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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934

July 25, 2006
Date of Report

AVERY DENNISON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**1 -7685**	**95-1492269**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

150 North Orange Grove Boulevard Pasadena, California	**91103**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(626) 304-2000**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 — Financial Information

Item 2.02 Results of Operations and Financial Condition.

Avery Dennison Corporation’s news release dated July 25, 2006, regarding its preliminary, unaudited financial results for the second quarter of 2006, is attached hereto as Exhibit 99.1. This information is being furnished (not filed) under this Form 8-K. Additionally, the Company will discuss its preliminary financial results during a webcast and teleconference call today at 2:00 p.m. (EDT). To access the webcast and teleconference call, please go to the Company’s Web site at http://www.investors.averydennison.com.

Avery Dennison Corporation’s presentation dated July 25, 2006, regarding its preliminary financial review and analysis for the second quarter of 2006, is attached hereto as Exhibit 99.2. This information is being furnished (not filed) under this Form 8-K. Additionally, this information is available on the Company’s Web site at http://www.investors.averydennison.com.

Section 9 — Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

99.1 On July 25, 2006, Avery Dennison Corporation issued a news release announcing its preliminary, unaudited financial results for the second quarter ending July 1, 2006, along with earnings guidance for the 2006 fiscal year.

99.2 On July 25, 2006, Avery Dennison Corporation provided a presentation regarding its preliminary financial review and analysis for the second quarter of 2006.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: Certain statements contained in this report on Form 8-K and Exhibit 99.1 and Exhibit 99.2 are “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements and financial or other business targets are subject to certain risks and uncertainties. Actual results and trends may differ materially from historical or expected results depending on a variety of factors, including but not limited to fluctuations in cost and availability of raw materials; ability of the Company to achieve and sustain targeted cost reductions; foreign currency exchange rates; worldwide and local economic conditions; impact of competitive products and pricing; selling prices; impact of legal proceedings, including the U.S. Department of Justice (“DOJ”) criminal investigation, as well as the European Commission (“EC”), Canadian Department of Justice, and Australian Competition and Consumer Commission investigations, into industry competitive practices and any related proceedings or lawsuits pertaining to these investigations or to the subject matter thereof (including purported class actions seeking treble damages for alleged unlawful competitive practices, and purported class actions related to alleged disclosure and fiduciary duty violations pertaining to alleged unlawful competitive practices, which were filed after the announcement of the DOJ investigation, as well as a likely fine by the EC in respect of certain employee misconduct in Europe); impact of potential violations of the U.S. Foreign Corrupt Practices Act based on issues in China; impact of epidemiological events on the economy and the Company’s customers and suppliers; successful integration of acquisitions; financial condition and inventory strategies of customers; timely development and market acceptance of new products; fluctuations in demand affecting sales to customers; and other matters referred to in the Company’s SEC filings.

The Company believes that the most significant risk factors that could affect its ability to achieve its stated financial expectations in the near-term include (1) potential adverse developments in legal proceedings and/or investigations regarding competitive activities, including possible fines, penalties, judgments or settlements; (2) the impact of economic conditions on underlying demand for the Company’s products; (3) the impact of competitors’ actions, including expansion in key markets, product offerings and pricing; (4) the degree to which higher raw material and energy-related costs can be passed on to customers through selling price increases (and previously implemented selling price increases can be sustained), without a significant loss of volume; and (5) the ability of the Company to achieve and sustain targeted cost reductions.

For a more detailed discussion of these and other factors, see Part I, Item 1A. “Risk Factors” and Part II, Item 7. “Management’s Discussion and Analysis of Results of Operations and Financial Condition” in the Company’s Form 10-K, filed on March 15, 2006. The forward-looking statements included in this Form 8-K are made only as of the date of this Form 8-K, and the Company undertakes no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

The financial information presented in the news release, included as an Exhibit to this Current Report, represents preliminary, unaudited financial results.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AVERY DENNISON CORPORATION

Date: July 25, 2006

By: /s/ Daniel R. O'Bryant

Name: Daniel R. O'Bryant

Title: Executive Vice President, Finance and Chief Financial Officer

EXHIBIT LIST

Exhibit No.	Description
99.1	News release dated July 25, 2006.
99.2	Presentation dated July 25, 2006.

Exhibit 99.1

AVERY DENNISON REPORTS SECOND QUARTER EARNINGS

Highlights from Continuing Operations

- Earnings per share from continuing operations of $0.96, up 8%
  - Earnings per share before restructuring and other charges of $0.99, up 9%
- Net sales of $1.41 billion, approximately even with second quarter of 2005
  - Organic sales growth of 2%
- Company raised estimate of annualized savings from restructuring efforts to $85 to $100 million by year-end

PASADENA, Calif. – July 25, 2006 – Avery Dennison Corporation (NYSE:AVY) today reported net income of $112 million or $1.12 per share, compared with $89.4 million or $0.89 per share in the prior year. Second quarter 2006 results included an after-tax benefit of $15.6 million or $0.16 per share related to the tax effect of a divestiture that partially offset previously recognized losses from discontinued operations.

Second quarter 2006 earnings from continuing operations were $96.4 million or $0.96 per share, up 8 percent from $89.6 million or $0.89 per share in the prior year. In both years, results included restructuring and asset impairment charges and other items. Excluding these items, second quarter earnings per share from continuing operations increased by 9 percent over the same quarter last year to $0.99. (*See Attachment A-3: "Preliminary Reconciliation of GAAP to Non-GAAP Measures".)*

The increase in earnings reflected improvements in the Company's productivity that led to a higher gross profit margin and lower operating expense ratio. The Company also raised its estimate of annualized savings from restructuring efforts to $85 to $100 million by year-end, including the benefit of new productivity actions identified during the quarter.

Net sales for the second quarter were $1.41 billion, approximately even with the same quarter last year. Organic sales growth, which excludes the impact of acquisitions, divestitures and foreign currency translation, was 2 percent. This increase was attributable to both unit volume growth and positive changes in pricing and product mix.

"We continued to make steady progress in reaching our goals this quarter, and in developing new sources of future top line growth and productivity improvement," said Dean A. Scarborough, president and chief executive officer of

Avery Dennison. “We remain committed to the pursuit of a balanced long-term strategy to drive both solid sales growth and continued margin expansion.

“Underlying unit growth improved sequentially for the roll materials business in North America, as customers continue to value our service and product advantages,“ Scarborough added. “We expect volume growth to accelerate in the second half of the year.

“I am particularly encouraged by the continued strength of the materials operations in the emerging markets of Asia, Latin America, and Eastern Europe,” Scarborough said. “Retail Information Services also delivered solid sales growth and outstanding margin improvement. We expect these businesses, as well as radio frequency identification and other important Horizon initiatives, to play key roles in driving top line growth and improved profitability.”

Additional Second Quarter Financial Highlights From Continuing Operations
(For a more detailed presentation of the Company’s results for the quarter, see *Second Quarter 2006 Financial Review and Analysis*, posted at the Company’s Web site at www.investors.averydennison.com.)

- Core unit volume grew approximately 1 percent compared with the prior year. However, core unit volume growth was an estimated 2.5 percent when adjusted for a shift in the timing of back-to-school orders, the decision to exit certain private label businesses and other comparability considerations. Changes in pricing and product mix contributed approximately 1 point to top line growth.
- Excluding restructuring and asset impairment charges and other items, operating margin improved by 60 basis points. (*See Attachment A-3: “Preliminary Reconciliation of GAAP to Non-GAAP Measures”.)*
- The recognition of stock option expense added approximately $4 million of pre-tax cost compared with the prior year, which reduced operating margin by 30 basis points and reduced after-tax earnings by $0.03 per share.
- The effective tax rate for continuing operations was 22.3 percent, compared to the prior year at 22.6 percent, in line with the Company’s expectations.

Segment Highlights
(See Attachment A-4: “Preliminary Supplementary Information, Reconciliation of GAAP to Non-GAAP Supplementary Information” for adjusted operating margins included below.)

- Pressure-sensitive Materials reported sales of $810 million, up 1 percent from the prior year. Organic sales growth for the segment was 2 percent. Operating margin, before restructuring and asset impairment charges, increased 30 basis points to 9.8 percent.
- Office and Consumer Products sales declined 12 percent to $265 million.

Half of the decline in sales was due to the previously announced divestiture of low-margin filing product lines in Europe. The balance of the decline was due in equal measure to the decision to exit certain low-margin private label business and to a shift in the timing of back-to-school orders compared to last year, which is expected to benefit third quarter comparisons. Operating margin, before restructuring charges and other items, declined 50 basis points to 16.5 percent, due to transition costs associated with the divestiture, which more than offset productivity savings.

- Retail Information Services sales grew 6 percent to $181 million on both a reported and organic basis. Operating margin, before restructuring charges, increased 240 basis points to 12.7 percent.

Outlook for the Year

Reflecting second quarter results, Avery Dennison adjusted its full year guidance for earnings from continuing operations to a range of $3.60 to $3.80 per share before charges associated with ongoing restructuring efforts. The Company previously expected earnings from continuing operations to be in the range of $3.55 to $3.80 per share before restructuring and asset impairment charges. The Company now expects these charges will reduce full year earnings by $0.14 to $0.17 per share, up from the previous estimate of $0.09 to $0.13 per share.

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

Avery Dennison is a global leader in pressure-sensitive labeling materials, office products and retail tag, ticketing and branding systems. Based in Pasadena, Calif., Avery Dennison is a FORTUNE 500 company with 2005 sales of $5.5 billion. Avery Dennison employs more than 22,000 individuals in 48 countries worldwide who apply the Company’s technologies to develop, manufacture and market a wide range of products for both consumer and industrial markets. Products offered by Avery Dennison include Avery-brand office products and graphics imaging media, Fasson-brand self-adhesive materials, peel-and-stick postage stamps, reflective highway safety products, labels for a wide variety of automotive, industrial and durable goods applications, brand identification and supply chain management products for the retail and apparel industries, and specialty tapes and polymers.

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Forward-Looking Statements

Certain information presented in this news release may constitute “forward-looking” statements. These statements and financial or other business targets are subject to certain risks and uncertainties. Actual results and trends may differ materially from historical or expected results depending on a variety of factors, including but not limited to fluctuations in cost and availability of raw materials; ability of the Company to achieve and *sustain targeted cost reductions; foreign currency exchange rates; worldwide and local economic conditions; impact of competitive products and pricing; selling prices; impact of legal proceedings, including the U.S. Department of Justice ("DOJ") criminal investigation, as well as the European Commission ("EC"), Canadian Department of Justice, and Australian Competition and Consumer Commission investigations, into industry competitive practices and any related proceedings or lawsuits pertaining to these investigations or to the subject matter thereof (including purported class actions seeking treble damages for alleged unlawful competitive practices, and purported class actions related to alleged disclosure and fiduciary duty violations pertaining to alleged unlawful competitive practices, which were filed after the announcement of the DOJ investigation, as well as a likely fine by the EC in respect of certain employee misconduct in Europe); impact of potential violations of the U.S. Foreign Corrupt Practices Act based on issues in China; impact of epidemiological events on the economy and the Company's customers and suppliers; successful integration of acquisitions; financial condition and inventory strategies of customers; timely development and market acceptance of new products; fluctuations in demand affecting sales to customers; and other matters referred to in the Company's SEC filings.*

The Company believes that the most significant risk factors that could affect its ability to achieve its stated financial expectations in the near-term include (1) potential adverse developments in legal proceedings and/or investigations regarding competitive activities, including possible fines, penalties, judgments or settlements; (2) the impact of economic conditions on underlying demand for the Company's products; (3) the impact of competitors' actions, including expansion in key markets, product offerings and pricing; (4) the degree to which higher raw material and energy-related costs can be passed on to customers through selling price increases (and previously implemented selling price increases can be sustained), without a significant loss of volume; and (5) the ability of the Company to achieve and sustain targeted cost reductions.

The financial information presented in this news release represents preliminary, unaudited financial results.

For more information and to listen to a live broadcast or an audio replay of the 2nd Quarter conference call with analysts, visit the Avery Dennison Web site at www.investors.averydennison.com

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

	(UNAUDITED)			
	Three Months Ended		Six Months Ended	
	July 01, 2006	July 02, 2005	July 01, 2006	July 02, 2005
Net sales	$ 1,409.7	$ 1,411.7	$ 2,746.9	$ 2,754.5
Cost of products sold	1,016.7	1,023.6	1,998.7	2,014.5
Gross profit	393.0	388.1	748.2	740.0
Marketing, general & administrative expense	251.3	254.5	496.1	508.9
Interest expense	13.6	15.7	28.1	30.2
Other expense, net (1)	4.0	2.1	11.6	5.4
Income from continuing operations before taxes	124.1	115.8	212.4	195.5
Taxes on income	27.7	26.2	47.1	46.8
Income from continuing operations	96.4	89.6	165.3	148.7
Income (Loss) from discontinued operations, net of tax (including gain on disposal of $1.3 and tax benefit of $15.4 in 2006)	15.6	(0.2)	15.4	(1.6)
Net Income	$ 112.0	$ 89.4	$ 180.7	$ 147.1
Per share amounts:				
Income (Loss) per common share, assuming dilution				
Continuing operations	$ 0.96	$ 0.89	$ 1.65	$ 1.48
Discontinued operations	0.16	—	0.15	(0.02)
Net Income	$ 1.12	$ 0.89	$ 1.80	$ 1.46
Average common shares outstanding, assuming dilution	100.4	100.6	100.3	100.6
Common shares outstanding at period end	100.1	100.2	100.1	100.2

Certain prior year amounts have been reclassified to conform with the 2006 financial statement presentation.

(1) Other expense, net, for the second quarter of 2006 includes $6.1 of restructuring costs and asset impairment charges, charitable contribution of $10 to Avery Dennison Foundation, partially offset by gain on sale of investment of ($10.5) and gain from curtailment and settlement of a pension obligation of ($1.6).

Other expense for the second quarter of 2005 includes $2.1 of asset impairment charges and restructuring costs.

Other expense, net, for 2006 YTD includes $13.3 of restructuring costs and asset impairment charges, legal accrual related to a patent lawsuit of $.4 and charitable contribution of $10 to Avery Dennison Foundation, partially offset by gain on sale of investment of ($10.5) and gain from curtailment and settlement of a pension obligation of ($1.6).

Other expense, net, for 2005 YTD includes $8.8 of restructuring costs and asset impairment charges, partially offset by gain on sale of assets of ($3.4).

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Reconciliation of Non-GAAP Financial Measures in Accordance with SEC Regulation G

Avery Dennison reports financial results in accordance with U.S. GAAP, and herein provides some non-GAAP measures. These non-GAAP measures are not in accordance with, nor are they a substitute for, GAAP measures. These non-GAAP measures are intended to supplement the Company's presentation of its financial results that are prepared in accordance with GAAP.

Avery Dennison uses the non-GAAP measures presented to evaluate and manage the Company's operations internally. Avery Dennison is also providing this information to assist investors in performing additional financial analysis that is consistent with financial models developed by research analysts who follow the Company.

The reconciliation set forth below is provided in accordance with Regulations G and S-K and reconciles the non-GAAP financial measures with the most directly comparable GAAP financial measures.

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AVERY DENNISON
PRELIMINARY RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(In millions, except per share amounts)

	(UNAUDITED)			
	Three Months Ended		Six Months Ended	
	July 01, 2006	July 02, 2005	July 01, 2006	July 02, 2005
Reconciliation of GAAP to Non-GAAP Operating Margin:				
Net sales	$ 1,409.7	$ 1,411.7	$ 2,746.9	$ 2,754.5
Income from continuing operations before taxes	$ 124.1	$ 115.8	$ 212.4	$ 195.5
GAAP Operating Margin	**8.8%**	**8.2%**	**7.7%**	**7.1%**
Income from continuing operations before taxes	$ 124.1	$ 115.8	$ 212.4	$ 195.5
Non-GAAP adjustments:				
Restructuring and transition costs (1)	4.7	1.7	10.1	6.5
Asset impairment charges	1.4	1.5	3.2	4.2
Other (2)	(2.1)	—	(1.7)	(3.4)
Interest expense	13.6	15.7	28.1	30.2
Adjusted non-GAAP operating income before taxes and interest expense	$ 141.7	$ 134.7	$ 252.1	$ 233.0
Adjusted Non-GAAP Operating Margin	**10.1%**	**9.5%**	**9.2%**	**8.5%**
Reconciliation of GAAP to Non-GAAP Net Income:				
As reported net income	$ 112.0	$ 89.4	$ 180.7	$ 147.1
Non-GAAP adjustments, net of taxes:				
Restructuring and transition costs	3.6	1.3	7.8	4.9
Asset impairment charges	1.1	1.1	2.5	3.2
Other	(1.6)	—	(1.3)	(2.6)
(Income) Loss from discontinued operations	(15.6)	0.2	(15.4)	1.6
Adjusted Non-GAAP Net Income	$ 99.5	$ 92.0	$ 174.3	$ 154.2
Reconciliation of GAAP to Non-GAAP Earnings Per Share:				
As reported income per common share, assuming dilution	$ 1.12	$ 0.89	$ 1.80	$ 1.46
Non-GAAP adjustments per share, net of taxes:				
Restructuring and transition costs	0.04	0.01	0.08	0.05
Asset impairment charges	0.01	0.01	0.02	0.03
Other	(0.02)	—	(0.01)	(0.03)
(Income) Loss from discontinued operations	(0.16)	—	(0.15)	0.02
Adjusted Non-GAAP income per common share, assuming dilution	$ 0.99	$ 0.91	$ 1.74	$ 1.53
Average common shares outstanding, assuming dilution	100.4	100.6	100.3	100.6

Certain prior year amounts have been reclassified to conform with the 2006 financial statement presentation.

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(1) 2006 QTD includes restructuring costs of $4.7.
2006 YTD includes restructuring costs of $10.1.
2005 QTD includes transition and restructuring costs of $1.1 and $.6, respectively, primarily related to plant closures.
2005 YTD includes restructuring and transition costs of $4.6 and $1.9, respectively, primarily related to plant closures.

(2) 2006 QTD includes gain from curtailment and settlement of a pension obligation of ($1.6) and gain on sale of investment of ($10.5), partially offset by charitable contribution of $10 to Avery Dennison Foundation.
2006 YTD includes gain from curtailment and settlement of a pension obligation of ($1.6) and gain on sale of investment of ($10.5), partially offset by charitable contribution of $10 to Avery Dennison Foundation and legal accrual related to a patent lawsuit of $.4.
2005 YTD includes gain on sale of assets of ($3.4).

AVERY DENNISON
PRELIMINARY SUPPLEMENTARY INFORMATION
(In millions)

(UNAUDITED)
Second Quarter Ended

	NET SALES		OPERATING INCOME		OPERATING MARGINS	
	2006	2005	2006 (1)	2005 (2)	2006	2005
Pressure-sensitive Materials	$ 809.5	$ 798.8	$ 77.4	$ 75.1	9.6%	9.4%
Office and Consumer Products	265.4	300.2	45.3	49.5	17.1%	16.5%
Retail Information Services	181.4	170.6	21.0	17.5	11.6%	10.3%
Other specialty converting businesses	153.4	142.1	4.6	3.0	3.0%	2.1%
Corporate Expense	N/A	N/A	(10.6)	(13.6)	N/A	N/A
Interest Expense	N/A	N/A	(13.6)	(15.7)	N/A	N/A
TOTAL FROM CONTINUING OPERATIONS	$1,409.7	$1,411.7	$ 124.1	$ 115.8	8.8%	8.2%

(1) Operating income for the second quarter of 2006 includes $6.1 of restructuring costs and asset impairment charges, charitable contribution of $10 to Avery Dennison Foundation, partially offset by gain on sale of investment of ($10.5) and gain from curtailment and settlement of a pension obligation of ($1.6); of the total $4, the Pressure-sensitive Materials segment recorded $2.1, the Office and Consumer Products segment recorded ($1.6), the Retail Information Services segment recorded $2, the other specialty converting businesses recorded $.7 and Corporate recorded $.8.

(2) Operating income for the second quarter of 2005 includes $3.2 of asset impairment charges, transition and restructuring costs, of which the Pressure-sensitive Materials segment recorded $1.1, the Office and Consumer Products segment recorded $1.4 and other specialty converting businesses recorded $.7.

Certain prior year amounts have been reclassified to conform with the 2006 financial statement presentation.

RECONCILIATION OF GAAP TO NON-GAAP SUPPLEMENTARY INFORMATION

Second Quarter Ended

	OPERATING INCOME		OPERATING MARGINS	
	2006	2005	2006	2005
Pressure-sensitive Materials				
Operating income, as reported	**$ 77.4**	**$ 75.1**	**9.6%**	**9.4%**
Non-GAAP adjustments:				
Restructuring costs	2.0	0.4	0.2%	—
Asset impairment charges	0.1	0.7	—	0.1%
Adjusted non-GAAP operating income	**$ 79.5**	**$ 76.2**	**9.8%**	**9.5%**
Office and Consumer Products				
Operating income, as reported	**$ 45.3**	**$ 49.5**	**17.1%**	**16.5%**
Non-GAAP adjustments:				
Gain from curtailment and settlement of a pension obligation	(1.6)	—	(0.6%)	—
Restructuring and transition costs (1)	—	1.4	—	0.5%
Adjusted non-GAAP operating income	**$ 43.7**	**$ 50.9**	**16.5%**	**17.0%**
Retail Information Services				
Operating income, as reported	**$ 21.0**	**$ 17.5**	**11.6%**	**10.3%**
Non-GAAP adjustments:				
Restructuring costs	2.0	—	1.1%	—
Adjusted non-GAAP operating income	**$ 23.0**	**$ 17.5**	**12.7%**	**10.3%**
Other specialty converting businesses				
Operating income, as reported	**$ 4.6**	**$ 3.0**	**3.0%**	**2.1%**
Non-GAAP adjustments:				
Restructuring costs	0.7	—	0.5%	—
Asset impairment charges	—	0.7	—	0.5%
Adjusted non-GAAP operating income	**$ 5.3**	**$ 3.7**	**3.5%**	**2.6%**

(1) For 2005, amount includes transition and restructuring costs of $1.1 and $.3, respectively, related to plant closures.

AVERY DENNISON
PRELIMINARY SUPPLEMENTARY INFORMATION
(In millions)

(UNAUDITED)
Six Months Year-to-Date

	NET SALES		OPERATING INCOME		OPERATING MARGINS	
	2006	2005	2006 (1)	2005 (2)	2006	2005
Pressure-sensitive Materials	$1,596.7	$1,584.2	$ 143.3	$ 146.4	9.0%	9.2%
Office and Consumer Products	505.3	558.9	81.1	77.2	16.0%	13.8%
Retail Information Services	335.2	316.4	28.6	21.9	8.5%	6.9%
Other specialty converting businesses	309.7	295.0	10.8	8.1	3.5%	2.7%
Corporate Expense	N/A	N/A	(23.3)	(27.9)	N/A	N/A
Interest Expense	N/A	N/A	(28.1)	(30.2)	N/A	N/A
TOTAL FROM CONTINUING OPERATIONS	$2,746.9	$2,754.5	$ 212.4	$ 195.5	7.7%	7.1%

(1) Operating income for 2006 includes $13.3 of restructuring costs and asset impairment charges, legal accrual related to a patent lawsuit of $.4 and charitable contribution of $10 to Avery Dennison Foundation, partially offset by gain on sale of investment of ($10.5) and gain from curtailment and settlement of a pension obligation of ($1.6); of the total $11.6, the Pressure-sensitive Materials segment recorded $6.1, the Office and Consumer Products segment recorded ($.8), the Retail Information Services segment recorded $4.3, the other specialty converting businesses recorded $.7 and Corporate recorded $1.3.

(2) Operating income for 2005 includes $10.7 of restructuring costs, asset impairment charges and transition costs, partially offset by gain on sale of assets of ($3.4); of the total $7.3, the Pressure-sensitive Materials segment recorded $.4, the Office and Consumer Products segment recorded $6.2 and other specialty converting businesses recorded $.7.

Certain prior year amounts have been reclassified to conform with the 2006 financial statement presentation.

RECONCILIATION OF GAAP TO NON-GAAP SUPPLEMENTARY INFORMATION

Six Months Year-to-Date

	OPERATING INCOME		OPERATING MARGINS	
	2006	2005	2006	2005
Pressure-sensitive Materials				
Operating income, as reported	**$ 143.3**	**$ 146.4**	**9.0%**	**9.2%**
Non-GAAP adjustments:				
Restructuring costs	4.6	0.4	0.3%	0.1%
Asset impairment and lease cancellation charges	1.1	3.4	0.1%	0.2%
Legal accrual related to a patent lawsuit	0.4	—	—	—
Gain on sale of assets	—	(3.4)	—	(0.2%)
Adjusted non-GAAP operating income	**$ 149.4**	**$ 146.8**	**9.4%**	**9.3%**
Office and Consumer Products				
Operating income, as reported	**$ 81.1**	**$ 77.2**	**16.0%**	**13.8%**
Non-GAAP adjustments:				
Gain from curtailment and settlement of a pension obligation	(1.6)	—	(0.3%)	—
Restructuring and transition costs (1)	0.8	6.2	0.2%	1.1%
Adjusted non-GAAP operating income	**$ 80.3**	**$ 83.4**	**15.9%**	**14.9%**
Retail Information Services				
Operating income, as reported	**$ 28.6**	**$ 21.9**	**8.5%**	**6.9%**
Non-GAAP adjustments:				
Restructuring costs	4.0	—	1.2%	—
Asset impairment charges	0.3	—	0.1%	—
Adjusted non-GAAP operating income	**$ 32.9**	**$ 21.9**	**9.8%**	**6.9%**
Other specialty converting businesses				
Operating income, as reported	**$ 10.8**	**$ 8.1**	**3.5%**	**2.7%**
Non-GAAP adjustments:				
Restructuring costs	0.7	—	0.2%	—
Asset impairment charges	—	0.7	—	0.3%
Adjusted non-GAAP operating income	**$ 11.5**	**$ 8.8**	**3.7%**	**3.0%**

(1) For 2006, amount includes restructuring costs of $.8.

For 2005, amount includes restructuring and transition costs of $4.3 and $1.9, respectively, related to plant closures.

AVERY DENNISON
PRELIMINARY CONDENSED CONSOLIDATED BALANCE SHEET
(In millions)

	(UNAUDITED)	
ASSETS	**July 01, 2006**	**July 02, 2005**
Current assets:		
Cash and cash equivalents	$ 49.1	$ 31.0
Trade accounts receivable, net	898.2	896.4
Inventories, net	479.7	471.9
Other current assets	161.9	136.8
Total current assets	1,588.9	1,536.1
Property, plant and equipment, net	1,279.6	1,303.5
Goodwill	684.6	679.3
Intangibles resulting from business acquisitions, net	96.1	105.9
Other assets	588.1	646.2
	$ 4,237.3	$ 4,271.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term and current portion of long-term debt	$ 326.5	$ 182.4
Accounts payable	605.4	613.4
Other current liabilities	507.7	508.9
Total current liabilities	1,439.6	1,304.7
Long-term debt	721.1	976.3
Other long-term liabilities	411.8	438.8
Shareholders' equity:		
Common stock	124.1	124.1
Capital in excess of par value	775.9	697.4
Retained earnings	2,040.3	1,950.8
Accumulated other comprehensive loss	(71.1)	(74.9)
Cost of unallocated ESOP shares	(7.7)	(9.7)
Employee stock benefit trusts	(558.7)	(539.2)
Treasury stock at cost	(638.0)	(597.3)
Total shareholders' equity	1,664.8	1,551.2
	$ 4,237.3	$ 4,271.0

-more-

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

	(UNAUDITED) Six Months Ended	
	July 01, 2006	July 02, 2005
Operating Activities:		
Net income	$ 180.7	$ 147.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	77.9	77.1
Amortization	21.3	23.1
Deferred taxes	3.7	(1.2)
Asset impairment and net (gain) loss on sale of assets	(6.1)	2.5
Other non-cash items, net	6.7	(4.6)
	284.2	244.0
Changes in assets and liabilities	(151.2)	(155.9)
Net cash provided by operating activities	133.0	88.1
Investing Activities:		
Purchase of property, plant and equipment	(80.5)	(76.8)
Purchase of software and other deferred charges	(15.7)	(10.0)
Payments for acquisitions	—	(0.6)
Proceeds from sale of assets	0.9	16.5
Proceeds from sale of businesses and investments	29.3	—
Other	(0.8)	4.1
Net cash used in investing activities	(66.8)	(66.8)
Financing Activities:		
Net (decrease) increase in borrowings (maturities of 90 days or less)	(55.7)	55.2
Additional borrowings (maturities longer than 90 days)	—	76.2
Payments of debt (maturities longer than 90 days)	(1.4)	(134.2)
Dividends paid	(85.7)	(83.9)
Purchase of treasury stock	—	—
Proceeds from exercise of stock options, net	18.6	3.1
Other	8.0	8.4
Net cash used in financing activities	(116.2)	(75.2)
Effect of foreign currency translation on cash balances	0.6	0.1
Decrease in cash and cash equivalents	(49.4)	(53.8)
Cash and cash equivalents, beginning of period	98.5	84.8
Cash and cash equivalents, end of period	$ 49.1	$ 31.0

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Exhibit 99.2

Second Quarter 2006
Financial Review and Analysis

(Unaudited)

July 25, 2006

AVERY DENNISON

Forward-Looking Statements

Certain information presented in this document may constitute "forward-looking" statements. These statements and financial or other business targets are subject to certain risks and uncertainties. Actual results and trends may differ materially from historical or expected results depending on a variety of factors, including but not limited to fluctuations in cost and availability of raw materials; ability of the Company to achieve and sustain targeted cost reductions; foreign currency exchange rates; worldwide and local economic conditions; impact of competitive products and pricing; selling prices; impact of legal proceedings, including the U.S. Department of Justice ("DOJ") criminal investigation, as well as the European Commission ("EC"), Canadian Department of Justice, and Australian Competition and Consumer Commission investigations, into industry competitive practices and any related proceedings or lawsuits pertaining to these investigations or to the subject matter thereof (including purported class actions seeking treble damages for alleged unlawful competitive practices, and purported class actions related to alleged disclosure and fiduciary duty violations pertaining to alleged unlawful competitive practices, which were filed after the announcement of the DOJ investigation, as well as a likely fine by the EC in respect of certain employee misconduct in Europe); impact of potential violations of the U.S. Foreign Corrupt Practices Act based on issues in China; impact of epidemiological events on the economy and the Company's customers and suppliers; successful integration of acquisitions; financial condition and inventory strategies of customers; timely development and market acceptance of new products; fluctuations in demand affecting sales to customers; and other matters referred to in the Company's SEC filings.

The Company believes that the most significant risk factors that could affect its ability to achieve its stated financial expectations in the near-term include (1) potential adverse developments in legal proceedings and/or investigations regarding competitive activities, including possible fines, penalties, judgments or settlements; (2) the impact of economic conditions on underlying demand for the Company's products; (3) the impact of competitors' actions, including expansion in key markets, product offerings and pricing; (4) the degree to which higher raw material and energy-related costs can be passed on to customers through selling price increases (and previously implemented selling price increases can be sustained), without a significant loss of volume; and (5) the ability of the Company to achieve and sustain targeted cost reductions.

The financial information presented in this document represents preliminary, unaudited financial results.

Use of Non-GAAP Financial Measures

This presentation contains certain non-GAAP measures as defined by SEC rules. As required by these rules, we have provided a reconciliation of non-GAAP measures to the most directly comparable GAAP measures, which have been included with the financial statements accompanying the earnings news release for the quarter. *(See Attachments A-2 through A-5 to the news release financial statements.)*

The information in this document has been furnished (not filed) under Form 8-K with the SEC and is posted at the Investors section of our Web site.

Overview

- Productivity improvements drove an 8% increase in GAAP E.P.S. (continuing operations), or a 9% increase before restructuring charges and other items
  - Productivity improvements were reflected in both a higher gross profit margin and a lower operating expense ratio, creating 60 basis points of margin expansion before restructuring charges and other items
  - This result included $7 million of transition costs associated with cost reduction measures and divestitures (50 basis points of operating margin impact), which will be eliminated by year-end
- Net sales were approximately even with the prior year, reflecting product line divestitures and currency translation. Excluding these effects, organic sales grew by 2%
  - Organic sales growth was attributable in roughly equal measures to core unit volume growth and positive changes in pricing and product mix

Overview (continued)

- Unit volume before product line divestitures, exited private label business, and other comparability issues grew by more than 2%, representing the third consecutive quarter of improvement in this underlying trend
  - In particular, unit volume for the roll materials business in North America increased by roughly 1%, a solid improvement for this key business in light of its prior year price-related share loss
  - Service and product advantages expected to drive continued share gain domestically; volume growth expected to accelerate over balance of the year
  - As we reach the anniversary of the share loss and the decision to exit certain private label business, we expect to be in line with our 4% to 6% target for top-line growth
- Compared to a year ago, selling prices were up approx. $10 mil., vs. material cost and energy-related increases of approx. $13 mil.
- Raised estimate of annualized savings from restructuring efforts to $85 to $100 million by year-end (new actions identified)

Management Analysis of Underlying Sales Trends (continuing operations)

	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06
Core volume growth (est.)	1.0%	(1.1)%	(4.6)%	1.6%	0.8%
Comparability adjustments[1]	*(1.0)%*	*0.8%*	*4.6%*	*0.4%*	*1.7%*
"Underlying" volume growth	*0.0%*	*(0.3)%*	*0.0%*	*2.0%*	*2.5%*
Other factors impacting reported sales growth:					
Acquisitions, Net of Divestitures	0.6%	0.3%	0.0%	(0.3)%	(1.4)%
Price/Mix	+ 2%	+ 2%	+ 1%	+ 1%	+ 1%
Currency	3.2%	0.8%	(0.6)%	(2.7)%	(0.3)%
Reported Sales Growth	7.1%	2.0%	(4.5)%	(0.4)%	(0.1)%
Adj. Organic Sales Growth[2]	*2.3%*	*1.7%*	*0.7%*	*3.0%*	*3.2%*

(1) Adjustments for comparability:

Q2-05 -- Shift in timing of back-to-school orders from Q3 to Q2, estimated short-term benefit of competitor plant strike in Europe, and final customer inventory depletions related to 2004 buying ahead of price increase.

Q3-05 -- Shift in timing of back-to-school orders from Q3 to Q2.

Q4-05 -- Extra week of sales and pre-buy activities in 2004 ahead of price increase.

Q1-06 -- Decision to exit certain low margin private label business.

Q2-06 -- Decision to exit certain low margin private label business, shift in timing of back-to-school orders from Q2 to Q3 (return to normal order pattern), prior year short-term benefit of competitor plant strike in Europe.

(2) Reported Sales Growth less the impacts of foreign currency translation, acquisition and divestitures, and comparability adjustments

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Margin Analysis (continuing operations)

	Q2-06	Q2-05	Q1-06
Gross Profit Margin (Total Company)	27.9%	27.5%	26.6%
Operating Margin*:			
Pressure-Sensitive Materials	9.8%	9.5%	8.9%
Office and Consumer Products	16.5%	17.0%	15.3%
Retail Information Services	12.7%	10.3%	6.4%
Other Specialty Converting	3.5%	2.6%	4.0%
Total Company	10.1%	9.5%	8.3%
Impact of RFID on reported margin:	*(0.6)%*	*(0.6)%*	*(0.6)%*
Total Company Excluding RFID	10.7%	10.1%	8.9%

* Earnings before interest and taxes, excluding restructuring and asset impairment charges and other items detailed in Attachments A-4 and A-5 of financial tables.

Key Factors Impacting Margin

- Gross profit margin increased 40 basis points compared with prior year to 27.9%
  - Improvement from productivity gains (160 b.p.) was partially offset by:
    - » Transition costs associated with restructuring and divestitures (25 b.p.)
    - » Material cost and energy-related inflation in excess of associated selling price increases (20 b.p.)
    - » Margin compression effect associated with selling price pass-through of raw material inflation, segment mix, and general inflation (70 b.p. combined impact)
  - Sequential improvement (130 b.p.) reflects normal seasonal trend
- Marketing, general and administrative (MG&A) expense ratio improved 20 basis points compared with prior year to 17.8%
  - Absolute MG&A spending decreased by $3 mil. vs. prior year
    - » Restructuring and other productivity savings more than offset $8 mil. of higher costs related to stock options and other employee-related expenses
  - Sequentially, MG&A expense ratio improved by 50 b.p.

Stock Option Expense

	Q2-06			Estimated FY 2006	
	Pre-Tax Expense ($ mil.)	*Margin Impact*	E.P.S.	Pre-Tax Expense ($ mil.)	E.P.S.
Corporate	1.7	*n/a*		7.5	
Pressure-Sensitive Materials	0.4	*~ 5 b.p.*		4.4	
Office & Consumer Products	0.8	*~ 30 b.p.*		2.6	
Retail Information Services	0.5	*~ 30 b.p.*		2.2	
Other Specialty Converting	0.6	*~ 40 b.p.*		2.4	
Total	4.0	*~ 30 b.p.*	$0.03	19.1	$0.12

Raw Material Update

- Paper-based commodities represent largest category of raw materials, representing approx. 45-50% of total spend
- Large share of raw material purchases tied to oil based commodities:
  - Plastic films and resins – polypropylene, polyethylene, polyester, and vinyls, among others – represent approx. 25% of total spend
  - Chemicals represent approx. 15% of total spend
- Anticipate raw material inflation of approximately 2% in 2006 ($50 to $60 million)
- Recently implemented and anticipated price increases are expected to cover higher costs

Restructuring Summary
(Continuing Operations)

($ in millions, except as noted)

	TOTAL	Pressure Sensitive Materials	Office & Consumer Products	Retail Information Services	Other Specialty Converting	Corporate/ Other
Total Annualized Savings When Complete	**85 - 100**	**25 - 33**	**5 - 6**	**15 - 19**	**5 - 7**	**~ 35**
2006 estimated transition costs	*15 - 20*	*9 - 12*	*5 - 7*	*1*		
Estimated 2006 Realized Savings	65 - 70					
Estimated 2006 Savings, Net Of Transition Costs	45 - 50					
Q4-05/YTD 2006 Actions						
Restructuring Charges*						
Severance	36.5	19.7	2.4	9.6	1.9	2.9
Asset impairment	16.4	3.3	3.7	1.8	1.2	6.4
Other	0.7	0.3		0.4		
Total, Restructuring Charges	53.6	23.3	6.1	11.8	3.1	9.3
Divestiture-Related Charges	13.6		10.7		2.9	
Total	67.2	23.3	16.8	11.8	6.0	9.3
Headcount reductions (approx. # of FTEs)	**933**	**405**	**147**	**248**	**48**	**85**

* Anticipate an additional $8 to $11 mil. in charges to be incurred in second half 2006 to achieve targeted savings. Approx. 65% of total costs represent cash charges.

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Q2-2006 Segment Overview

PRESSURE-SENSITIVE MATERIALS

- Reported sales of $810 mil., up 1% compared with prior year
  - Organic sales growth of approx. 2%
- Change in sales for roll materials business by region, *adjusted for the effect of currency translation:*
  - Low single-digit growth in North America (about 4 points of sequential improvement)
  - Low single-digit decline in Europe (roughly flat when adjusted for prior year short-term benefit of competitor plant strike)
  - Double-digit growth in Asia
  - Low single-digit growth in Latin America
- Graphics & Reflective business grew at mid single-digit rate before currency
- Excluding restructuring and asset impairment charges, operating margin increased by 30 basis points to 9.8%

Q2-2006 Segment Overview (continued)

OFFICE AND CONSUMER PRODUCTS

- Reported sales of $265 mil., down approx. 12% compared with prior year
  - Half of the sales decline due to the divestiture of filing product lines in Europe
  - Balance of decline due in equal measure to the decision to exit certain private label business in the U.S. and to a shift in timing of back-to-school orders compared to the prior year
- Excluding restructuring charges and other items, operating margin declined 50 basis points to 16.5%
  - Benefit of productivity initiatives was more than offset by introduction of 2006 transition costs associated with European product line divestitures and stock option expense

Q2-2006 Segment Overview (continued)

RETAIL INFORMATION SERVICES

- **Reported sales of $181 mil., up 6% compared with prior year**
  - Increase primarily due to core unit volume growth, reflecting rapid growth of Heat Transfer and other product lines
  - Organic sales growth of approx. 6%
- **Excluding restructuring charges, operating margin increased by 240 basis points to 12.7%**
  - Improvement reflects restructuring and other productivity initiatives, including movement of manufacturing from higher cost Hong Kong facility into lower cost operations in mainland China; 2006 results were negatively impacted by stock option expense

OTHER SPECIALTY CONVERTING

- **Reported sales of $153 mil., up approx. 8% compared with prior year**
  - Organic sales growth of approx. 10%, driven by Specialty Tapes business
- **Operating margin before restructuring and asset impairment charges increased by 90 basis points to 3.5%, reflecting restructuring savings and other productivity improvement efforts which more than offset higher energy-related costs and stock option expense**

Second Quarter Balance Sheet and YTD Cash Flow

Millions, except as noted	2006	2005
Cash flow from operations(1)	$ 133.0	$ 88.1
Payment for capital expenditures	$ 80.5	$ 76.8
Payment for software	$ 15.7	$ 10.0
Free Cash Flow(2)	$ 36.8	$ 1.3
Dividends	$ 85.7	$ 83.9
Total debt to total capital	38.6%	42.8%

(1) Impact of extra week in Q4-04 shifted an estimated $70 mil. of cash out of 2005 into 2004

(2) Cash flow from operations less payment for capital expenditures and software

2006 Earnings Guidance: Key Considerations

- Factors contributing to earnings growth:
  - Improvement in underlying growth rate
    - Core volume up 3-5% *(second half volume up 4-6%)*
    - 2% sales decline from product line divestitures and exited private label business
    - Price/mix expected to add 1%
    - Full year impact of currency translation will be negligible assuming continuation of current rates through balance of year
  - Estimated $45 to $50 mil. in pre-tax restructuring savings, net of transition costs
  - Reduction in pre-tax loss from development of RFID business of $2 - $7 mil.
- Offsetting factors:
  - After-tax stock option expense of $0.12 per share
  - Incremental after-tax pension expense (related to discount rate) of $0.04 per share
  - Reinvestment of portion of restructuring savings (e.g., incremental marketing spend of $10 to $15 mil. to support growth of Printable Media products)
  - Higher effective tax rate

2006 Earnings Guidance

- Key Assumptions:
  - Reported revenue up 2% to 4%, with negligible impact from currency
  - Raw material inflation of approximately 2% in 2006 ($50 to $60 million)
  - Operating margin (incl. RFID and stock option expense) of 9% to 10%
  - Interest expense of $55 to $60 million
  - Tax rate in the range of 20% to 23%
- Earnings per share from continuing operations before restructuring charges: $3.60 to $3.80 (updated July 25, 2006) – *up from previous estimate of $3.55 to $3.80*
  - Current estimate for full year restructuring charges: $0.14 to $0.17 per share – *up from previous estimate of $0.09 to $0.13*
  - Total annualized savings target raised to $85 to $100 million – *up from previous estimate of $80 to $90 million*

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