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 July 2, 1994

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 (X) 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 July 29, 1994: 55,353,399

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)

	July 2, 1994	January 1, 1994
ASSETS		
Current assets:		
Cash and cash equivalents	$ .9	$ 5.8
Trade accounts receivable	419.6	356.7
Inventories	214.9	184.1
Prepaid expenses	15.9	13.5
Deferred taxes and other current assets	56.4	54.5
Total current assets	707.7	614.6
Property, plant and equipment, at cost	1,467.4	1,412.7
Accumulated depreciation	(693.5)	(654.2)
	773.9	758.5
Intangibles resulting from business acquisitions, net	129.4	129.2
Other assets	135.6	136.7
	$1,746.6	$1,639.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	$ 79.4	$ 86.5
Accounts payable	162.9	140.8
Accrued liabilities	255.5	245.7
Total current liabilities	497.8	473.0
Long term debt	347.7	311.0
Deferred taxes and other long-term liabilities	153.5	135.9
Shareholders' equity:		
Common stock - $1 par value: Authorized - 200,000,000 shares; Issued - 62,063,312 shares at July 2, 1994 and January 1, 1994	62.1	62.1
Capital in excess of par value	194.6	194.4
Retained earnings	724.9	698.9
Cumulative foreign currency translation adjustment	8.7	(10.1)
Cost of unallocated ESOP shares	(52.7)	(53.2)
Minimum pension liability	(8.9)	(8.9)
Treasury stock at cost, 6,436,685 shares at July 2, 1994 and 5,869,683 shares at January 1, 1994	(181.1)	(164.1)
Total shareholders' equity	747.6	719.1
	$1,746.6	$1,639.0

See Notes to Consolidated Financial Statements

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

	Three Months Ended		Six Months Ended	
	July 2, 1994	July 3, 1993	July 2, 1994	July 3, 1993
Net Sales	$718.6	$662.2	$1,386.3	$1,328.7
Cost of products sold	490.9	455.0	946.1	911.5
Gross profit	227.7	207.2	440.2	417.2
Marketing, general and administrative expense	171.5	161.2	332.5	325.6
Operating profit	56.2	46.0	107.7	91.6
Interest expense	11.9	10.4	23.4	20.2
Income before taxes on income	44.3	35.6	84.3	71.4
Taxes on income	16.4	12.8	31.2	26.4
Income before cumulative effect of changes in accounting principles	27.9	22.8	53.1	45.0
Cumulative effect of changes in accounting principles	--	--	--	1.1
Net income	$ 27.9	$ 22.8	$ 53.1	$ 46.1
Weighted average number of common shares outstanding	56.0	58.5	56.1	58.6
PER COMMON SHARE AMOUNTS:				
Income before cumulative effect of changes in accounting principles	$ .50	$ .39	$ .95	$ .77
Cumulative effect of changes in accounting principles	--	--	--	.02
Net income	$ .50	$ .39	$ .95	$ .79
Dividends	$ .24	$ .22	$ .48	$ .44

See Notes to Consolidated Financial Statements

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

	Six Months Ended	
	July 2, 1994	July 3, 1993
OPERATING ACTIVITIES:		
Net income	$ 53.1	$ 46.1
Depreciation	42.5	40.8
Amortization of intangibles	6.4	4.6
Deferred taxes and other long-term liabilities	20.7	5.0
Cumulative effect of changes in accounting principles	--	(1.1)
Net change in assets and liabilities net of the effect of foreign currency translation and divested operations	(65.2)	(33.0)
Net cash provided by operating activities	57.5	62.4
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(52.6)	(38.4)
Proceeds from sale of assets and business divestitures	11.8	.5
Other	(.3)	(.1)
Net cash used in investing activities	(41.1)	(38.0)
FINANCING ACTIVITIES:		
Net increase in debt	26.4	25.1
Dividends paid	(27.0)	(25.8)
Purchase of treasury stock	(20.6)	(27.2)
Net cash used by financing activities	(21.2)	(27.9)
Effect of foreign currency translation on cash balances	(.1)	--
Decrease in cash and cash equivalents	(4.9)	(3.5)
Cash and cash equivalents, beginning of period	5.8	3.9
Cash and cash equivalents, end of period	$ .9	$ .4

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 to the current period's 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 1993 annual financial statements and notes.

The second quarters of 1994 and 1993 consisted of thirteen-week periods ending July 2, 1994 and July 3, 1993, 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 of subsidiaries operating in hyperinflationary economies during the three and six months ended July 2, 1994 and July 3, 1993 resulted in losses of $.7 million and $2.1 million, respectively, during 1994 and losses of $.9 million and $1.9 million, respectively, during 1993.

3. INVENTORIES

Inventories consisted of (in millions):

	July 2, 1994	January 1, 1994
Raw materials	$ 80.7	$ 75.7
Work in progress	49.4	43.2
Finished goods	121.8	101.9
LIFO adjustment	(37.0)	(36.7)
	$214.9	$184.1

Certain inventories were reduced resulting in the liquidation of LIFO inventory. The effect was to reduce cost of products sold by approximately $2.5 million and $3.5 million for the three and six months ended July 3, 1993, respectively. The liquidation of LIFO inventory was not material for the three and six months ended July 2, 1994.

4. INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS

Accumulated amortization of intangible assets at July 2, 1994 and January 1, 1994 was $33.0 million and $30.4 million, respectively.

5. RESEARCH AND DEVELOPMENT

Research and development expense for the three and six months ended July 2, 1994 and July 3, 1993, was $12.3 million and $23.8 million, respectively, during 1994 and $12.5 million and $24.1 million, respectively, during 1993.

6. CHANGES IN ACCOUNTING PRINCIPLES

During the first quarter of 1993, the Company adopted three accounting standards issued by the Financial Accounting Standards Board which had a one-time cumulative effect on net income of (in millions):

	Income (Expense)
Accounting for Income Taxes (SFAS No. 109)	$ 16.3
Accounting for Postretirement Benefits (SFAS No. 106)	(14.2)
Accounting for Postemployment Benefits (SFAS No. 112)	(1.0)
Increase in Net Income	$ 1.1

AVERY DENNISON CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

During the first six months of 1994, total debt increased $29.6 million to $427.1 million. Total debt to total capital was 36.4 percent at July 2, 1994 and 35.6 percent at year end 1993.

During the first quarter of 1994, the Company registered with the Securities and Exchange Commission $100 million in principal amount of medium-term notes. As of August 11, 1994, the Company had issued $80.0 million of these notes, in increments of $500,000 to $10.0 million. The medium-term notes have an average interest rate of 7.7 percent and will mature during 2004.

Average working capital, excluding short-term debt, as a percentage of sales decreased to 11.1 percent compared to 13.7 percent in the second quarter of 1993. The decrease was primarily due to an improvement in inventory turnover and higher sales and current liabilities. Average inventory turnover for the quarter ended July 2, 1994 was 9.1 compared to 8.3 in the corresponding period of the prior year; the average number of days sales outstanding in accounts receivable was 57 days for the second quarter of both 1994 and 1993.

Net cash provided by operating activities during the first six months of 1994 was $57.5 million compared to $62.4 million in the corresponding period of 1993. The decrease in net cash flow from operating activities was due primarily to changes in various components of working capital. In addition to cash flow from operations, the Company has more than adequate financing arrangements available to conduct its business.

Capital spending for the second quarter was $33.4 million compared to $22.9 million a year ago. For the six months, capital spending totalled $52.6 million compared to $38.4 million for the first half of 1993. Total capital spending for 1994 is expected to be between $130.0 million to $140.0 million.

Shareholders' equity increased to $747.6 million from $719.1 million at year end 1993. During the second quarter of 1994, the Company repurchased 634,000 shares. The cost of treasury stock held, net of shares reissued under the Company's stock option and incentive plans, increased $17.0 million to $181.1 million at July 2, 1994 from year end 1993.

Results of Operations: For the Quarter

Sales for the second quarter of 1994 were up 9 percent compared to the corresponding period of 1993. Excluding the impact of foreign currency translation, sales increased 10 percent.

The gross profit margin for the quarter was 31.7 percent compared to 31.3 percent for the second quarter of 1993. The gross profit margin increased despite the absence of benefits from LIFO inventory reductions in the second quarter of 1994 compared to the same period a year ago. The improved gross profit margin was primarily due to productivity improvements throughout the Company and an improved product mix.

Marketing, general and administrative expense, as a percent of sales, declined to 23.9 percent for the second quarter of 1994, compared to 24.3 percent for the second quarter of 1993. The decrease was primarily attributable to cost reduction efforts throughout the Company on increased sales.

Results of Operations: For the Quarter (Continued)

Interest expense, as a percent of sales, was 1.7 percent compared to 1.6 percent during the second quarter of 1993. The increase was primarily due to higher interest expense in Brazil.

Income before taxes, as a percent of sales, was 6.2 percent for the current quarter and 5.4 percent for the second quarter of 1993. The increase was primarily due to improved gross profit margins and lower operating expenses as a percent of sales. The effective tax rate for the quarter was 37 percent compared to 36 percent for the second quarter of 1993.

Net income was $27.9 million, or $.50 per share, compared to $22.8 million, or $.39 per share, for the second quarter of 1993. Improvements for the quarter were primarily a result of increased sales and lower operating expenses as a percent of sales.

The pressure-sensitive adhesives and materials sector reported solid sales and significant profitability improvements over the corresponding period of the prior year. The U.S. materials businesses reported significant sales and profitability increases for the quarter. The increases were primarily due to unit volume and revenue growth as a result of new products, improved economic conditions in major markets, and cost reduction programs. The European materials businesses experienced solid sales growth which was partially offset by the effects of foreign currency translation; profitability increased significantly for the quarter. The European operations benefitted from pricing actions, productivity improvements and cost reduction programs.

The office products sector reported a solid increase in sales and a decline in profitability from the second quarter of 1993. Solid sales growth for the U.S. office product businesses was primarily attributable to new product introductions and the impact from successful promotional programs introduced over the past 12 months. A decline in profitability at the U.S. businesses was primarily due to the absence of benefits from LIFO inventory reductions in 1994 as compared to 1993 and costs related to the divestiture of a non-core business unit. The European businesses reported lower profitability and significantly lower sales due primarily to the pruning of non-core products and costs related to the shut down of a non-core business. The impact of lower sales on profitability was largely offset by cost reduction programs.

The converted products sector reported modest sales growth for the quarter. Profitability increased significantly despite the absence of benefits from LIFO inventory reductions in 1994 compared to 1993. The Soabar and Fastener businesses reported solid sales increases and significantly improved profitability due to strong volume growth and cost reduction measures. The international converting businesses reported a slight decline in sales due primarily to the effects of product pruning and foreign currency translation, but increased profitability through cost reduction programs. The U.S. label businesses reported increased sales and profitability for the quarter primarily due to increased sales to the automotive and durable goods markets and cost reduction actions.

Results of Operations: Six Months Year-To-Date

Sales for the first six months of 1994 were up 4 percent compared to the corresponding period of 1993. Excluding the impact of changes in foreign currency translation, sales increased 7 percent.

Results of Operations: For the Six Months Year-to-Date (Continued)

The gross profit margin for the first six months was 31.8 percent compared to 31.4 percent for the first six months of 1993. The gross profit margin increased despite significantly lower LIFO benefits in 1994 compared to 1993. The improved gross profit margin was primarily due to productivity improvements throughout the Company and an improved product mix.

Marketing, general and administrative expense, as a percent of sales, declined to 24.0 percent for the first six months of 1994 compared to 24.5 percent for the first six months of 1993. The decrease was primarily attributable to cost reduction efforts throughout the Company on increased sales.

Interest expense, as a percent of sales, was 1.7 percent for the year compared to 1.5 percent during the corresponding period of the prior year. The increase was primarily due to higher interest expense in Brazil.

Income before taxes, as a percent of sales, was 6.1 percent for the first six months of 1994 compared to 5.4 percent for the first six months of 1993. The increase was primarily due to improved gross profit margins and lower operating expenses as a percent of sales. The year-to-date effective tax rate was 37 percent for 1994 and 1993.

Net income was $53.1 million, or $.95 per share, for the first six months of 1994 compared to $46.1 million, or $.79 per share, for the first six months of 1993. Excluding the effect of accounting changes, net income for the first six months of 1993 was $45.0 million, or $.77 per share.

The pressure-sensitive adhesives and materials sector reported increased sales and significantly improved profitability for the first six months of 1994 compared to 1993. The U.S. operations reported solid sales and profitability improvements primarily due to unit volume and revenue growth as a result of new products, improved economic conditions in major markets and cost reduction programs. Solid sales growth for the foreign materials businesses was offset by the effects of foreign currency translation. Productivity improvements and cost reduction programs resulted in significant profitability increases for the foreign operations.

The office products sector reported a modest growth in sales and flat profitability for the six months ended July 2, 1994 compared to the prior year. In the United States, sales and profitability increased primarily due to successful new product introductions, an improved product mix and lower operating costs as a percent of sales. Profitability improved at the U.S. operations despite significantly lower LIFO benefits in 1994 compared to 1993 and costs related to the divestiture of a non-core business unit. The European office product businesses reported significantly lower sales due primarily to the weak French economy and the effects of non-core product pruning. Profitability decreased primarily due to lower sales and the cost of on-going restructuring programs, including the shut down of a non-core business. The impact on profitability was partially offset by cost reduction actions.

The converted products sector reported significant profitability improvements on flat sales for the first six months of 1994 compared to 1993. Profitability increased despite significantly lower LIFO benefits in 1994 compared to 1993. The Soabar and Fastener businesses reported a modest increase in sales due to volume growth which was partially offset by the effects of product pruning.

Results of Operations: Six Months Year-To-Date (Continued)

Profitability was up significantly primarily due to the elimination of unprofitable product lines and cost reduction actions. The international converting businesses reported a decline in sales due to the negative effects of foreign currency translation and product pruning, but increased profitability through cost reduction programs. The U.S. label businesses reported a modest increase in sales and profitability primarily due to increased sales to the automotive and durable goods markets and cost reduction actions.

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

The registrant held its annual stockholders' meeting on April 28, 1994. The stockholders voted to re-elect four directors to the Board of Directors as follows:

	Number of Shares Voted/1/	
	For	Withheld
Charles D. Miller	47,476,946	543,770
Sidney R. Petersen	47,498,146	522,570
John C. Argue	47,498,808	521,908
John B. Slaughter	47,476,433	544,283

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

The results of the voting on the following additional items were as follows:

	For	Opposed	Abstained	Broker Non-Votes
Amendments to the 1990 Stock Option and Incentive Plan for Key Employees	38,424,930	9,084,323	474,475	36,988
Senior Executive Incentive Compensation Plan	43,244,937	2,866,789	1,849,979	64,011
Amended and Restated Key Executive Long-Term Incentive Plan	44,075,140	2,078,563	1,862,503	4,510

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits: 12 - Computation of Ratio of Earnings to Fixed Charges

b. Reports on Form 8-K: None.

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)

August 11, 1994

EXHIBIT 12

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

	Second Quarter Ended		Year-to-Date	
	1994	1993	1994	1993
Earnings:				
Income before income taxes	$44.3	$35.6	$ 84.3	$71.4
Add: Fixed charges*	16.4	14.5	32.5	28.7
Amortization of capitalized interest	.2	.3	.5	.5
Less: Capitalized interest	(.6)	(.6)	(1.3)	(1.0)
	$60.3	$49.8	$116.0	$99.6
*Fixed charges:				
Interest expense	11.9	10.4	23.4	20.2
Capitalized interest	.6	.6	1.3	1.0
Amortization of debt issuance	.1	.1	.2	.2
Interest portion of leases	3.8	3.4	7.6	7.3
	$16.4	$14.5	$ 32.5	$28.7
Ratio of Earnings to Fixed Charges	3.7	3.4	3.6	3.5

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.