commodity contracts	(.2)	.1	.2	Cost of products sold
Interest rate contracts	—	—	(1.8)	Interest expense
Total before tax	1.9	1.4	(1.4)	
Tax	(.5)	(.3)	.5	(Benefit from) provision for income taxes
Net of tax	1.4	1.1	(.9)	
Pension and other postretirement benefits	(445.4)	(121.4)	(28.2)	Other non-operating expense, net
Tax	179.3	27.6	8.9	(Benefit from) provision for income taxes
Net of tax	(266.1)	(93.8)	(19.3)	
Total reclassifications for the period	$ (264.7)	$ (92.7)	$ (20.2)	

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

(In millions)	2019	2018	2017
Foreign currency translation:			
Translation gain (loss)	$ (5.5)	$ (9.1)	$ (25.1)
Pension and other postretirement benefits:			
Net gain (loss) recognized from actuarial gain/loss and prior service cost/credit	19.4	(2.4)	.5
Reclassifications to net income	179.3	27.6	8.9
Cash flow hedges:			
Gains (losses) recognized on cash flow hedges	.2	.3	(.6)
Reclassifications to net income	(.5)	(.3)	.5
Income tax expense (benefit) allocated to components of other comprehensive income (loss)	$ 192.9	$ 16.1	$ (15.8)

NOTE 12. LONG-TERM INCENTIVE COMPENSATION

Stock-Based Awards

Stock-Based Compensation

We grant our annual stock-based compensation awards to eligible employees in February and non-employee directors in May. Certain awards granted to retirement-eligible employees vest in full upon retirement; awards to these employees are accounted for as fully vested on the date of grant.

In April 2017, our shareholders approved our 2017 Incentive Award Plan (the “Equity Plan”) to replace our Amended and Restated Stock Option and Incentive Plan. The Equity Plan, a long-term incentive plan for eligible employees and non-employee directors, allows us to grant stock-based compensation awards – including stock options, RSUs, PUs, MSUs and DSUs – or a combination of these and other awards. Under the Equity Plan, 5.4 million shares are available for issuance, and each full value award is counted as 1.5 shares for purposes of the number of shares authorized for issuance. Full value awards include RSUs, PUs, and MSUs.

Stock-based compensation expense and the related recognized tax benefit were as follows:

(In millions)	2019	2018	2017
Stock-based compensation expense	$ 34.5	$ 34.3	$ 30.2
Tax benefit	4.3	4.7	4.3

This expense was included in “Marketing, general and administrative expense” in the Consolidated Statements of Income.

As of December 28, 2019, we had approximately $42 million of unrecognized compensation expense related to unvested stock-based awards, which is expected to be recognized over the remaining weighted average requisite service period of approximately two years.

Stock Options

Stock options granted to employees and non-employee directors may be granted at no less than 100% of the fair market value of our common stock on the date of the grant and generally vest ratably over a four-year period. Options expire ten years from the date of grant.

The fair value of stock options is estimated as of the date of grant using the Black-Scholes option-pricing model. This model requires input assumptions for our expected dividend yield, expected stock price volatility, risk-free interest rate and the expected option term.

The following assumptions are used in estimating the fair value of granted stock options:

Risk-free interest rate is based on the 52-week average of the Treasury-Bond rate that has a term corresponding to the expected option term.

Expected stock price volatility represents an average of the implied and historical volatility.

Expected dividend yield is based on the current annual dividend divided by the 12-month average of our monthly stock price prior to grant.

Expected option term is determined based on historical experience under our long-term incentive plans.

No stock options were granted in fiscal years 2019, 2018 or 2017.

The following table summarizes information related to stock options:

	Number of options (in thousands)	Weighted average exercise price	Weighted average remaining contractual life (in years)	Aggregate intrinsic value (in millions)
Outstanding at December 29, 2018	511.6	$ 45.06	4.00	$ 22.4
Exercised	(305.4)	33.56		
Outstanding at December 28, 2019	206.2	$ 62.10	4.92	$ 14.3
Options vested and expected to vest at December 28, 2019	204.3	61.99	4.91	14.2
Options exercisable at December 28, 2019	135.7	$ 55.93	4.14	$ 10.3

The total intrinsic value of stock options exercised was $23.5 million in 2019, $2.7 million in 2018, and $26.8 million in 2017. We received approximately $10 million in 2019, $1 million in 2018, and $22 million in 2017 from the exercise of stock options. The tax benefit associated with these exercised options was $5.7 million in 2019, $.6 million in 2018, and $10.1 million in 2017. The intrinsic value of a stock option is based on the amount by which the market value of our stock exceeds the exercise price of the option.

Performance Units ("PUs")

PUs are performance-based awards granted to eligible employees under our equity plans. PUs are payable in shares of our common stock at the end of a three-or four-year cliff vesting period provided that certain performance objectives are achieved at the end of the period. Over the performance period, the estimated number of shares of our common stock issuable upon vesting is adjusted upward or downward based upon the probability of the achievement of the performance objectives established for the award. The actual number of shares issued can range from 0% to 200% of the target shares at the time of grant. The weighted average grant date fair value for PUs was $104.43, $120.25, and $82.15 in 2019, 2018, and 2017, respectively.

The following table summarizes information related to awarded PUs:

	Number of PUs (in thousands)	Weighted average grant-date fair value
Unvested at December 29, 2018	452.8	$ 86.20
Granted at target	182.6	104.43
Adjustment for above-target performance(1)	182.4	68.61
Vested	(374.2)	68.42
Forfeited/cancelled	(16.1)	97.58
Unvested at December 28, 2019	427.5	$ 101.61

(1) Reflects adjustments for the vesting of awards based on above-target performance for the 2016-2018 performance period.

The fair value of vested PUs was $25.6 million in 2019, $11.9 million in 2018, and $11.2 million in 2017.

Market-Leveraged Stock Units ("MSUs")

MSUs are performance-based awards granted to eligible employees under our equity plans. MSUs are payable in shares of our common stock over a four-year period provided that the performance objective is achieved as of the end of each vesting period. MSUs accrue dividend equivalents during the vesting period, which are earned and paid only at vesting provided that, at a minimum, threshold performance is achieved. The number of shares earned is based upon our absolute total shareholder return at each vesting date and can range from 0% to 200% of the target amount of MSUs subject to vesting. Each of the four vesting periods represents one tranche of MSUs and the fair value of each of these four tranches was determined using the Monte-Carlo simulation model, which utilizes multiple input variables, including expected stock price volatility and other assumptions, to estimate the probability of achieving the performance objective established for the award. The weighted average grant date fair value for MSUs was $135.85, $117.75, and $91.40 in 2019, 2018, and 2017, respectively.

The following table summarizes information related to awarded MSUs:

	Number of MSUs (in thousands)	Weighted average grant-date fair value
Unvested at December 29, 2018	303.6	$ 90.33
Granted at target	104.6	135.85
Adjustments for above-target performance [1]	83.4	70.38
Vested	(216.2)	73.60
Forfeited/cancelled	(12.0)	114.11
Unvested at December 28, 2019	263.4	$ 115.71

[1] Reflects adjustments for the vesting of awards based on above-target performance for each of the tranches of awards vesting in 2019.

The fair value of vested MSUs was $15.9 million in 2019, $24.0 million in 2018, and $19.3 million in 2017.

Restricted Stock Units ("RSUs")

RSUs are service-based awards granted to eligible employees and non-employee directors under our equity plans. RSUs granted to employees generally vest ratably over a period of four years. Prior to 2017, RSUs granted to non-employee directors generally vested ratably over a period of three years. Beginning in 2017, RSUs granted to non-employee directors generally vest over a period of one year. The vesting of RSUs is subject to continued service through the applicable vesting date. If that condition is not met, unvested RSUs are generally forfeited. The weighted average grant date fair value for RSUs was $107.18, $106.44, and $82.77 in 2019, 2018, and 2017, respectively.

The following table summarizes information related to awarded RSUs:

	Number of RSUs (in thousands)	Weighted average grant-date fair value
Unvested at December 29, 2018	88.7	$ 83.72
Granted	30.3	107.18
Vested	(53.9)	81.71
Forfeited/cancelled	(5.4)	82.51
Unvested at December 28, 2019	59.7	$ 97.56

The fair value of vested RSUs was $4.4 million, $5.1 million, and $2.7 million in 2019, 2018, and 2017, respectively.

Cash-Based Awards

Long-Term Incentive Units ("LTI Units")

LTI Units are cash-based awards granted to eligible employees under our long-term incentive unit plan. LTI Units are service-based awards that generally vest ratably over a four-year period. The settlement value equals the number of vested LTI Units multiplied by the average of the high and low market prices of our common stock on the vesting date. The compensation expense related to these awards is amortized on a straight-line basis and the fair value is remeasured using the estimated percentage of units expected to be earned multiplied by the average of the high and low market prices of our common stock at each quarter-end.

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

The compensation expense related to LTI Units was $19.1 million in 2019, $12.4 million in 2018, and $36.6 million in 2017. This expense was included in "Marketing, general and administrative expense" in the Consolidated Statements of Income. The total recognized tax benefit related to LTI Units was $4.4 million in 2019, $2.9 million in 2018, and $8.3 million in 2017.

NOTE 13. COST REDUCTION ACTIONS

Restructuring Charges

We have plans that provide eligible employees with severance in the event of an involuntary termination. We calculate severance using the applicable benefit formulas under the respective plans. We record restructuring charges from qualifying cost reduction actions for severance and other exit costs (including asset impairment charges and lease and other contract cancellation costs) when they are probable and estimable.

2019/2020 Actions

During fiscal year 2019, we recorded $25.2 million in restructuring charges related to our 2019/2020 actions. These charges consisted of severance and related costs for the reduction of approximately 370 positions, as well as asset impairment charges.

2018/2019 Actions

In April 2018, we approved a restructuring plan (the "2018 Plan") to consolidate the European footprint of our Label and Graphic Materials ("LGM") reportable segment, which reduced headcount by approximately 390 positions, including temporary labor, from the closure of a manufacturing facility. This reduction was partially offset by headcount additions in other locations, resulting in a net reduction of approximately 150 positions. During fiscal year 2019, we recorded a net $2.3 million in restructuring reversals related to the 2018 Plan. During fiscal year 2018, we recorded $55.2 million in restructuring charges, net of reversals. The cumulative charges associated with the 2018 Plan consisted of severance and related costs for the headcount reduction, as well as asset impairment charges. The activities related to the 2018 Plan were substantially completed as of the end of the second quarter of 2019.

In addition to restructuring charges recorded under the 2018 Plan, we recorded $28.2 million in restructuring charges during fiscal year 2019 related to other 2018/2019 actions. These charges consisted of severance and related costs for the reduction of approximately 490 positions, as well as asset impairment charges. In the fourth quarter 2018, we recorded $4.2 million in restructuring charges relating to these other 2018/2019 actions. These charges consisted of severance and related costs for the reduction of approximately 85 positions, as well as impairment charges.

2015/2016 Actions

During fiscal year 2018, we recorded $14.3 million in restructuring charges, net of reversals, related to our 2015/2016 actions. These charges consisted of severance and related costs for the reduction of approximately 625 positions, lease cancellation costs, and asset impairment charges. The activities and related charges and payments related to the 2015/2016 actions were substantially completed in 2018.

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

During 2019, restructuring charges and payments were as follows:

(In millions)	Accrual at December 29, 2018	Charges, Net of Reversals	Cash Payments	Non-cash Impairment	Foreign Currency Translation	Accrual at December 28, 2019
2019/2020 Actions						
Severance and related costs	$ —	$ 21.9	$ —	$ —	$ —	$ 21.9
Asset impairment charges	—	3.3	—	(3.3)	—	—
2018/2019 Actions						
Severance and related costs	40.7	24.0	(57.1)	—	(1.1)	6.5
Lease cancellation costs	—	.3	—	—	—	.3
Asset impairment charges	—	1.6	—	(1.6)	—	—
Total	$ 40.7	$ 51.1	$ (57.1)	$ (4.9)	$ (1.1)	$ 28.7

During 2018, restructuring charges and payments were as follows:

(In millions)	Accrual at December 30, 2017	Charges, Net of Reversals	Cash Payments	Non-cash Impairment	Foreign Currency Translation	Accrual at December 29, 2018
2018/2019 Actions						
Severance and related costs	$ —	$ 51.8	$ (9.8)	$ —	$ (1.3)	$ 40.7
Asset impairment charges	—	7.6	—	(7.6)	—	—
Total	$ —	$ 59.4	$ (9.8)	$ (7.6)	$ (1.3)	$ 40.7

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

(In millions)	2019	2018	2017
Restructuring charges by reportable segment and Corporate			
Label and Graphic Materials	$ 29.0	$ 57.8	$ 14.8
Retail Branding and Information Solutions	9.8	11.9	18.4
Industrial and Healthcare Materials	9.4	4.0	.2
Corporate	2.2	—	—
Total	$ 50.4	$ 73.7	$ 33.4

NOTE 14. TAXES BASED ON INCOME

Taxes based on income were as follows:

(In millions)	2019	2018	2017
Current:			
U.S. federal tax	$ 11.0	$ (19.7)	$ 47.0
State taxes	.5	.8	.2
International taxes	148.1	134.3	111.0
	159.6	115.4	158.2
Deferred:			
U.S. federal tax	(168.0)	(6.3)	134.8
State taxes	(8.9)	2.3	(3.7)
International taxes	(39.4)	(26.0)	18.4
	(216.3)	(30.0)	149.5
(Benefit from) provision for income taxes	$ (56.7)	$ 85.4	$ 307.7

The principal items accounting for the difference between taxes computed at the U.S. federal statutory rate and taxes recorded were as follows:

(In millions)	2019	2018	2017
Computed tax provision at U.S. federal statutory rate(1)	$ 52.4	$ 116.5	$ 206.7
Increase (decrease) in taxes resulting from:			
State taxes, net of federal tax benefit(1)	(12.8)	3.9	(3.2)
U.S. pension plan settlements and related charges(1)	(76.6)	—	—
Tax Cuts and Jobs Act(2)	—	(34.7)	172.0
Foreign earnings taxed at different rates(3)	56.2	44.0	(40.2)
Foreign tax structuring and planning transactions(4)	(47.9)	(31.0)	—
Excess tax benefits associated with stock-based payments	(7.8)	(7.7)	(16.0)
Valuation allowance	2.0	10.7	(1.4)
Corporate-owned life insurance	(4.0)	(3.8)	(6.7)
U.S. federal research and development tax credits	(6.1)	(6.1)	(4.9)
Tax contingencies and audit settlements	(11.8)	(11.9)	(1.9)
Other items, net	(.3)	5.5	3.3
(Benefit from) provision for income taxes	$ (56.7)	$ 85.4	$ 307.7

(1) Included in 2019 and 2018 are tax effects of the pension plan settlement charges associated with the termination of the ADPP. The tax benefits of $102 million and $19 million on the pretax charges were reflected in computed tax provision at U.S. federal statutory rate and state taxes, net of federal tax benefit for fiscal years 2019 and 2018, respectively. In 2019, the tax benefit of $77 million related to the release of stranded tax effects in AOCI through the income statement was reflected in U.S. pension plan settlements and related charges.

(2) During 2018 and 2017, we recognized a net tax benefit of $34.7 million and a net tax charge of $172 million, respectively, as a result of the TCJA. These amounts included our TCJA provisional amount and subsequent adjustments, including items that would otherwise be separately disclosed as state taxes, net of federal tax benefit, tax effects of foreign earnings taxed at different rates, tax contingencies and audit settlements, and other items, net. We finalized our TCJA provisional amount as defined under SEC Staff Accounting Bulletin No. 118 in 2018.

(3) Included in 2019 and 2018 are certain U.S. international tax provisions imposed by the TCJA; all years included foreign earnings taxed in the U.S., net of credits.

(4) In 2019, we recognized a net tax benefit of $47.9 million related to a foreign structuring transaction. This net benefit resulted from the elimination of recapture conditions to which our previously recognized net operating losses were subject. By eliminating these conditions, our losses became permanent, and the offsetting deferred tax liability related to future recapture was released. In 2018, we recognized a net tax benefit of $31 million related to a foreign planning transaction. This net benefit resulted from the recognition of a deferred tax asset in a higher tax rate jurisdiction, partially offset by a taxable gain recognized in a lower effective tax rate jurisdiction.

Income before taxes from our U.S. and international operations was as follows:

(In millions)	2019	2018	2017
U.S.	$ (355.4)	$ (7.3)	$ 49.0
International	604.9	562.1	540.5
Income before taxes	$ 249.5	$ 554.8	$ 589.5

Our effective tax rate was (22.7)%, 15.4%, and 52.2% for fiscal years 2019, 2018, and 2017, respectively.

Our 2019 provision for income taxes included $179 million of tax benefit related to the effective settlement of the ADPP, $102 million of which was the related tax effect on the pretax charge of $444 million and $77 million of which was related to the release of stranded tax effects in AOCI through the income statement. The tax effects were stranded primarily as a result of the U.S. federal tax rate change under the TCJA. Refer to Note 1, "Summary of Significant Accounting Policies," and Note 6, "Pension and Other Postretirement Benefits," for more information. Our 2019 provision for income taxes also included (i) $47.9 million of tax benefit from a foreign tax structuring transaction resulting in previously recognized tax losses becoming permanent; (ii) $24.7 million of net tax charge related to the tax on global intangible low-taxed income ("GILTI") of our foreign subsidiaries and the recognition of foreign withholding taxes on current year earnings, partially offset by the benefit from foreign-derived intangible income ("FDII"); (iii) $11.8 million of net tax benefit from the effective settlement of certain German tax audits and decreases in reserves as a result of closing tax years, partially offset by additional interest and penalty accruals, and increases in reserves from our change in judgment; (iv) $7.8 million of tax benefit related to excess tax benefits associated with stock-based payments; and (v) $2 million of net tax benefit from an intellectual property tax incentive in a foreign jurisdiction having met the eligibility requirements. Effective in 2019, we implemented certain operational structure changes to more closely align with our business strategies, one benefit of which was to reduce our base erosion payments below the statutory threshold. As a result, our 2019 provision for income taxes did not include tax charges related to Base Erosion Antiabuse Tax ("BEAT").

Our 2018 provision for income taxes included (i) $34.7 million of tax benefit for measurement period adjustments to our 2017 TCJA provisional amount in accordance with guidance provided under SEC Staff Accounting Bulletin No. 118 ("SAB 118"); (ii) $31 million of net tax charge for GILTI and BEAT, and the recognition of foreign withholding taxes on current year earnings, partially offset by the benefit from FDII; (iii) $11.9 million of net tax benefit from the effective settlement of our German tax audit and decreases in reserves as a result of closing tax years, partially offset by additional interest and penalty accruals, and increases in reserves from our change in judgment; and (iv) $31 million of net tax benefit primarily due to the recognition of a deferred tax asset in a higher tax rate jurisdiction, partially offset by a taxable gain recognized in a lower effective tax rate jurisdiction. Our 2018 provision for income taxes was not significantly impacted by the $10.7 million increase in valuation allowance primarily due to offsetting changes in deferred taxes and uncertain tax positions.

Our 2017 provision for income taxes included (i) $172 million of net tax charge for our 2017 TCJA provisional amount; (ii) $5.1 million of tax benefit from the release of valuation allowance on certain state deferred tax assets; (iii) $16 million of tax benefit related to excess tax benefits associated with stock-based payments; and (iv) $1.9 million of net tax benefit from effective settlements and decreases in reserves as a result of closing tax years, partially offset by additional interest and penalty accruals, and increases in reserves from our change in judgment.

U.S. Tax Reform

The TCJA enacted in the U.S. in December 2017 significantly changed U.S. corporate income taxation by, among other things, reducing the federal corporate income tax rates to 21%; implementing a modified territorial tax system prospectively by providing a dividend received deduction on certain dividends from our foreign subsidiaries, loss of domestic manufacturing deductions, and limitations on the deductibility of our executive compensation; and interest expense, and imposing a one-time transition tax through a deemed repatriation of accumulated untaxed earnings and profits of foreign subsidiaries.

In 2017, we included a provisional amount of $172 million as the estimated impact of the TCJA in our results for the fourth quarter and full year 2017. This provisional amount included (i) $147 million of tax charge related to the estimated transition tax; (ii) $49.2 million of tax charge resulting from the estimated remeasurement of net U.S. deferred tax assets at the lower corporate income tax rate; (iii) $9.3 million of tax charge related to potential uncertainties of our accumulated tax attributes that were used in our estimated transition tax calculation; (iv) $5.3 million of tax charge from the estimated reduction of previously recognized U.S. deferred tax assets that we no longer anticipated to benefit from due to changes in the future deductibility of executive compensation; and (v) $38.8 million of net tax benefit, primarily from the reversal of the deferred tax liability that we previously recorded for future tax costs associated with repatriations of certain foreign earnings and profits that we considered not to be indefinitely reinvested.

As of December 29, 2018, we completed our accounting for the income tax effects of the TCJA following the guidance of SAB 118. Specifically, we included $34.7 million of net tax benefit as measurement period adjustments primarily related to (i) $9.5 million of tax charge as an adjustment to the transition tax, reflecting subsequent regulatory and administrative guidance issued by the Internal Revenue Service ("IRS") and certain state taxing authorities and the finalization of our foreign earnings and profits as well as taxes; (ii) $39.6 million of tax benefit as an adjustment to the remeasurement of deferred taxes as a result of our decision to accelerate certain deductions in conjunction with the completion of our 2017 U.S. federal income tax return; (iii) $3.6 million of tax charge as an incremental accrual for foreign withholding taxes associated with changes in our indefinite reinvestment assertions after information required to make such determination was obtained; and (iv) $9.4 million of tax benefit from releasing a previously recorded uncertain tax position after we did not take the position on our 2017 U.S. federal income tax return.

Consistent with the prior year, our accumulated earnings in foreign subsidiaries are not indefinitely reinvested. As a result of the one-time transition tax and the dividend received deduction prescribed by the TCJA, our accumulated earnings in foreign subsidiaries can generally be repatriated to the U.S. without material tax consequences. As of December 28, 2019, we recorded a deferred tax liability of $18.9 million related to future tax consequences from repatriating our accumulated earnings in foreign subsidiaries that are not indefinitely reinvested.

Deferred Taxes

Deferred taxes reflect the temporary differences between the amounts at which assets and liabilities are recorded for financial reporting purposes and the amounts utilized for tax purposes. The primary components of the temporary differences that gave rise to our deferred tax assets and liabilities were as follows:

(In millions)	2019	2018
Accrued expenses not currently deductible	$ 25.7	$ 18.4
Net operating loss carryforwards[1]	154.6	166.4
Tax credit carryforwards	46.5	69.0
Stock-based compensation	11.8	12.4
Pension and other postretirement benefits	57.8	79.8
Lease liabilities[2]	30.5	—
Other assets	21.3	18.5
Valuation allowance	(67.7)	(71.8)
Total deferred tax assets[3]	280.5	292.7
Depreciation and amortization	(41.6)	(45.1)
Repatriation accrual	(18.9)	(21.3)
Foreign operating loss recapture[1]	(3.4)	(56.5)
Lease assets[2]	(29.7)	—
Other liabilities	—	(1.6)
Total deferred tax liabilities[3]	(93.6)	(124.5)
Total net deferred tax assets	$ 186.9	$ 168.2

(1) A portion of our net operating losses originated from prior impairments of investment value in foreign subsidiaries as recognized for foreign accounting and tax reporting purposes. As required by law, these impairment losses are subject to future recapture under certain conditions. In 2019, we executed a foreign tax structuring transaction that eliminated the conditions under which future recapture may occur. Consequently, our previously recognized impairment losses became permanent, and the deferred tax liability related to future recapture was released.

(2) In 2019, we adopted the accounting guidance on leases using a modified retrospective approach. As such, the prior year period has not been adjusted. Refer to Note 1, "Summary of Significant Accounting Policies," and Note 7, "Commitments and Leases," to the Consolidated Financial Statements for more information.

(3) Reflect gross amounts before jurisdictional netting of deferred tax assets and liabilities.

We assess the available positive and negative evidence to estimate if sufficient future taxable income is expected to be generated to use existing deferred tax assets. On the basis of our assessment, we record valuation allowances only with respect to the portion of the deferred tax asset that is not more-likely-than-not to be realized. Our assessment of the future realizability of our deferred tax assets relies heavily on our forecasted earnings in certain jurisdictions, and such forecasted earnings are determined by the manner in which we operate our business. Any changes to our operations may affect our assessment of deferred tax assets considered realizable if the positive evidence no longer outweighs the negative evidence.

Net operating loss carryforwards of foreign subsidiaries at December 28, 2019 and December 29, 2018 were $508 million and $538 million, respectively. Tax credit carryforwards of both domestic and foreign subsidiaries at December 28, 2019 and December 29, 2018 totaled $47 million and $69 million, respectively. If unused, foreign net operating losses and tax credit carryforwards will expire as follows:

(In millions) Year of Expiry	Net Operating Losses[1]	Tax Credits
2020	$ 5.1	$ .3
2021	3.1	.5
2022	6.6	.6
2023	5.2	2.5
2024	5.2	.4
2025 - 2039	8.4	35.1
Indefinite life/no expiry	474.5	7.1
Total	$ 508.1	$ 46.5

(1) Net operating losses are presented before tax effect and valuation allowance.

Certain indefinite-lived foreign net operating losses may require decades to be fully utilized under our current business model.

At December 28, 2019, we had net operating loss carryforwards in certain state jurisdictions of $635 million before tax effect. Based on our estimates of future state taxable income, it is more-likely-than-not that the majority of these carryforwards will not be realized before they expire. Accordingly, a valuation allowance has been recorded on $588 million of these carryforwards.

As of December 28, 2019, our provision for income taxes did not materially benefit from applicable tax holidays in foreign jurisdictions.

Unrecognized Tax Benefits

As of December 28, 2019, our unrecognized tax benefits totaled $70 million, $61 million of which, if recognized, would reduce our annual effective income tax rate. As of December 29, 2018, our unrecognized tax benefits totaled $81 million, $72 million of which, if recognized, would reduce our annual effective income tax rate.

Where applicable, we accrue potential interest and penalties related to unrecognized tax benefits in income tax expense. The interest and penalties we recognized during fiscal years 2019, 2018 and 2017 were not material, individually or in aggregate, to the

Consolidated Statements of Income. We have accrued balances of $22 million and $25 million for interest and penalties, net of tax benefit, in the Consolidated Balance Sheets at December 28, 2019 and December 29, 2018, respectively.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is set forth below:

(In millions)	2019	2018
Balance at beginning of year	$ 80.8	$ 108.7
Additions for tax positions of the current year	7.5	11.5
Reductions for tax positions of prior years, net	(6.7)	(23.1)
Settlements with tax authorities	(1.9)	(6.6)
Expirations of statutes of limitations	(8.0)	(5.9)
Changes due to translation of foreign currencies	(1.8)	(3.8)
Balance at end of year	$ 69.9	$ 80.8

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 $19 million, primarily as a result of audit settlements and closing tax years.

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. The final determination of tax audits and any related legal proceedings could materially differ from amounts reflected in our tax provision and the related liabilities. As of the date the 2019 Consolidated Financial Statements are being issued, we and our U.S. subsidiaries have completed the IRS' Compliance Assurance Process Program through 2016. With some exceptions, we and our subsidiaries are no longer subject to income tax examinations by tax authorities for years prior to 2009.

NOTE 15. SEGMENT AND DISAGGREGATED REVENUE INFORMATION

Segment Reporting

We have the following reportable segments:

- Label and Graphic Materials – manufactures and sells pressure-sensitive label and packaging materials and films for graphic and reflective products;
- Retail Branding and Information Solutions – designs, manufactures and sells a wide variety of branding and information solutions, including brand and price tickets, tags and labels (including RFID inlays), and related services, supplies and equipment; and
- Industrial and Healthcare Materials – manufactures and sells performance tapes and other adhesive products for industrial, medical and other applications as well as fastener solutions.

Intersegment sales are recorded at or near market prices and are eliminated in determining consolidated sales. We evaluate our performance based on income from operations before interest expense and taxes. General corporate expenses are excluded from the computation of income from operations for the segments.

We do not disclose total assets by reportable segment since we neither generate nor review such information internally. As our reporting structure is neither organized nor reviewed internally by country, results by individual country are not provided.

Disaggregated Revenue Information

Disaggregated revenue information is set forth below in the manner that best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. Revenue from our LGM reportable segment is attributed to geographic areas based on the location from which products are shipped. Revenue from our RBIS reportable segment is shown by product group.

(In millions)	2019	2018	2017
Net sales to unaffiliated customers			
Label and Graphic Materials:			
U.S.	$ 1,246.6	$ 1,256.0	$ 1,198.4
Europe	1,767.9	1,851.3	1,689.3
Asia	1,065.0	1,081.2	1,002.6
Latin America	375.4	367.8	357.0
Other international	291.0	294.8	264.4
Total Label and Graphic Materials	4,745.9	4,851.1	4,511.7
Retail Branding and Information Solutions:			
Apparel	1,458.5	1,441.7	1,352.0
Printer Solutions	191.8	171.5	159.2
Total Retail Branding and Information Solutions	1,650.3	1,613.2	1,511.2
Industrial and Healthcare Materials	673.9	694.7	590.9
Net sales to unaffiliated customers	$ 7,070.1	$ 7,159.0	$ 6,613.8

Revenue by geographic area is set forth below. Revenue is attributed to geographic areas based on the location from which the product is shipped.

(In millions)	2019	2018	2017
Net sales to unaffiliated customers			
U.S.	$ 1,638.8	$ 1,625.1	$ 1,557.8
Europe	2,160.2	2,251.4	2,041.6
Asia	2,458.5	2,473.2	2,250.5
Latin America	498.3	490.0	476.4
Other international	314.3	319.3	287.5
Net sales to unaffiliated customers	$ 7,070.1	$ 7,159.0	$ 6,613.8

Net sales to unaffiliated customers in Asia included sales in China (including Hong Kong) of $1.38 billion in 2019, $1.43 billion in 2018, and $1.3 billion in 2017.

Additional Segment Information

Additional financial information by reportable segment is set forth below.

(In millions)	2019	2018	2017
Intersegment sales			
Label and Graphic Materials	$ 80.2	$ 78.7	$ 64.1
Retail Branding and Information Solutions	20.6	4.7	3.2
Industrial and Healthcare Materials	8.8	8.8	7.7
Intersegment sales	$ 109.6	$ 92.2	$ 75.0
Income before taxes			
Label and Graphic Materials	$ 601.5	$ 568.2	$ 577.4
Retail Branding and Information Solutions	196.6	170.4	126.7
Industrial and Healthcare Materials	60.0	62.9	52.6
Corporate expense	(87.6)	(83.4)	(86.2)
Interest expense	(75.8)	(58.5)	(63.0)
Other non-operating expense, net	(445.2)	(104.8)	(18.0)
Income before taxes	$ 249.5	$ 554.8	$ 589.5
Capital expenditures			
Label and Graphic Materials	$ 137.8	$ 151.5	$ 125.5
Retail Branding and Information Solutions	63.1	57.1	48.8
Industrial and Healthcare Materials	24.2	19.3	19.5
Capital expenditures	$ 225.1	$ 227.9	$ 193.8
Depreciation and amortization expense			
Label and Graphic Materials	$ 100.2	$ 104.7	$ 102.3
Retail Branding and Information Solutions	52.6	49.0	56.4
Industrial and Healthcare Materials	26.2	27.3	20.0
Depreciation and amortization expense	$ 179.0	$ 181.0	$ 178.7
Other expense, net by reportable segment			
Label and Graphic Materials	$ 28.3	$ 61.8	$ 14.5
Retail Branding and Information Solutions	9.9	11.4	18.1
Industrial and Healthcare Materials	9.4	(1.0)	3.7
Corporate	5.6	(2.3)	.2
Other expense, net	$ 53.2	$ 69.9	$ 36.5
Other expense, net by type			
Restructuring charges:			
Severance and related costs	$ 45.3	$ 63.0	$ 31.2
Asset impairment charges and lease cancellation costs	5.1	10.7	2.2
Other items:			
Legal settlement	3.4	—	—
Transaction costs	2.6	—	5.2
Argentine peso remeasurement transition loss	—	3.4	—
Other restructuring-related charge	—	.5	—
Reversal of acquisition-related contingent consideration	—	(5.0)	—
Net gain on sales of assets	(3.2)	(2.7)	(2.1)
Other expense, net	$ 53.2	$ 69.9	$ 36.5

Property, plant and equipment, net, in our U.S. and international operations were as follows:

(In millions)	2019	2018	2017
Property, plant and equipment, net			
U.S.	$ 366.9	$ 317.3	$ 286.4
International	843.8	820.1	811.5
Property, plant and equipment, net	$ 1,210.7	$ 1,137.4	$ 1,097.9

NOTE 16. SUPPLEMENTAL FINANCIAL INFORMATION

Inventories

Net inventories at year-end were as follows:

(In millions)	2019	2018
Raw materials	$ 231.6	$ 236.2
Work-in-progress	201.0	196.7
Finished goods	230.4	218.5
Inventories, net	$ 663.0	$ 651.4

Property, Plant and Equipment

Major classes of property, plant and equipment, stated at cost, at year-end were as follows:

(In millions)	2019	2018
Land	$ 25.1	$ 28.0
Buildings and improvements	687.4	643.1
Machinery and equipment	2,316.9	2,231.1
Construction-in-progress	142.2	151.5
Property, plant and equipment	3,171.6	3,053.7
Accumulated depreciation	(1,960.9)	(1,916.3)
Property, plant and equipment, net	$ 1,210.7	$ 1,137.4

Software

Capitalized software costs at year-end were as follows:

(In millions)	2019	2018
Cost	$ 487.2	$ 452.4
Accumulated amortization	(334.4)	(316.9)
Software, net	$ 152.8	$ 135.5

Software amortization expense was $20.8 million in 2019, $20.2 million in 2018, and $29.3 million in 2017.

Equity Method Investment

As of December 28, 2019, we held a 22.9% interest in PragmatIC Printing Limited (“PragmatIC”), a company that develops flexible electronics technology. The carrying value of this investment was $8.8 million and $6.7 million as of December 28, 2019 and December 29, 2018, respectively, and was included in “Other assets” in the Consolidated Balance Sheets. In January 2019, we made an additional investment in PragmatIC of approximately $4 million.

Research and Development

Research and development expense, which is included in “Marketing, general and administrative expense” in the Consolidated Statements of Income, was as follows:

(In millions)	2019	2018	2017
Research and development expense	$ 92.6	$ 98.2	$ 93.4

Supplemental Cash Flow Information

Cash paid for interest and income taxes was as follows:

(In millions)	2019	2018	2017
Interest	$ 74.3	$ 54.9	$ 57.7
Income taxes, net of refunds	155.0	153.5	125.6

Foreign Currency Effects

Gains and losses resulting from foreign currency transactions are included in income in the period incurred. Transactions in foreign currencies (including receivables, payables and loans denominated in currencies other than the functional currency), including hedging impacts, decreased net income by $9.7 million, $13.4 million, and $4.1 million in 2019, 2018, and 2017, respectively.

Deferred Revenue

Deferred revenue primarily relates to constrained variable consideration on supply agreements for sales of products, as well as to payments received in advance of performance under a contract. Deferred revenue is recognized as revenue as or when we perform under a contract.

The following table shows the amounts and balance sheet locations of deferred revenue as of December 28, 2019 and December 29, 2018:

(In millions)	December 28, 2019	December 29, 2018
Other current liabilities	$ 12.6	$ 11.5
Long-term retirement benefits and other liabilities	.3	.3
Total deferred revenue	$ 12.9	$ 11.8

Revenue recognized from amounts included in deferred revenue as of December 29, 2018 was $10.8 million in 2019. Revenue recognized from amounts included in deferred revenue as of December 30, 2017 was $12.2 million in 2018. This revenue was included in “Net sales” in the Consolidated Statements of Income.

NOTE 17. QUARTERLY FINANCIAL INFORMATION (Unaudited)

(In millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2019				
Net sales	$ 1,740.1	$ 1,795.7	$ 1,761.4	$ 1,772.9
Gross profit	465.4	482.3	471.7	484.7
Net (loss) income[(1)]	(146.9)	143.4	144.6	162.5
Net (loss) income per common share	(1.74)	1.70	1.72	1.95
Net (loss) income per common share, assuming dilution	(1.74)	1.69	1.71	1.92
2018				
Net sales	$ 1,776.4	$ 1,854.2	$ 1,759.7	$ 1,768.7
Gross profit	483.4	501.4	459.2	471.5
Net income[(2)]	125.2	95.6	149.5	97.1
Net income per common share	1.42	1.09	1.71	1.13
Net income per common share, assuming dilution	1.40	1.07	1.69	1.11

(1) In the first quarter of 2019, we recognized final settlement charges associated with the termination of the ADPP. Refer to Note 6, “Pension and Other Postretirement Benefits,” for more information.

(2) In the fourth quarter of 2018, we recognized settlement charges related to lump-sum payments associated with the ADPP. Refer to Note 6, "Pension and Other Postretirement Benefits," for more information.

“Other expense (income), net” by type for each quarter is presented below.

(In millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2019				
Restructuring charges:				
Severance and related costs	$ 10.4	$ 6.1	$ 3.3	$ 25.5
Asset impairment charges and lease cancellation costs	.3	1.4	—	3.4
Other items:				
Legal settlement	—	—	3.4	—
Transaction costs	—	—	—	2.6
Net gain on sales of assets	(3.2)	—	—	—
Other expense, net	$ 7.5	$ 7.5	$ 6.7	$ 31.5
2018				
Restructuring charges:				
Severance and related costs, net of reversals	$ 4.3	$ 58.8	$ (7.1)	$ 7.0
Asset impairment charges and lease cancellation costs	8.4	.6	.7	1.0
Other items:				
Argentine peso remeasurement transition loss	—	—	3.4	—
Other restructuring-related charge	.5	—	—	—
Reversal of acquisition-related contingent consideration	—	—	—	(5.0)
Net gain on sales of assets	(.4)	(2.3)	—	—
Other expense (income), net	$ 12.8	$ 57.1	$ (3.0)	$ 3.0

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements and accompanying information are the responsibility of and were prepared by management. The statements were prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts that are based on management's best estimates and judgments.

Oversight of management's financial reporting and internal accounting control responsibilities is exercised by our Board of Directors, through its Audit and Finance Committee, which is comprised solely of independent directors. The Committee meets periodically with financial management, internal auditors and our independent registered public accounting firm to obtain reasonable assurance that each is meeting its responsibilities and to discuss matters concerning auditing, internal accounting control and financial reporting. The independent registered public accounting firm and our internal audit department have free access to, and periodically meet with, the Audit and Finance Committee without management present.

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rule 13a-15(f) or 15(d)-15(f). Under the supervision and with the participation of management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control – Integrated Framework (2013)*, management has concluded that internal control over financial reporting was effective as of December 28, 2019. Management’s assessment of the effectiveness of internal control over financial reporting as of December 28, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included herein.

/s/ Mitchell R. Butier	/s/ Gregory S. Lovins
Mitchell R. Butier Chairman, President and Chief Executive Officer	Gregory S. Lovins Senior Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Avery Dennison Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Avery Dennison Corporation and its subsidiaries (the “Company”) as of December 28, 2019 and December 29, 2018, and the related consolidated statements of income, of comprehensive income, of shareholders’ equity and of cash flows for each of the three years in the period ended December 28, 2019, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 28, 2019 and December 29, 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 28, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 28, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill Impairment Assessment of One Reporting Unit in the Industrial and Healthcare Materials ("IHM") Reportable Segment

As described in Notes 1 and 3 to the consolidated financial statements, the Company's consolidated goodwill balance was $930.8 million as of December 28, 2019, of which $173.7 million related to the Company's IHM reportable segment. Management performs an annual impairment test of goodwill during the fourth quarter, unless certain factors indicate the need to perform an impairment assessment in addition to the annual test. Potential impairment is identified by comparing the fair value of a reporting unit to its carrying amount, and, to the extent the carrying amount exceeds the fair value, an impairment of goodwill is recognized for the excess up to the amount of goodwill of that reporting unit. The goodwill of one reporting unit in the Company's IHM reportable segment was tested utilizing a quantitative assessment. Management's quantitative analysis primarily consists of a present value (discounted cash flow) method to determine the fair value of the reporting units with goodwill. A discounted cash flow analysis requires management to make various assumptions about the reporting units, including forecasted sales, operating margins and growth rates, and discount rates. Assumptions are also made for varying perpetual growth rates for periods beyond the long-term business plan period.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of one reporting unit in the IHM reportable segment is a critical audit matter are there was significant judgment by management when developing the fair value measurement of the reporting unit. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and in evaluating management's cash flow projections and significant assumptions, including forecasted sales, operating margins and growth rates, discount rates and perpetual growth rates for periods beyond the long-term business plan period. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Company's reporting units. These procedures also included, among others, testing management's process for developing the fair value estimate; evaluating the appropriateness of the discounted cash flow method; testing the completeness, accuracy, and relevance of underlying data used in the estimate; and evaluating the significant assumptions used by management, including forecasted sales, operating margins and growth rates, discount rates and perpetual growth rates for periods beyond the long-term business plan period. Evaluating management's assumptions related to forecasted sales, operating margins and growth rates, involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discounted cash flow method and certain significant assumptions, including discount rates and perpetual growth rates for periods beyond the long-term business plan.

Income Taxes

As described in Notes 1 and 14 to the consolidated financial statements, the Company is subject to income tax in the U.S. and multiple foreign jurisdictions, whereby management applies judgment in evaluating and estimating the Company's worldwide provision, accruals for taxes and deferred taxes and for evaluating the Company's tax positions. The Company recorded a benefit from income taxes of $56.7 million, total net deferred tax assets of $186.9 million and unrecognized tax benefits of $69.9 million as of and for the year-ended December 28, 2019. Significant judgments and estimates are required by management when determining the Company's tax expense and evaluating tax positions, including uncertainties. Management's estimate of the potential outcome of uncertain tax issues is subject to management's assessment of relevant facts and circumstances existing at the balance sheet date, as well as existing laws, regulations and practices of any governmental authorities exercising jurisdiction over the Company's operations. Management's assessment of the future realizability of the Company's deferred tax assets relies heavily on forecasted earnings in certain jurisdictions, and such forecasted earnings are determined by the manner in which the Company operates its business.

The principal considerations for our determination that performing procedures relating to income taxes is a critical audit matter are there was significant judgment by management in accounting for income taxes, including evaluating the potential outcome of various uncertain tax issues and the realizability of deferred tax assets. This in turn led to a high degree of auditor judgment, effort and subjectivity in performing procedures to evaluate the potential outcome of uncertain tax issues and the realizability of deferred tax assets on a jurisdictional basis. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to accounting for income taxes, including controls over uncertain tax issues and the realizability of deferred tax assets on a jurisdictional basis. These procedures also included testing the income tax provision, including the rate reconciliation, return to provision adjustments in the U.S. and certain foreign jurisdictions. Evaluating management's assessment related to the potential outcome of uncertain tax issues included evaluating management's assessment of existing laws, regulations and practices of governmental authorities exercising jurisdiction over the Company's operations. Evaluating management's process for assessing the future realizability of deferred tax assets on a jurisdictional basis included evaluating estimates of future taxable income, evaluating management's application of income tax law, and testing the completeness and accuracy of underlying data used in management's assessment. Evaluating management's estimates of future taxable income involved evaluating whether the estimates used by management were reasonable considering the current and past performance of the Company on a jurisdictional basis and whether the estimates were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of management's judgment and estimates, including the application of relevant foreign and domestic income tax laws and regulations, the provision for income taxes and the reasonableness of management's assessments of whether certain tax positions are more-likely-than-not of being sustained.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California

February 26, 2020

We have served as the Company's auditor since at least 1960, which were the Company's first financial statements subject to SEC reporting requirements. We have not been able to determine the specific year we began serving as auditor of the Company or a predecessor company.

Other Information

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
601 South Figueroa Street, Suite 900
Los Angeles, California 90017
(213) 356-6000

Registrar and Transfer Agent

Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, New York 11717
(888) 682-5999
(720) 864-4993 (international)
(855) 627-5080 (hearing impaired)
https://investor.broadridge.com

Annual Meeting

Our Annual Meeting of Stockholders will be held at 1:30 p.m. Pacific Time on April 23, 2020 at 207 Goode Avenue, Glendale, California 91203.

The Direct Share Purchase and Sale Program

Shareholders of record may reinvest their cash dividends in additional shares of our common stock at market price. Investors may also invest optional cash payments of up to $12,500 per month in our common stock at market price. Investors not yet participating in the program, as well as brokers and custodians who hold our common stock on behalf of clients, may obtain a copy of the program by contacting Broadridge Corporate Issuer Solutions, Inc.

Direct Deposit of Dividends

Shareholders may receive their quarterly dividend payments by direct deposit into their checking or savings accounts. For more information, contact Broadridge Corporate Issuer Solutions, Inc.

Certification Information

We are including, as Exhibits 31.1 and 31.2 to our Annual Report on Form 10-K for fiscal year 2019 filed with the Securities and Exchange Commission ("SEC"), certificates of our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. We submitted to the New York Stock Exchange ("NYSE") an unqualified annual written affirmation, along with the Chief Executive Officer's certificate that he is not aware of any violation by the Company of NYSE's corporate governance listing standards, on April 29, 2019.

Annual Report on Form 10-K Requests

A copy of our Annual Report on Form 10-K, as filed with the SEC, will be furnished to shareholders and interested investors free of charge upon written request to our Corporate Secretary. Copies are also available on our investor website at www.investors.averydennison.com.

Corporate Headquarters

Avery Dennison Corporation
207 Goode Avenue
Glendale, California 91203
Phone: (626) 304-2000

Stock and Dividend Data

Our common stock is listed on the NYSE.
Ticker symbol: AVY

	2019	2018
Dividends per Common Share		
First Quarter	$ .52	$ .45
Second Quarter	.58	.52
Third Quarter	.58	.52
Fourth Quarter	.58	.52
	$ 2.26	$ 2.01
Number of shareholders of record as of fiscal year-end	4,397	4,606

SUBSIDIARY[(1)]	**U.S. STATE OR COUNTRY IN WHICH ORGANIZED**
ADC PHILIPPINES, INC.	PHILIPPINES
ADESPAN S.R.L.	ITALY
ADHIPRESS BANGLADESH LTD.	BANGLADESH
AVERY CORP.	DELAWARE
AVERY DE MEXICO SRL DE CV	MEXICO
AVERY DENNISON AUSTRALIA GROUP HOLDINGS PTY LIMITED	AUSTRALIA
AVERY DENNISON AUSTRALIA INTERNATIONAL HOLDINGS PTY LTD.	AUSTRALIA
AVERY DENNISON AUSTRALIA PTY LTD.	AUSTRALIA
AVERY DENNISON BELGIE BVBA	BELGIUM
AVERY DENNISON BELGIUM MANAGEMENT SERVICES SPRL	BELGIUM
AVERY DENNISON BENELUX BVBA	BELGIUM
AVERY DENNISON BV	NETHERLANDS
AVERY DENNISON CANADA CORPORATION	CANADA
AVERY DENNISON CENTRAL EUROPE GMBH	GERMANY
AVERY DENNISON CHILE S.A.	CHILE
AVERY DENNISON COLOMBIA S. A. S.	COLOMBIA
AVERY DENNISON COMMERCIAL EL SALVADOR, S.A. DE C.V.	EL SALVADOR
AVERY DENNISON CONVERTED PRODUCTS DE MEXICO, S.A. DE C.V.	MEXICO
AVERY DENNISON CONVERTED PRODUCTS EL SALVADOR S. A. DE C. V.	EL SALVADOR
AVERY DENNISON, C.A.	VENEZUELA
AVERY DENNISON DE ARGENTINA S.R.L.	ARGENTINA
AVERY DENNISON DO BRASIL LTDA.	BRAZIL
AVERY DENNISON DOMINICAN REPUBLIC, S.R.L.	DOMINICAN REPUBLIC
AVERY DENNISON EGYPT LLC	EGYPT
AVERY DENNISON ETIKET TICARET LIMITED SIRKETI	TURKEY
AVERY DENNISON EUROPE HOLDING (DEUTSCHLAND) GMBH & CO KG	GERMANY
AVERY DENNISON FINANCE GERMANY GMBH	GERMANY
AVERY DENNISON G HOLDINGS I LLC	NEVADA
AVERY DENNISON G HOLDINGS III LLC	DELAWARE
AVERY DENNISON G INVESTMENTS III LIMITED	GIBRALTAR
AVERY DENNISON G INVESTMENTS V LIMITED	GIBRALTAR
AVERY DENNISON GROUP DANMARK APS	DENMARK
AVERY DENNISON GROUP SINGAPORE PTE LTD	SINGAPORE
AVERY DENNISON GULF FZCO	UNITED ARAB EMIRATES
AVERY DENNISON HOLDING FRANCE	FRANCE
AVERY DENNISON HOLDING GMBH	GERMANY
AVERY DENNISON HOLDING LIMITED	UNITED KINGDOM
AVERY DENNISON HOLDING LUXEMBOURG S. A. R. L.	LUXEMBOURG
AVERY DENNISON HOLDING & FINANCE THE NETHERLANDS BV	NETHERLANDS
AVERY DENNISON HOLDINGS LLC	DELAWARE
AVERY DENNISON HONG KONG B.V.	NETHERLANDS
AVERY DENNISON HONG KONG HOLDING I B.V.	NETHERLANDS
AVERY DENNISON IBERICA, S.A.	SPAIN
AVERY DENNISON INNOVATIONS LLC	DELAWARE
AVERY DENNISON INTELLIGENT HEALTHCARE SOLUTIONS LLC	DELAWARE
AVERY DENNISON INTELLIGENT LABELS EUROPE S.R.L.	ROMANIA
AVERY DENNISON INTELLIGENT LABELS HK LIMITED	HONG KONG
AVERY DENNISON INVESTMENT LUXEMBOURG II SARL	LUXEMBOURG
AVERY DENNISON INVESTMENTS LUXEMBOURG III SARL	LUXEMBOURG
AVERY DENNISON INVESTMENTS LUXEMBOURG IV SARL	LUXEMBOURG

AVERY DENNISON ISRAEL LTD.	ISRAEL
AVERY DENNISON ITALIA S.R.L.	ITALY
AVERY DENNISON JAPAN KK	JAPAN
AVERY DENNISON JAPAN MATERIALS COMPANY LTD.	JAPAN
AVERY DENNISON KOREA LIMITED	SOUTH KOREA
AVERY DENNISON LABEL LIMITED	HONG KONG
AVERY DENNISON LANKA (PRIVATE) LIMITED	SRI LANKA
AVERY DENNISON LUXEMBOURG SALES SARL	LUXEMBOURG
AVERY DENNISON LUXEMBOURG S.A.R.L.	LUXEMBOURG
AVERY DENNISON MANAGEMENT GMBH	GERMANY
AVERY DENNISON MATERIALS BELGIUM SPRL	BELGIUM
AVERY DENNISON MATERIALS EUROPE B.V.	NETHERLANDS
AVERY DENNISON MATERIALS EUROPE GMBH	SWITZERLAND
AVERY DENNISON MATERIALS FRANCE S.A.R.L.	FRANCE
AVERY DENNISON MATERIALS GMBH	GERMANY
AVERY DENNISON MATERIALS IRELAND LIMITED	IRELAND
AVERY DENNISON MATERIALS NEDERLAND BV	NETHERLANDS
AVERY DENNISON MATERIALS NEW ZEALAND LIMITED	NEW ZEALAND
AVERY DENNISON MATERIALS PTY LIMITED	AUSTRALIA
AVERY DENNISON MATERIALS ROM SRL	ROMANIA
AVERY DENNISON MATERIALS RUSSIA LLC	RUSSIA
AVERY DENNISON MATERIALS SALES BELGIUM SPRL	BELGIUM
AVERY DENNISON MATERIALS SALES FRANCE S. A. S.	FRANCE
AVERY DENNISON MATERIALS SALES GERMANY GMBH	GERMANY
AVERY DENNISON MATERIALS SDN BHD	MALAYSIA
AVERY DENNISON MATERIALS UKRAINE LLC	UKRAINE
AVERY DENNISON MATERIALS U.K. LIMITED	UNITED KINGDOM
AVERY DENNISON MAURITIUS LTD.	MAURITIUS
AVERY DENNISON MEDICAL LIMITED	IRELAND
AVERY DENNISON MOROCCO SARL	MOROCCO
AVERY DENNISON NETHERLANDS INVESTMENT I BV	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT II B. V.	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT III BV	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT VII B.V.	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT VIII BV	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT X BV	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT XI COOPERATIEF U.A.	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT XII BV	NETHERLANDS
AVERY DENNISON NORDIC APS	DENMARK
AVERY DENNISON NTP A. S.	NORWAY
AVERY DENNISON OFFICE PRODUCTS COMPANY	NEVADA
AVERY DENNISON OFFICE PRODUCTS HOLDINGS COMPANY	NEVADA
AVERY DENNISON OFFICE PRODUCTS MANUFACTURING U.K. LTD.	UNITED KINGDOM
AVERY DENNISON OVERSEAS CORPORATION	MASSACHUSETTS
AVERY DENNISON PENSION TRUSTEE LIMITED	UNITED KINGDOM
AVERY DENNISON PERU S. R. L.	PERU
AVERY DENNISON POLSKA SP. Z O.O.	POLAND
AVERY DENNISON PRAHA SPOL. S R. O.	CZECH REPUBLIC
AVERY DENNISON RBIS PTY LTD	AUSTRALIA
AVERY DENNISON RBIS (CAMBODIA) CO., LTD	CAMBODIA
AVERY DENNISON RBIS (CAMBODIA) TRADING CO., LTD	CAMBODIA
AVERY DENNISON RETAIL INFORMATION SERVICES COLOMBIA S. A. S.	COLOMBIA
AVERY DENNISON RETAIL INFORMATION SERVICES DE MEXICO, S. A. DE C.V.	MEXICO
AVERY DENNISON RETAIL INFORMATION SERVICES EL SALVADOR, LTDA. DE C. V.	EL SALVADOR
AVERY DENNISON RETAIL INFORMATION SERVICES GUATEMALA, S. A.	GUATEMALA

AVERY DENNISON RETAIL INFORMATION SERVICES HONDURAS, S. DE R.L.	HONDURAS
AVERY DENNISON RETAIL INFORMATION SERVICES LLC	NEVADA
AVERY DENNISON RETAIL INFORMATION SERVICES PERÚ SAC	PERU
AVERY DENNISON RETAIL INFORMATION SERVICES UK LTD.	UNITED KINGDOM
AVERY DENNISON RETAIL INFORMATION SERVICES (PTY) LTD	SOUTH AFRICA
AVERY DENNISON RFID COMPANY	DELAWARE
AVERY DENNISON RIS KOREA LTD.	KOREA
AVERY DENNISON RIS TAIWAN LTD.	TAIWAN
AVERY DENNISON RIS VIETNAM CO., LIMITED	VIETNAM
AVERY DENNISON R.I.S. FRANCE S. A. S.	FRANCE
AVERY DENNISON R.I.S. IBERIA S.L.	SPAIN
AVERY DENNISON R.I.S. ITALIA S.R.L.	ITALY
AVERY DENNISON SCANDINAVIA AB	SWEDEN
AVERY DENNISON SCANDINAVIA APS	DENMARK
AVERY DENNISON SECURITY PRINTING EUROPE APS	DENMARK
AVERY DENNISON SHARED SERVICES, INC.	NEVADA
AVERY DENNISON SINGAPORE (PTE) LTD.	SINGAPORE
AVERY DENNISON SOUTH AFRICA (PROPRIETARY) LIMITED	SOUTH AFRICA
AVERY DENNISON SUPPORT SERVICES	SWITZERLAND
AVERY DENNISON SYSTEMES D'ETIQUETAGE FRANCE S.A.S.	FRANCE
AVERY DENNISON S.R.L.	ROMANIA
AVERY DENNISON TRADING COMPANY LTD	BANGLADESH
AVERY DENNISON TREASURY MANAGEMENT BV	NETHERLANDS
AVERY DENNISON TEKSTIL URUNLERI SANAYI VE TICARET LIMITED SIRKETI	TURKEY
AVERY DENNISON U.K. II LIMITED	UNITED KINGDOM
AVERY DENNISON U.K. LIMITED	UNITED KINGDOM
AVERY DENNISON (ASIA) HOLDINGS LIMITED	MAURITIUS
AVERY DENNISON (CHANGZHOU) FILMS TECHNOLOGY CO., LTD	CHINA
AVERY DENNISON (CHINA) COMPANY LIMITED	CHINA
AVERY DENNISON (FUZHOU) CONVERTED PRODUCTS LIMITED	CHINA
AVERY DENNISON (GUANGZHOU) CONVERTED PRODUCTS LIMITED	CHINA
AVERY DENNISON (GUANGZHOU) CO., LTD.	CHINA
AVERY DENNISON (GUANGZHOU) INTELLIGENT LABELS CO., LTD.	CHINA
AVERY DENNISON (HONG KONG) LIMITED	HONG KONG
AVERY DENNISON (INDIA) PRIVATE LIMITED	INDIA
AVERY DENNISON (IRELAND) LIMITED	IRELAND
AVERY DENNISON (KENYA) PRIVATE LIMITED	KENYA
AVERY DENNISON (KUNSHAN) COMPANY LIMITED	CHINA
AVERY DENNISON (MALAYSIA) SDN. BHD.	MALAYSIA
AVERY DENNISON (QINGDAO) CONVERTED PRODUCTS LIMITED	CHINA
AVERY DENNISON (SUZHOU) CO. LIMITED	CHINA
AVERY DENNISON (THAILAND) LTD.	THAILAND
AVERY DENNISON (VIETNAM) LIMITED	VIETNAM
AVERY DENNISON, S.A. DE C.V.	MEXICO
AVERY GRAPHIC SYSTEMS, INC.	DELAWARE
AVERY LLC	DELAWARE
AVERY OFFICE PRODUCTS PUERTO RICO L.L.C.	PUERTO RICO
AVERY PACIFIC LLC	CALIFORNIA
AVERY PROPERTIES PTY. LIMITED	AUSTRALIA
AWESOME PROFITS LTD	BVI
BEST COURAGE INTERNATIONAL LIMITED	BRITISH VIRGIN ISLANDS
CHOICE CLEVER PROFITS LTD	BVI
CREATERO GMBH	GERMANY
DENNISON INTERNATIONAL COMPANY	MASSACHUSETTS
DENNISON MANUFACTURING COMPANY	NEVADA
EUSTON FINANCIAL LIMITED	BRITISH VIRGIN ISLANDS

EVERGREEN HOLDING SARL	LUXEMBOURG
EVERGREEN HOLDINGS V LLC	DELAWARE
HANITA COATINGS (KUNSHAN) CO. LTD	CHINA
HANITA COATINGS EUROPE B.V.	NETHERLANDS
HANITA COATINGS USA, LLC	DELAWARE
HANITA EUROPA GMBH	GERMANY
HEBEI YONGLE TAPE CO., LTD.	CHINA
INK MILL LLC	NEW HAMPSHIRE
JAC ASIA PACIFIC SDN BHD	MALAYSIA
JAC CARIBE C.S.Z.	DOMINICAN REPUBLIC
JAC DO BRASIL - LOCAÇÃO DE EQUIPAMENTOS INDUSTRIAIS LTDA	BRAZIL
JACKSTADT FRANCE S.N.C.	FRANCE
JINTEX LIMITED	JERSEY, CHANNEL ISLANDS
L&E AMERICAS SERVICIOS, S. A. DE C.V.	MEXICO
MACTAC ASIA-PACIFIC SELF-ADHESIVE PRODUCTS PTE LTD	SINGAPORE
MARKSTAR INTERNATIONAL LIMITED	HONG KONG
MODERN MARK INTERNATIONAL LIMITED	HONG KONG
NINGBO AVERY DENNISON SHENZHOU EMBELLISHMENT CO. LTD.	CHINA
PAXAR BANGLADESH LIMITED	BANGLADESH
PAXAR B.V.	NETHERLANDS
PAXAR CANADA CORPORATION	CANADA
PAXAR CORPORATION	NEW YORK
PAXAR DE EL SALVADOR S. A. DE C. V.	EL SALVADOR
PAXAR DE GUATEMALA, S. A.	GUATEMALA
PAXAR DE MEXICO S. A. DE C. V.	MEXICO
PAXAR DO BRASIL LTDA	BRAZIL
PAXAR FAR EAST LIMITED	HONG KONG
PAXAR PACKAGING (GUANGZHOU) LTD.	CHINA
PAXAR PAKISTAN (PRIVATE) LIMITED	PAKISTAN
PLYMOUTH YONGLE TAPE (SHANGHAI) CO., LTD	CHINA
PAXAR (CHINA) LTD.	HONG KONG
PT AVERY DENNISON INDONESIA	INDONESIA
PT AVERY DENNISON PACKAGING INDONESIA	INDONESIA
P. T. PACIFIC LABEL INDONESIA	INDONESIA
P. T. PAXAR INDONESIA	INDONESIA
RVL AMERICAS, S DE R.L. DE C.V.	MEXICO
RVL CENTRAL AMERICA, S. A.	GUATEMALA
RVL PACKAGING FAR EAST LIMITED	HONG KONG
RVL SERVICE, S. DE R. L. DE C. V.	MEXICO
SECURITY PRINTING DIVISION, INC.	DELAWARE
SKILLFIELD INVESTMENTS LIMITED	BRITISH VIRGIN ISLANDS
TIGER EIGHT GROUP LIMITED	BRITISH VIRGIN ISLANDS
WORLDWIDE RISK INSURANCE, INC.	HAWAII
YONGLE TAPE LTD	BERMUDA

(1) Each subsidiary listed on this Exhibit 21 is a Consolidated Subsidiary

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-231039) and Form S-8 (Nos. 033-54411, 033-58921, 033-63979, 333-38707, 333-38709, 333-107370, 333-107371, 333-107372, 333-109814, 333-124495, 333-143897, 333-152508, 333-166832, 333-166836, 333-166837, 333-181221, 333-197631, 333-217534 and 333-226484) of Avery Dennison Corporation of our report dated February 26, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the 2019 Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP
Los Angeles, California
February 26, 2020

Exhibit 31.1

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

CERTIFICATION

I, Mitchell R. Butier, certify that:

1. I have reviewed this annual report on Form 10-K 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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Mitchell R. Butier
Mitchell R. Butier
Chairman, President and
Chief Executive Officer

February 26, 2020

Exhibit 31.2

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

CERTIFICATION

I, Gregory S. Lovins, certify that:

1. I have reviewed this annual report on Form 10-K 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(s) 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(s) 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/ Gregory S. Lovins
Gregory S. Lovins
Senior Vice President and
Chief Financial Officer

February 26, 2020

Exhibit 32.1

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 Annual Report on Form 10-K of the Company for the fiscal year ended December 28, 2019 (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.

February 26, 2020

/s/ Mitchell R. Butier
Mitchell R. Butier
Chairman, President and
Chief Executive Officer

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

Exhibit 32.2

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

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

(i) the Annual Report on Form 10-K of the Company for the fiscal year ended December 28, 2019 (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.

February 26, 2020

/s/ Gregory S. Lovins
Gregory S. Lovins
Senior Vice President and
Chief Financial Officer

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