UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 29, 1997

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	95-1492269
(State or other jurisdiction of incorporation or organization)	(I.R.S. 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 (818) 304-2000

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

Number of shares of $1 par value common stock outstanding as of April 25, 1997: 120,850,132

AVERY DENNISON CORPORATION
AND SUBSIDIARIES

INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION
AVERY DENNISON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(Dollars in millions)
(Unaudited)

	March 29, 1997	December 28, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5.5	$ 3.8
Trade accounts receivable, net	463.3	448.5
Inventories, net	236.8	244.4
Prepaid expenses	20.9	17.8
Other current assets	85.9	90.0
Total current assets	812.4	804.5
Property, plant and equipment, at cost	1,738.8	1,767.9
Accumulated depreciation	(797.8)	(805.2)
	941.0	962.7
Intangibles resulting from business acquisitions, net	131.7	135.9
Other assets	134.3	133.6
	$2,019.4	$2,036.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	$ 97.3	$ 96.2
Accounts payable	215.0	230.7
Other current liabilities	319.5	367.0
Total current liabilities	631.8	693.9
Long-term debt	394.6	370.7
Deferred taxes and other long-term liabilities	177.6	140.1
Shareholders' equity:		
Common stock - $1 par value:		
Authorized - 200,000,000 shares; Issued - 124,126,624 shares at March 29, 1997 and December 28, 1996	124.1	124.1
Capital in excess of par value	540.2	475.4
Retained earnings	973.2	945.6
Cumulative foreign currency translation adjustment	2.8	28.3
Cost of unallocated ESOP shares	(29.7)	(29.4)
Minimum pension liability	(0.2)	(0.2)
Employee stock benefit trust, 17,588,646 shares at March 29, 1997 and 17,959,358 shares at December 28, 1996	(707.9)	(644.3)
Treasury stock at cost, 3,080,692 shares at March 29, 1997 and 2,551,808 shares at December 28, 1996	(87.1)	(67.5)
Total shareholders' equity	815.4	832.0
	$2,019.4	$2,036.7

See Notes to Consolidated Financial Statements

AVERY DENNISON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(In millions, except per share amounts)
(Unaudited)

	Quarter Ended	
	March 29, 1997	March 30, 1996
Net Sales	$828.9	$796.6
Cost of products sold	566.0	549.9
Gross profit	262.9	246.7
Marketing, general and administrative expense	180.3	175.3
Interest expense	8.5	8.9
Income before taxes	74.1	62.5
Taxes on income	25.9	22.5
Net income	$ 48.2	$ 40.0
PER SHARE AMOUNTS:		
Net income per common share	$ 0.47	$ 0.38
Net income per fully-diluted common share	0.45	0.37
Dividends	0.17	0.15
AVERAGE SHARES OUTSTANDING:		
Common shares	103.5	105.8
Fully-diluted common shares	106.8	108.6

See Notes to Consolidated Financial Statements

AVERY DENNISON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In millions)
(Unaudited)

	Quarter Ended	
	March 29, 1997	March 30, 1996
OPERATING ACTIVITIES:		
Net income	$ 48.2	$ 40.0
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	26.0	24.9
Amortization	2.8	2.6
Deferred taxes	1.7	6.4
Net change in assets and liabilities, net of the effect of foreign currency translation	(42.4)	(74.6)
Net cash provided by (used in) operating activities	36.3	(0.7)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(31.7)	(38.3)
Proceeds from sale of assets	5.0	3.8
Other	1.5	2.4
Net cash used in investing activities	(25.2)	(32.1)
FINANCING ACTIVITIES:		
Net increase in short-term debt	82.2	49.7
Net decrease in long-term debt	(52.0)	(0.1)
Dividends paid	(20.7)	(15.9)
Purchase of treasury stock	(19.6)	(25.1)
Other	0.9	2.5
Net cash (used in) provided by financing activities	(9.2)	11.1
Effect of foreign currency translation on cash balances	(0.2)	--
Increase (decrease) in cash and cash equivalents	1.7	(21.7)
Cash and cash equivalents, beginning of period	3.8	27.0
Cash and cash equivalents, end of period	$ 5.5	$ 5.3

See Notes to Consolidated Financial Statements

AVERY DENNISON CORPORATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. GENERAL

The accompanying unaudited consolidated financial statements include normal recurring adjustments necessary for a fair presentation of the Company's interim results. Certain prior year amounts have been reclassified to conform with current year presentation. The condensed financial statements and notes in this Form 10-Q are presented as permitted by Regulation S-X, and as such, they do not contain certain information included in the Company's 1996 annual financial statements and notes.

The first quarters of 1997 and 1996 consisted of thirteen-week periods ending March 29, 1997 and March 30, 1996, respectively. The interim results of operations are not necessarily indicative of future financial results.

2. FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies and translation of financial statements operating in hyperinflationary economies, Brazilian operations for 1997 and 1996 and Mexican operations for 1997, resulted in losses of $.6 million for the first quarters ended 1997 and 1996.

3. INVENTORIES

Inventories consisted of (in millions):

	March 29, 1997	December 28, 1996
Raw materials	$ 79.3	$ 82.7
Work-in-progress	70.5	72.4
Finished goods	120.1	123.4
LIFO adjustment	(33.1)	(34.1)
	$236.8	$244.4

4. INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS

Accumulated amortization of intangible assets at March 29, 1997 and December 28, 1996 was $45.6 and $46.6 million, respectively.

5. RESEARCH AND DEVELOPMENT

Research and development expense for the first quarters of 1997 and 1996 was $14.5 million and $13.3 million, respectively.

6. CONTINGENCIES

The Company has been designated by the U.S. Environmental Protection Agency (EPA) and/or other responsible state agencies as a potentially responsible party (PRP) at 17 waste disposal or waste recycling sites which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination and for which no settlement of the Company's liability has been agreed upon. Litigation has been initiated by a governmental authority with respect to four of these sites, but the Company does not believe that any such proceedings will result in the imposition of monetary sanctions. The Company is participating with other PRPs at all such sites, and anticipates that its share of cleanup costs will be determined pursuant to remedial agreements entered into in the normal course of negotiations with the EPA or other governmental authorities.

The Company has accrued liabilities for all sites, including sites in which governmental agencies have designated the Company as a PRP, where it is probable that a loss will be incurred and the minimum cost or amount of loss can be reasonably estimated. However, because of the uncertainties associated with environmental assessment and remediation activities, future expense to remediate the currently identified sites, and sites which could be identified in the future for cleanup, could be higher than the liability currently accrued. Based on current site assessments, management believes that the potential liability over the amounts currently accrued would not materially affect the Company.

The Company and its subsidiaries are involved in various other lawsuits, claims and inquiries, most of which are routine to the nature of the business. In the opinion of management, the resolution of these matters will not materially affect the Company.

7. NET INCOME PER SHARE

Net income per common share is computed by dividing net income by the weighted-average number of common shares outstanding. Common share equivalents outstanding were excluded from the computation as they were not dilutive. Net income per fully-diluted common share is computed by dividing net income by the weighted-average number of common shares and common share equivalents outstanding. Common share equivalents include shares issuable upon the assumed exercise of outstanding stock options.

8. SUBSEQUENT EVENTS

On April 24, 1997, the shareholders approved an amendment to the Company's Certificate of Incorporation to increase the number of authorized common shares which may be issued from 200 million to 400 million.

9. NEW ACCOUNTING STANDARDS

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share" (EPS). The standard will require the Company to present both "basic" and "diluted" EPS. The new requirements will be effective the fourth quarter of 1997; earlier adoption is not allowed. At the present time, the impact of the new standard is not expected to be material.

RESULTS OF OPERATIONS: FOR THE QUARTER

Quarterly sales increased to $828.9 million, a 4.1 percent increase over first quarter 1996 sales of $796.6 million. Excluding changes in foreign currency rates, sales increased 5.6 percent.

The gross profit margin increased to 31.7 percent for the quarter compared to 31 percent for the first quarter of 1996. The improvement was due to new products, a better product mix and increased capacity utilization.

Marketing, general and administrative expense, as a percent of sales, declined to 21.8 percent from 22 percent for the first quarter of 1996 primarily due to continued cost control.

Interest expense decreased to $8.5 million for the quarter compared to $8.9 million a year ago due to lower interest rates. Income before taxes, as a percent of sales, increased to 8.9 percent from 7.8 percent a year ago primarily as a result of improved gross profit margins. The effective tax rate was 35 percent for the first quarter of 1997 compared to 36 percent for the first quarter of 1996.

Net income increased 21 percent to $48.2 million compared to $40 million in the first quarter of 1996. Net income, as a percent of sales, increased to 5.8 percent from 5 percent a year ago. Net income per common share for the quarter was $.47 compared to $.38 in the same period last year, a 24 percent increase. Net income per fully-diluted common share was $.45 for the first quarter of 1997 and $.37 for the first quarter of 1996, a 22 percent increase year over year.

Results of Operations by Business Sector

The Pressure-sensitive adhesives and materials sector reported increased sales and profitability for the first quarter of 1997 compared to the same period last year. The U.S. operations reported sales and profitability growth for the quarter led by increased sales volume in its film businesses. The international businesses reported increased sales led by higher unit volume and geographic expansion, which was partially offset by changes in foreign currency rates. Profitability also increased internationally.

The Consumer and converted products sector also reported increased sales and profitability for the quarter. Increased sales in the U.S. operations were led by sales growth of its Avery-brand products and at its on-battery label business. Profitability improved primarily as a result of new products, an improved mix in business and benefits from restructuring. Sales for the international businesses were impacted by changes in foreign currency rates and sales declines at certain European operations. Profitability for the international businesses declined primarily due to operations in France and decreased sales at selected European operations due to the softness of certain economies.

FINANCIAL CONDITION

Average working capital, excluding short-term debt, as a percentage of sales, decreased to 8.4 percent from 10 percent a year ago. The decrease was primarily due to a reduction in the average number of days sales outstanding in accounts receivable and an increase in current liabilities. The average number of days sales outstanding in accounts receivable declined to 51 days compared to 55 days a year ago; average inventory turns for the first quarter of 1997 and 1996 was 9.6 turns.

Net cash flows provided by operating activities totaled $36.3 million for the first quarter of 1997 compared to $.7 million in net cash flows used in operating activities for the first quarter of 1996. The increase in net cash flows provided by operating activities is primarily due to a change in working capital requirements and the Company's improved profitability.

Capital spending for the quarter was $31.7 million compared to $38.3 million a year ago. Total capital spending for 1997 is expected to be approximately $180 to $200 million. In addition to cash flows from operations, the Company has more than adequate financing arrangements to conduct its operations.

During the first quarter of 1997, total debt increased $25 million to $491.9 million from year end 1996. During the fourth quarter of 1996, the Company registered with the Securities and Exchange Commission, $150 million in principal amount of medium-term notes. As of the end of the first quarter of 1997, no notes had been issued. Proceeds from the medium-term notes, if issued, will be used to reduce debt and for other general corporate purposes.

Shareholders' equity decreased to $815.4 million from $832 million at year end 1996. During the first quarter of 1997, the Company purchased 529,000 shares of common stock at a cost of $19.6 million. The value of shares held in the employee stock benefit trust, net of shares reissued under the Company's stock and incentive plans and adjusted for fair market value, increased during the quarter by $63.6 million to $707.9 million from year end 1996. Total debt to total capital was 37.6 percent as of the end of the first quarter of 1997 and 35.9 percent at year end 1996.

During the first quarter of 1997, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". The standard revised the guidelines for recognition, measurement and disclosure of transfers and servicing of financial assets and extinguishment of debt. The Company's implementation of the new standard had no effect on the first quarter 1997 financial statements.

FUTURE ACCOUNTING REQUIREMENTS

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share" (EPS). The standard will require the Company to present both "basic" and "diluted" EPS. The new requirements will be effective beginning the fourth quarter of 1997; earlier adoption is not allowed. At the present time, the impact of the new standard is not expected to be material.

SAFE HARBOR STATEMENT

The matters described or referred to in this Form 10-Q include forward-looking statements regarding future events. Factors which could cause actual results to differ materially from those projected include risks and uncertainties relating to investment in new production facilities, timely development and successful marketing of new products, impact of competitive products and pricing, fluctuations in foreign exchange rates, general economic conditions, and other factors, including those described or referred to in the Company's SEC filings, including its Form 10-K for the year ended December 28, 1996.

PART II. OTHER INFORMATION
AVERY DENNISON CORPORATION
AND SUBSIDIARIES

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The registrant held its annual stockholders' meeting on April 24, 1997. The stockholders voted to reelect three directors to the Board of Directors as follows:

	Number of Shares Votes/1/	
	For	Withheld
John C. Argue	106,540,835	1,832,837
Sidney R. Petersen	106,644,745	1,828,927
John B. Slaughter	106,540,649	1,833,023

/1/There were no abstentions or shares otherwise not voted by brokers.

The result of the voting on the following additional item was as follows:

	For	Against	Abstained	Broker Non-Votes
Amendment to the Company's Certificate of Incorporation to increase the number of authorized common shares from 200 million to 400 million	99,423,716	8,534,978	414,978	--

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits:
   3 Amendment to Certificate of Incorporation, filed April 10, 1984 with Office of Delaware Secretary of State
   11 Computation of Net Income Per Share Amounts
   12 Computation of Ratio of Earnings to Fixed Charges
   27 Financial Data Schedule

b. Reports on Form 8-K: There were no reports on Form 8-K filed for the three months ended March 29, 1997.

SIGNATURES

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

AVERY DENNISON CORPORATION
(Registrant)

/s/ R. Gregory Jenkins

R. Gregory Jenkins
Senior Vice President, Finance, and
Chief Financial Officer
(Principal Financial Officer)

/s/ Thomas E. Miller

Thomas E. Miller
Vice President and Controller
(Chief Accounting Officer)

May 9, 1997

AVERY DENNISON CORPORATION
Amendment to Certificate of Incorporation, filed April 10, 1984
with Office of Delaware Secretary of State

ARTICLE IV

(a) The Corporation is authorized to issue two classes of shares to be designated, respectively, "Common Stock" and "Preferred Stock". The total number of shares which the Corporation shall have authority to issue is Four Hundred Five Million (405,000,000) shares, and the aggregate par value of all shares which are to have a par value is Four Hundred Five Million Dollars ($405,000,000). The total number of shares of Preferred Stock which the Corporation shall have authority to issue is Five Million (5,000,000) shares, and the par value of each share of Preferred Stock is One Dollar ($1.00). The total number of shares of Common Stock which the Corporation shall have authority to issue is Four Hundred Million (400,000,000) shares, and par value of each share of Common Stock is One Dollar ($1.00).

EXHIBIT 3

AVERY DENNISON CORPORATION
COMPUTATION OF NET INCOME PER SHARE AMOUNTS
(In millions, except per share amounts)

	Quarter Ended	
	March 29, 1997	March 30, 1996
(A) Weighted average number of common shares outstanding	103.5	105.8
Additional common shares issuable under employee stock options using the treasury stock method	3.3	2.8
(B) Weighted average number of common shares outstanding assuming the exercise of stock options	106.8	108.6
(C) Net income applicable to common stock	$ 48.2	$ 40.0
Net income per share as reported (C / A)	$ 0.47	$ 0.38
Net income per share giving effect to the exercise of outstanding stock options (C / B)	$ 0.45	$ 0.37

Exhibit 11

AVERY DENNISON CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in Millions)

	Three Months Ended	
	March 29, 1997	March 30, 1996
Earnings:		
Income before taxes	$74.1	$62.5
Add: Fixed Charges*	13.1	13.4
Amortization of capitalized interest	1.3	1.2
Less: Capitalized interest	(0.8)	(0.8)
	$87.7	$76.3
*Fixed Charges:		
Interest expense	$ 8.5	$ 8.9
Capitalized interest	0.8	0.8
Amortization of debt issuance costs	0.1	0.1
Interest portion of leases	3.7	3.6
	$13.1	$13.4
Ratio of Earnings to Fixed Charges	6.7	5.7

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

Exhibit 12

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED STATEMENT OF INCOME AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

3-MOS
DEC-27-1997
DEC-29-1997
MAR-29-1997
5,500
0
463,300
0
236,800
812,400
1,738,800
797,800
2,019,400
631,800
394,600
0
0
124,100
691,300
2,019,400
828,900
828,900
566,000
566,000
180,300
0
8,500
74,100
25,900
48,200
0
0
0
48,200
.47
.45

Accounts receivable are shown net of any allowances.