U. S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 30, 2000

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: (626) 304-2000

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

Title of Each Class	Name of each exchange on which registered
Common stock, $1 par value	New York Stock Exchange Pacific Exchange
Preferred Share Purchase Rights	New York Stock Exchange Pacific Exchange

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

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 [X] No [_].

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of voting stock held by non-affiliates as of February 26, 2001 was approximately $5,236,564,000.

Number of shares of common stock, $1 par value, outstanding as of February 26, 2001: 110,245,091.

The following documents are incorporated by reference into the Parts of this report below indicated:

Document	Incorporated by reference into:
Annual Report to Shareholders for fiscal year ended December 30, 2000 (the "2000 Annual Report")..........................	Parts I, II
Definitive Proxy Statement for Annual Meeting of Stockholders to be held April 26, 2001 (the "2001 Proxy Statement")..................	Parts III, IV

PART I

Item 1. BUSINESS

Avery Dennison Corporation ("Registrant") was incorporated in 1977 in the state of Delaware as Avery International Corporation, the successor corporation to a California corporation of the same name which was incorporated in 1946. In 1990, Registrant merged one of its subsidiaries into Dennison Manufacturing Company ("Dennison"), as a result of which Dennison became a wholly owned subsidiary of Registrant, and in connection with which Registrant's name was changed to Avery Dennison Corporation.

The business of Registrant and its subsidiaries (Registrant and its subsidiaries are sometimes hereinafter referred to as the "Company") includes the production of pressure-sensitive adhesives and materials and the production of consumer and converted products. Some pressure-sensitive adhesives and materials are "converted" into labels and other products through embossing, printing, stamping and die-cutting, and some are sold in unconverted form as base materials, tapes and reflective sheeting. The Company also manufactures and sells a variety of consumer and converted products and other items not involving pressure-sensitive components, such as notebooks, three-ring binders, organizing systems, markers, fasteners, business forms, reflective highway safety products, tickets, tags, and imprinting equipment.

A pressure-sensitive, or self-adhesive, material is one that adheres to a surface by mere press-on contact. It generally consists of four elements--a face material, which includes 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 against premature contact with other surfaces, and which can also serve as the 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, and the label or other face material is pressed or rolled into place.

Self-adhesive materials may initially cost more than materials using heat or moisture activated adhesives, but the use of self-adhesive materials often effects cost savings because of their easy and instant application, without the need for adhesive activation. They also provide consistent and versatile adhesion, minimum adhesive deterioration and are available in a large selection of materials in nearly any size, shape or color.

International operations, principally in Western Europe, constitute a significant portion of the Company's business. In addition, the Company is currently expanding its operations in Asia Pacific, Latin America and Eastern Europe. During 2000, the Company announced plans to invest over $40 million in the People's Republic of China over the next several years. This investment will include three new facilities and an expansion of the existing Kunshan manufacturing plant. As of December 30, 2000, the Company manufactured and sold its products from approximately 200 manufacturing facilities and sales offices located in 42 countries, and employed a total of approximately 17,900 persons worldwide.

During 2000, the Company completed a realignment of its cost structure to increase operating efficiencies and improve profitability. In connection with this realignment, the Company consolidated manufacturing and distribution capacity, which resulted in the elimination of approximately 1,500 positions.

The Company wishes to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, and is subject to certain risks referred to in Exhibit 99 hereto, including those normally attending international and domestic operations, such as changes in economic or political conditions, currency fluctuation, exchange control regulations and the effect of international relations and domestic affairs of foreign countries on the conduct of business, legal proceedings, and the availability and pricing of raw materials.

Except as set forth below, no material part of the Company's business is dependent upon a single customer or a few customers and the loss of a particular customer or a few customers generally would not have a material adverse effect on the Company's business. However, sales and related accounts receivable of the Company's U.S. consumer products business are concentrated in a small number of major customers, principally discount office products superstores and distributors (see Note 5 of Notes to Consolidated Financial Statements on page 51 of the 2000 Annual Report, which is incorporated by reference).

United States export sales are not a significant part of the Company's business. Backlogs are not considered material in the industries in which the Company competes.

Pressure-sensitive Adhesives and Materials Segment

The Pressure-sensitive Adhesives and Materials segment manufactures and sells Fasson- and Avery Dennison-brand pressure-sensitive base materials, specialty tapes, graphic films, reflective highway safety products, and chemicals. Base materials consist primarily of papers, plastic films, metal foils and fabrics, which are primed and coated with Company-developed and purchased adhesives, and then laminated with specially coated backing papers and films for protection. They are sold in roll or sheet form with either solid or patterned adhesive coatings, and are available in a wide range of face materials, sizes, thicknesses and adhesive properties. Except for certain highway safety products, the business of this segment is not seasonal.

Base material products, which consist of a wide range of pressure-sensitive coated papers, films and foils, are sold to label printers and converters for labeling, decorating, fastening, electronic data processing and special applications. Other product offerings include paper and film stock for use in a variety of industrial, commercial and consumer applications. The Company also manufactures and sells proprietary film face stocks, and specialty insulation paper.

Specialty tape products are single- and double-coated tapes and transfer adhesives for use in non-mechanical fastening systems in various industries and are sold to industrial and medical converters, original equipment manufacturers and disposable-diaper producers worldwide.

Graphic products consist of a variety of films and other products sold to the worldwide automotive, architectural, commercial sign, digital printing, and other related markets. The Company also sells durable cast and reflective films to the construction, automotive, fleet transportation, sign and industrial equipment markets, and reflective films and highway safety products for traffic and safety applications. In addition, the Company sells specialty print-receptive films to the industrial label market, metallic dispersion products to the packaging industry and proprietary woodgrain film laminates for housing exteriors and automotive applications. The Company's graphics businesses are organized on a worldwide basis to serve the expanding commercial graphic arts market, including wide-format digital printing applications.

Chemical products include a range of solvent- and emulsion-based acrylic polymer adhesives, top coats, protective coatings and binders for internal uses as well as for sale to other companies.

During the first quarter of 2000, the Company acquired Adespan, based in Italy, a leading manufacturer of pressure-sensitive roll materials for Europe and Latin America. In the third quarter, the Company opened a new manufacturing facility in Thailand to manufacture pressure-sensitive materials for the ASEAN (Association of Southeast Asian Nations) markets. In February 2001, the Company announced the acquisition of Dunsirn Industries, based in Wisconsin, a leading provider of non-pressure-sensitive materials to the narrow web printing industry as well as a provider of customized slitting and distributing services for roll material manufacturers.

In this segment, the Company competes, both domestically and internationally, with a number of medium to large firms. Entry of competitors into the field of pressure-sensitive adhesives and materials is limited by high capital requirements and a need for sophisticated technical know-how. The Company believes that its ability to serve its customers with a broad product line of quality products and the development and commercialization of new products are among the more significant factors in developing and maintaining its competitive position.

Consumer and Converted Products Segment

The Consumer and Converted Products segment manufactures and sells a wide range of Avery-brand consumer products, custom label products, high performance specialty films and labels, automotive applications and fasteners. The business of this segment is not seasonal, except for certain consumer products sold during the back-to-school season.

The Company's principal consumer products are generally sold worldwide through wholesalers and dealers, mass market channels of distribution, and discount superstores. The Company manufactures and sells a wide range of Avery-brand products for home, school and office uses, including copier, laser and ink-jet printer labels, related computer software, presentation and organizing systems, laser-printer card and index products, data-processing labels, notebooks, notebook and presentation dividers, three-ring binders, sheet protectors, and various vinyl and heat-sealed products. A wide range of other stationery products is offered, including writing instruments, markers, adhesives and specialty products under brand names such as Avery, Stabilo, Marks-A-Lot and HI-LITER, and accounting products, note pads and presentation products under the National brand name. The extent of product offerings varies by geographic market. Operations in Europe distribute a broad range of these types of products under the Avery and Zweckform brands. Operations in Latin America and Asia Pacific have been established to market and distribute the Avery-brand line of stock self-adhesive products, including copier, laser and ink-jet labels and related software, laser printed card products and other unprinted labels.

Custom label products in North America primarily consist of custom pressure-sensitive and heat-transfer labels for automotive and durable goods industries and custom pressure-sensitive labels and specialty combination products for the electronic data-processing market. These products are sold directly to manufacturers and packagers and retailers, as well as through international subsidiaries and distributors. Label products in Europe include custom and stock labels, labeling machinery and data printing systems, which are marketed to a wide range of industrial and retail users.

The Company designs, fabricates and sells a wide variety of tags and labels, including bar-coded tags and labels, and a line of machines for imprinting, dispensing and attaching preprinted roll tags and labels. The machine products are generally designed for use with tags and labels as a complete system. The Company also designs, assembles and sells labeling systems for integration into a customer's shipping and receiving operations. Principal markets include apparel, retail and industrial for identification, tracking and control applications principally in North America, Europe and Asia Pacific. Fastener products include plastic tying and attaching products for retail and industrial users.

The Company also manufactures and sells on-battery labels to battery manufacturers, and self-adhesive stamps to the U.S. and international postal services. The Company is an integrated supplier of adhesive coating, security printing and converting technologies for postage stamp production. Specialty automotive films products are used for interior and exterior vehicle finishes, striping decoration and identification. Other products include pressure-sensitive sheeted and die-cut papers and films, which are sold through distributors.

In February 2001, the Company announced that it had acquired the CD Stomper brand, a leading product line of CD and DVD labels, software and a label applicator, which expands the Company's presence and distribution channels for these label products.

In this segment, the Company competes, both domestically and internationally, with a number of small to large firms (among the principal competitors are Esselte AB, Fortune Brands, Inc., and Minnesota Mining and Manufacturing Co.). The Company believes that its ability to serve its customers with an extensive product line, its distribution strength, its ability to develop and to commercialize new products, and its diverse technical foundation, including a range of electronic imprinting and automatic labeling systems, are among the more significant factors in developing and maintaining its competitive position.

Research and Development

Many of the Company's current products are the result of its own research and development efforts. The Company expended $67.8 million, $64.3 million, and $65 million, in 2000, 1999 and 1998, respectively, on research related activities by operating units and the Avery Research Center (the "Research Center"), located in Pasadena, California. A substantial amount of the Company's research and development activities are conducted at the Research Center. Much of the effort of the Research Center applies to both of the Company's operating segments.

The operating units' research efforts are directed primarily toward developing new products and processing operating techniques and improving product performance, often in close association with customers. The Research Center supports the operating units' patent and product development work, and focuses on research and development in new adhesives, materials and coating processes, as well as new product applications. Research and development generally focuses on projects affecting more than one operating segment in such areas as printing and coating technologies, and adhesive, release, coating and ink chemistries.

The loss of the Company's individual patents or licenses would not be material to the business of the Company taken as a whole, nor to either one of the Company's operating segments. The Company's principal trademarks are Avery, Fasson and Avery Dennison. These trademarks are significant in the markets in which the Company's products compete.

Three-Year Summary of Segment Information

The Business Segment Information and financial information by geographical areas of the Company's operations for the three years ended December 30, 2000, which appears in Note 11 of Notes to Consolidated Financial Statements on page 56 of the 2000 Annual Report, are incorporated herein by reference.

Other Matters

The raw materials used by the Company are primarily paper, plastic and chemicals which are purchased from a variety of commercial and industrial sources. Although from time to time shortages could occur, these raw materials are currently generally available.

At present, the Company produces a majority of its self-adhesive materials using non-solvent technology. However, a significant portion of the Company's manufacturing process for self-adhesive materials utilizes certain evaporative organic solvents which, unless controlled, would be emitted into the atmosphere. Emissions of these substances are regulated by agencies of federal, state, local and foreign governments. During the past decade, the Company has made a substantial investment in solvent capture and control units and solvent-free systems. Installation of these units and systems have substantially reduced atmospheric hydrocarbon emissions.

Efforts have been directed toward development of new adhesives and solvent-free adhesive processing systems. Emulsion, hot-melt adhesives or solventless silicone systems have been installed in the Company's facilities in Peachtree City, Georgia; Fort Wayne and Greenfield, Indiana; Quakertown, Pennsylvania; Rodange, Luxembourg; Turnhout, Belgium; Hazerswoude, The Netherlands; Cramlington, England; and Gotha, Germany as well as other plants in the United States, Argentina, Australia, Brazil, Colombia, France, Germany, Korea, China, India and Thailand.

Based on current information, the Company does not believe that the costs of complying with applicable laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, will have a material effect upon the capital expenditures, earnings or competitive position of the Company.

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

Item 2. PROPERTIES

At January 1, 2001, the Company operated approximately 31 principal manufacturing facilities in excess of 100,000 square feet and totaling approximately 5 million square feet. The following sets forth the locations of such principal facilities and the operating segments for which they are presently used:

Pressure-sensitive Adhesives and Materials Segment

Domestic--Peachtree City, Georgia; Greenfield, Fort Wayne, Lowell, and Schererville, Indiana; Painesville and Fairport, Ohio; and Quakertown, Pennsylvania.

Foreign--Turnhout, Belgium; Vinhedo, Brazil; Ajax, Canada; Kunshan, China; Cramlington, England; Champ-sur-Drac, France; Gotha, Germany; Rodange, Luxembourg; Rayong, Thailand; and Hazerswoude, The Netherlands.

Consumer and Converted Products Segment

Domestic--Gainesville, Georgia; Chicopee and Framingham, Massachusetts; Meridian, Mississippi; Philadelphia, Pennsylvania; and Clinton, South Carolina.

Foreign--Hong Kong, China; La Monnerie, France; Oberlaidern, Germany; Juarez and Tijuana, Mexico; Utrecht, The Netherlands; and Maidenhead, U.K.

In addition to the Company's principal manufacturing facilities described above, the Company's other principal facilities include its corporate headquarters facility and research center in Pasadena, California, and offices located in Maidenhead, England; Leiden, The Netherlands; Concord, Ohio and Framingham, Massachusetts.

All of the Company's principal properties identified above are owned in fee except the facilities in Juarez, Mexico; and La Monnerie, France, which are leased.

All of the buildings comprising the facilities identified above were constructed after 1954, except parts of the Framingham, Massachusetts plant and office complex. All buildings owned or leased are well maintained and of sound construction, and are considered suitable and generally adequate for the Company's present needs. The Company will expand capacity and provide facilities to meet future increased demand as needed. Owned buildings and plant equipment are insured against major losses from fire and other usual business risks. The Company knows of no material defects in title to, or significant encumbrances on its properties except for certain mortgage liens.

Item 3. LEGAL PROCEEDINGS

The Company, like other U.S. corporations, has periodically received notices from the U.S. Environmental Protection Agency ("EPA") and state environmental agencies alleging that the Company is a potentially responsible party ("PRP") for past and future cleanup costs at hazardous waste sites. The Company has been designated by the EPA and/or other responsible state agencies as a PRP at nine 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 two 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 amount of the 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 the potential liability over the amounts currently accrued would not materially affect the Company.

The Registrant 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 the Company's management, the resolution of these matters will not materially affect the Company.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS OF THE REGISTRANT/(1)/

Name	Age	Served as Executive Officer since		Former Positions and Offices with Registrant
Philip M. Neal Chairman and Chief Executive Officer (also Director of Registrant)	60	January 1974	1990-1998 1998-2000	President and Chief Operating Officer President and Chief Executive Officer
Dean A. Scarborough President and Chief Operating Officer (also Director of Registrant)	45	August 1997	1995-1997 1997-1999 1999-2000	V.P. and General Manager, Fasson Roll Division - Europe Group V.P., Fasson Roll North America and Europe Group V.P., Fasson Roll Worldwide
Kim A. Caldwell Executive Vice President, Global Technology and New Business Development	53	June 1990	1990-1997	Senior Group V.P., Worldwide Materials - Americas and Asia
Robert G. van Schoonenberg Executive Vice President, General Counsel and Secretary	54	December 1981	1996-2000	S.V.P., General Counsel and Secretary
Daniel R. O'Bryant Senior Vice President, Finance and Chief Financial Officer	43	January 2001	1996-1997 1997-1999 1999-2000 2000-2001	V.P., Operations Audit and Business Consulting General Manager, Business Forms Division, Fasson Roll N.A. V.P. and General Manager, Product Identification Division, Fasson Roll N.A. V.P. and General Manager, Fasson Roll N.A.
Diane B. Dixon Senior Vice President, Worldwide Communications and Advertising	49	December 1985	1985-1997 1997-2000	V.P., Corporate Communications V.P., Worldwide Communications and Advertising
Robert M. Malchione/(2)/ Senior Vice President, Corporate Strategy and Technology	43	August 2000	1996-2000 2000-2001	V.P., Boston Consulting Group S.V.P., Corporate Strategy
Wayne H. Smith Vice President, Financial Services and Treasurer	59	June 1979	1979-1999	V.P. and Treasurer
Thomas E. Miller Vice President and Controller	53	March 1994	1993-1994	V.P. and Assistant Controller
Christian A. Simcic Group Vice President, Fasson Roll Worldwide	44	May 2000	1995-1997 1997-2000	V.P. and General Manager, Fasson Roll, Europe and Southern Region V.P. and Managing Director, Asia Pacific
Timothy S. Clyde Group Vice President, Worldwide Office Products	38	February 2001	1997-1998 1998-1999 1999-2000 2000-2001	General Manager, Binders Office Products N.A. General Manager, OF&P Division, Office Products N.A. V.P. and General Manager OF&P Division, Office Products N.A. V.P. and General Manager Office Products N.A.

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(/1/) All officers are elected to serve a one-year term and until their successors are elected and qualify.
(/2/) Business experience during past 5 years prior to service with Registrant.

PART II

Item 5. MARKET FOR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The information called for by this item appears on page 60 of Registrant's 2000 Annual Report and is incorporated herein by reference.

Item 6. SELECTED FINANCIAL DATA

Selected financial data for each of Registrant's last five fiscal years appears on pages 34 and 35 of Registrant's 2000 Annual Report and is incorporated herein by reference.

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

Results of Operations

(In millions)	2000	1999	1998
Net sales	$3,893.5	$3,768.2	$3,459.9
Cost of products sold	2,561.3	2,486.8	2,315.4
Gross profit	1,332.2	1,281.4	1,144.5
Marketing, general and administrative expense	851.3	842.6	773.2
Restructuring charge	--	65.0	--
Earnings before interest and taxes	$ 480.9	$ 373.8	$ 371.3

Sales increased 3.3 percent to $3.89 billion in 2000, compared to $3.77 billion in 1999. Excluding changes in foreign currency exchange rates, sales increased 7.4 percent. Acquisitions contributed 2.7 percentage points of sales growth in 2000. The Company's 2000 and 1999 fiscal years reflected 52-week periods compared to a 53-week period in 1998. In 1999, sales increased 8.9 percent over 1998 sales of $3.46 billion. Excluding the impact of currency, sales increased 10.3 percent in 1999.

Gross profit margins for the years ended 2000, 1999 and 1998 were 34.2 percent, 34 percent and 33.1 percent, respectively. The improvement in 2000 was due to manufacturing cost reductions and improved productivity related primarily to the 1999 restructuring and other productivity improvement programs. The increase in 1999 was primarily due to sales growth, cost reduction initiatives and productivity improvements.

Marketing, general and administrative expense as a percent of sales was 21.9 percent in 2000, 22.4 percent in 1999 and 22.3 percent in 1998. The improvement in 2000 was due to increased sales and spending controls.

In the first quarter of 1999, the Company announced a major realignment of its cost structure designed to increase operating efficiencies and improve profitability. The realignment resulted in a pretax restructuring charge of $65 million, or $.42 per diluted share on an after-tax basis. The restructuring involved the consolidation of manufacturing and distribution capacity in both of the Company's operating segments. The $65 million charge reflected the costs to close manufacturing and distribution facilities, the elimination of approximately 1,500 positions (principally in manufacturing), and other initiatives to exit activities. The restructuring charge consisted of employee severance and related costs of $35.1 million and asset write-downs of $29.9 million. Severance and related costs represented cash paid to employees terminated under the program. Asset write-downs, principally related to equipment, represented non-cash charges required to reduce the carrying value of the assets to be disposed of to net realizable value as of the planned date of disposal. At year end 1999, $12.3 million remained accrued for severance and related costs and $6.7 million remained accrued for asset write-downs. During 2000, the Company completed the 1999 restructuring program and utilized amounts accrued for purposes identified in the realignment plan. The Company realized approximately $40 million in cumulative pretax savings from this program in 2000. With the completion of the restructuring program, the Company estimates that cumulative pretax savings from the program will total approximately $60 million in 2001.

Results from operations and certain other key financial measures for 1999 are shown in this discussion with and without the impact of the restructuring charge. The additional pro forma financial information, which excludes the restructuring charge, is not in accordance with generally accepted accounting principles, but is provided for comparative purposes.

Interest expense for the years ended 2000, 1999 and 1998 was $54.6 million, $43.4 million and $34.6 million, respectively. The increases in 2000 and 1999 were primarily due to increased debt to fund acquisitions, capital expenditures and share repurchases.

Income before taxes, as a percent of sales, was 10.9 percent in 2000, 8.8 percent in 1999 and 9.7 percent in 1998. Excluding the restructuring charge, income before taxes, as a percent of sales, was 10.5 percent in 1999. The improvement in 2000 reflects the benefits of manufacturing cost reductions, improved profitability and the improvement in the marketing, general and administrative expense ratio as a percent of sales. The improvement in 1999, excluding the restructuring charge, was mainly attributable to higher gross profit margins. The effective tax rate was 33.5 percent in 2000, 34.8 percent in 1999 and 33.7 percent in 1998. The decrease in 2000 was primarily due to improved profitability in the emerging markets which have more favorable tax rates. The increase in 1999 was primarily due to a change in the geographic mix of income. The Company estimates that the effective tax rate for 2001 will be approximately 33.5 percent.

(In millions, except per share amounts)	2000	1999	1998
Net income	$283.5	$215.4	$223.3
Net income per common share	2.88	2.17	2.20
Net income per common share, assuming dilution	2.84	2.13	2.15

Net income totaled $283.5 million in 2000, $215.4 million in 1999, and $223.3 million in 1998. Excluding the restructuring charge, 1999 net income was $257.8 million. Net income for 2000 increased 10 percent over 1999, excluding the restructuring charge. Net income, as a percent of sales, was 7.3 percent, 5.7 percent and 6.5 percent in 2000, 1999 and 1998, respectively. Excluding the restructuring charge, net income, as a percent of sales, was 6.8 percent in 1999.

Net income per common share was $2.88 in 2000 compared to $2.17 in the prior year. Excluding the restructuring charge, net income per common share was $2.60 in 1999. Net income per common share in 2000 increased 10.8 percent over 1999, excluding the restructuring charge. Net income per common share was $2.20 in 1998.

Net income per common share, assuming dilution, was $2.84 in 2000 compared to $2.13 in 1999. Excluding the restructuring charge, net income per common share, assuming dilution, increased 11.8 percent from $2.54 in 1999. Net income per common share, assuming dilution, was $2.15 in 1998.

Results of Operations by Operating Segment

Pressure-sensitive Adhesives and Materials:

(In millions)	2000	1999	1998
Net sales	$2,136.4	$2,025.0	$1,877.7
Income from operations before interest and taxes	212.4	181.2	168.5

The Pressure-sensitive Adhesives and Materials segment reported increased sales and income for 2000 compared to 1999. Sales increased 5.5 percent to $2.14 billion in 2000, compared to $2.03 billion in 1999, driven primarily by growth in international markets and the acquisition of Stimsonite in the U.S., and offset by slow growth in the core domestic markets. Excluding changes in foreign currency exchange rates, sales increased 10.7 percent. The segment's 1999 income results include a pretax restructuring charge of $25.1 million ($15.4 million in the U.S. operations and $9.7 million in the international operations). Increased sales in the U.S. operations were primarily driven by the acquisition of Stimsonite in the third quarter of 1999. Domestic sales growth was negatively impacted by the slowdown in the North American economy and by an increasingly competitive environment for the Company's roll materials business. The slowdown in the roll materials business began in the second quarter of 2000 and was initially driven by packaging and graphics changes planned by consumer product companies that buy labels from the Company's converting customers, as well as a general reduction of inventory levels at some retailers and consumer product companies that impacted demand for packaging labels. The slowdown in the North

American economy also negatively impacted demand for products manufactured by the Company's graphics and specialty tapes businesses. The Company expects that the slower economic environment and volume trends will continue for the first half of 2001. Sales for the international operations increased as a result of strong volume growth in Asia, Latin America and Europe, as well as the recent acquisition of Adespan in Europe. Sales growth in Europe was partially offset by changes in foreign currency rates.

The segment's 2000 income increased three percent to $212.4 million from 1999, excluding the restructuring charge. Income from U.S. operations was negatively impacted by the slowdown in the North American economy and by an increasingly competitive environment for the Company's roll materials, graphics and specialty tapes businesses. The negative impact caused by the slowdown in the North American economy was partially offset by improvements from cost reduction actions from Six Sigma (a program designed to improve productivity and quality, while reducing costs) and restructuring programs. Income from the international operations increased compared to 1999, excluding the restructuring charge, primarily due to volume growth and improved profitability in the Asian and Latin American businesses. Income growth in the segment's European operations was more than offset by changes in foreign currency rates.

In the first quarter of 2000, the Company acquired the Adespan pressure-sensitive materials operation of Panini S.p.A., a European printing and publishing company based in Italy. Adespan had sales of approximately $75 million in 1999. The Adespan business operates within the Company's Fasson roll materials business in Europe.

The Pressure-sensitive Adhesives and Materials segment reported increased sales and income for 1999 compared to 1998. Sales increased in the U.S. operations primarily due to unit volume growth in the U.S. roll materials business, particularly in sales of film and specialty products, and the acquisition of Stimsonite. Income from U.S. operations improved primarily due to sales growth and margin improvement in the U.S. roll materials business, attributed to cost reduction actions from Six Sigma and restructuring programs, as well as the acquisition of Stimsonite. Sales for the international operations increased as a result of worldwide unit volume growth. The increase in international sales was significantly offset by changes in foreign currency rates. Income from the international operations increased primarily due to increased sales and profitability in the Asian and Latin American businesses.

In the third quarter of 1999, the Company acquired Stimsonite, based in Niles, Illinois, a leading manufacturer of reflective safety products for the transportation and highway safety markets. The Company paid approximately $150 million (including the assumption of approximately $20 million in debt) for Stimsonite, which was primarily funded with the issuance of debt. Stimsonite had sales of $87 million in 1998. The excess of the cost-basis over the fair value of net tangible assets acquired was $124.7 million.

In the fourth quarter of 1999, the Company acquired the remaining minority stake in its Argentine business, the largest pressure-sensitive materials operation in that country.

Consumer and Converted Products:

(In millions)	2000	1999	1998
Net sales..	$1,898.3	$1,887.9	$1,726.2
Income from operations before interest and taxes....	293.2	224.8	229.1

The Consumer and Converted Products segment reported increased sales and income for 2000 compared to 1999. Sales increased .6 percent to $1.9 billion in 2000 over 1999 sales of $1.89 billion. Excluding the impact of changes in foreign currency rates, sales increased 3.7 percent. The segment's 1999 income results include a pretax restructuring charge of $37.6 million ($24.3 million in the U.S. operations and $13.3 million in the international operations). Increased sales in the U.S. operations were primarily driven by sales growth for Avery-brand office products. Domestic sales growth was negatively impacted by decreased volume and an unfavorable product mix shift in the Company's converting businesses. The converting businesses experienced a slowdown attributable to the slowing North American economy and customer efforts to reduce inventory levels. The Company expects that the slower economic environment will continue for the first half of 2001. In addition to the slowdown in the North American economy, three factors may negatively impact volume growth for the domestic office products business in 2001: the closing of approximately 120 office product retail stores by the Company's customers, fewer new office product superstore openings planned by the Company's customers and several large purchases made by customers late in the fourth quarter of 2000. Strong volume growth in international businesses, including the worldwide ticketing business in particular, was more than offset by the unfavorable changes in foreign currency rates. As a result, total sales from international operations decreased slightly compared to 1999.

The segment's 2000 income increased 11.7 percent to $293.2 million from 1999, excluding the restructuring charge. Income from U.S. operations increased in 2000 primarily due to sales growth in the office products business, as well as manufacturing cost reductions and improved productivity related to the 1999 restructuring. Income was partially impacted by decreased volume and an unfavorable product mix shift in the Company's converting businesses. Income from international operations increased compared to 1999, primarily due to growth in the worldwide ticketing business and improved profitability in the European and Asian office products businesses.

The Consumer and Converted Products segment reported increased sales for 1999 compared to 1998. Excluding the restructuring charge, the segment's 1999 income increased 14.6 percent over 1998. Sales increased in the U.S. operations as a result of acquisitions, and solid sales growth for most Avery-brand product lines and high performance films. Income from U.S. operations, excluding the restructuring charge, improved primarily due to unit volume growth in Avery-brand products and high performance films. The international operations reported increased sales compared to 1998 due to the Zweckform venture, sales growth in the worldwide ticketing business and acquisitions. The international operations' sales increase was partially offset by changes in foreign currency rates. Income for the international operations, excluding the restructuring charge, increased primarily due to the Zweckform venture and growth at other office products businesses in Europe, and operations in Asia.

The segment was also impacted in 1999 by decreased sales and income in the battery label business. A key customer in this business made a product mix change in its battery lines, resulting in a partial shift from higher-priced tester labels to standard battery labels.

In the first quarter of 1999, the Company completed a transaction with Steinbeis Holding GmbH to combine substantially all of the Company's office products businesses in Europe with Zweckform Buro-Produkte GmbH (Zweckform), a German office products supplier. The Company's aggregate cost basis in this venture was financed through available cash resources of approximately $23 million and the assumption of an obligation as reported in the "Other long-term obligation" line on the Consolidated Balance Sheet. It is the intention of the Company to pay the entire obligation in 2004. The excess of the cost-basis over the fair value of net tangible assets acquired was $104.6 million.

In the fourth quarter of 1998, the Company acquired Spartan International, Inc. (Spartan), a privately held specialty converting company based in Holt, Michigan. Spartan supplies pressure-sensitive products to the commercial graphics, sign making, vehicle marking and automotive markets.

Financial Condition

Average working capital, excluding short-term debt, as a percent of sales was 6.4 percent in 2000, 5 percent in 1999 and 7.1 percent in 1998. The increase in 2000 reflects an increase in accounts receivable and average inventory and a decrease in current liabilities related to the 1999 restructuring. The decrease in 1999 was primarily attributable to higher sales and an increase in current liabilities. Average inventory turnover was 8.8 turns in 2000, 9.5 turns in 1999 and 9.9 turns in 1998. The decrease in inventory turns in 2000 was primarily due to higher inventory levels associated with recently acquired companies, as well as a temporary increase in certain office products inventories to maintain service levels as production moved to new manufacturing facilities as a result of the restructuring. The average number of days sales outstanding in accounts receivable was 56 days in 2000 and 52 days in 1999 and 1998. The increase in 2000 reflects longer payment terms associated with increased international sales, recent acquisitions and some year end purchases by several of the Company's large office products customers.

Several of the Company's largest domestic customers operate in a highly competitive retail business environment, which has been impacted by the slowing economy in North America. As of year end 2000 and 1999, approximately 26 percent and 27 percent, respectively, of trade accounts receivable were from nine of these domestic customers. While the Company does not require its customers to provide collateral, the financial position and operations of these customers are monitored on an ongoing basis. Although the Company may be exposed to losses in the event of nonpayment, it does not anticipate any such losses at this time.

Total debt increased $141.5 million to $827.2 million compared to year end 1999 primarily due to debt issuances to fund acquisitions, capital expenditures and share repurchases. Total debt to total capital increased to 50 percent at year end 2000 compared to 45.8 percent at year end 1999. Long-term debt as a percent of total long-term capital increased to 48.3 percent from 43.3 percent at year end 1999.

Shareholders' equity increased to $828.1 million from $809.9 million at year end 1999. During 2000, the Company repurchased 2.4 million shares of the Company's common stock at a cost of $134.4 million. As of year end 2000, a cumulative 36.7 million shares of the Company's common stock had been repurchased since 1991 and 3.7 million shares remained available for repurchase under the Board of Directors' authorization. The market value of shares held in the employee stock benefit trust decreased by $314.1 million to $699.9 million from year end 1999, due to the effect of the change in the Company's share price and the issuance of shares under the Company's stock and incentive plans.

Return on average shareholders' equity was 34.6 percent in 2000, 27.1 percent in 1999 and 26.7 percent in 1998. Return on average total capital for those three years was 19.6 percent, 17 percent and 19 percent, respectively. In 1999, excluding the impact of the restructuring charge, return on average shareholders' equity and return on average total capital were 31.1 percent and 19.5 percent, respectively. The improvement in these returns in 2000 and 1999 was primarily due to an increase in profitability.

The Company, like other U.S. corporations, has periodically received notices from the U.S. Environmental Protection Agency and state environmental agencies alleging that the Company is a potentially responsible party for past and future cleanup costs at hazardous waste sites. The Company has received requests for information, notices and/or claims with respect to nine waste sites in which the Company has no ownership interest. Litigation has been initiated by a governmental authority with respect to two of these sites, but the Company does not believe that any such proceedings will result in the imposition of monetary sanctions. Environmental investigatory and remediation projects are also being undertaken on property presently owned by the Company. The Company has accrued liabilities for all sites where it is probable that a loss will be incurred and the minimum cost or amount of the loss can be reasonably estimated. However, because of the uncertainties associated with environmental assessments 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.

Liquidity and Capital Resources

Net cash flow from operating activities was $409.9 million in 2000, $426.9 million in 1999 and $419.5 million in 1998. The decrease in 2000 was due to changes in working capital requirements. The improvement in 1999 was due to the Company's improved profitability and changes in working capital requirements.

In addition to cash flow from operations, the Company has more than adequate financing arrangements, at competitive rates, to conduct its operations.

The Company previously registered with the Securities and Exchange Commission $150 million in principal amount of uncollateralized medium-term notes. All of the $150 million in notes had been issued as of year end 2000. Proceeds from the medium-term notes were used to refinance short-term debt and for other general corporate purposes. The Company's outstanding medium-term notes have maturities from 2002 through 2025 and have a weighted-average interest rate of 7 percent.

Capital expenditures were $198.3 million in 2000 and $177.7 million in 1999. Capital expenditures for 2001 are expected to be approximately $150 million.

The annual dividend per share increased to $1.11 in 2000 from $.99 in 1999 and $.87 in 1998. This was the 25/th/ consecutive year the Company increased dividends per share.

The Company continues to expand its operations in Europe, Latin America and Asia Pacific. The Company's future results are subject to changes in political and economic conditions and the impact of fluctuations in foreign currency exchange and interest rates. To reduce its exposure to these fluctuations, the Company may enter into foreign exchange forward, option and swap contracts, and interest rate contracts, where appropriate and available.

All translation gains and losses for operations in hyperinflationary economies were included in net income. Operations are treated as being in a hyperinflationary economy for accounting purposes, due to the cumulative inflation rate over the past three years. Operations in hyperinflationary economies consist of the Company's operations in Turkey for 2000 and 1999, and Mexico for 1998. These operations were not significant to the Company's consolidated financial position.

Subsequent Events

On February 1, 2001, the Company announced that it acquired Dunsirn Industries, Inc., a privately held company based in Wisconsin. Dunsirn Industries is a leading supplier of non-pressure sensitive materials to the narrow web printing industry, as well as a provider of customized slitting and distribution services for roll materials manufacturers. The Dunsirn operation will become a separate business unit within the Company's Fasson roll materials business. The Company expects to generate approximately $60 million in net sales from this acquisition.

On February 13, 2001, the Company announced that it acquired CD Stomper, a leading product line of CD and DVD labels, software and a label applicator, from Stomp Inc., a software developer and manufacturer based in California. Sales in 2000 for the CD Stomper product line were approximately $20 million.

Recent Accounting Requirements

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements and was effective the fourth quarter of 2000. The implementation of this guidance did not have a material impact on the Company's financial results.

Future Accounting Requirements

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" and related amendments. This Statement requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are required to be recorded each period in current earnings or other comprehensive income, depending upon the type of hedging transaction and the hedge effectiveness.

The Company formed an implementation team drawn from both internal and external resources, which reviewed the Company's derivative contracts and existing hedge relationships, developed appropriate hedge effectiveness models and updated accounting and reporting procedures to ensure proper measurement, recording and reporting of derivative instruments and hedge items.

The Company will adopt SFAS No. 133 in the first quarter of 2001. Based on current market conditions, the Company anticipates that the impact of this new standard will result in a transition adjustment of approximately $.5 million to decrease net income.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - A Replacement of FASB Statement No. 125." This Statement revises the standards for accounting for securitizations and other transfers of financial assets and collateral. This Statement is effective for the Company's 2001 fiscal year. The Company does not believe that the new standard will have a material impact on the Company's financial results.

Future Outlook

Based on current (January 2001) exchange rates, the Company expects that foreign exchange rates will have a negative impact on sales and net income during the first quarter of 2001 as compared to the first quarter of 2000. The Company projects that these foreign exchange rates will negatively impact sales by approximately 3 percent and earnings per share, assuming dilution, by approximately $.02, as compared to the same period in 2000. Based on current foreign exchange rates, the effect of currency is expected to be immaterial to operations during the second and third quarters, as compared to the same periods in 2000. Current exchange rates are more favorable than those that existed during the fourth quarter of 2000 and are expected to provide benefit to sales and earnings per share, assuming dilution, of approximately 2.5 percent and $.02, respectively, when compared to the fourth quarter of 2000. In summary, based on current foreign exchange rates, the impact of currency is expected to be negligible for the full year 2001 as compared to the prior year.

In the fourth quarter of 2000 and the first quarter of 2001, two of the Company's largest domestic customers in the Consumer and Converted Products segment announced plans to close a total of 120 of their office product retail stores. Including these store closures, the three office product superstores still plan on adding a net of 75 or more retail stores. This is a slower rate of expansion than in the past, and the Company estimates that the impact of their slower new store growth could impact the Company's total sales in the first quarter by one-half percent, and a lesser impact thereafter. In addition to the store closures and a slower rate of expansion announced by several office product retail store customers, the Company believes that two additional factors may negatively impact volume growth for the domestic office products business in 2001: the slowdown in the North American economy and several large purchases made by customers late in the fourth quarter of 2000.

The Company anticipates that the slowdown in the North American economy will continue to impact results for the first half of 2001. Volume growth is expected to remain soft for the Company's domestic operations. As a result, the Company anticipates comparable sales or low single-digit sales growth for the first quarter of 2001. Earnings per share, assuming dilution, is projected to be in the range of $.65 to $.70 for the first quarter of 2001.

Assuming improvement in the North American economic environment, full year reported revenue growth in 2001 is projected to be in the range of 4 percent to 6 percent, and earnings per share, assuming dilution, is projected to be in the range of $2.90 to $3.05.

Significant profit improvement initiatives will benefit the Company's 2001 results. The Company's 1999 restructuring program, Six Sigma projects, procurement initiatives and other manufacturing cost reductions will generate incremental savings in 2001. In addition, the Company plans on eliminating approximately 300 positions during the year in order to cut costs, principally in the domestic Pressure-sensitive Adhesives and Materials segment.

Safe Harbor Statement

Except for historical information contained herein, the matters discussed in the Management's Discussion and Analysis of Results of Operations and Financial Condition and other sections of 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, may contain estimates, assumptions, projections and/or expectations regarding future events. Words such as "anticipate," "assume," "believe," "estimate," "expect," "plan," "project," "will," and other expressions, which refer to future events and trends, identify forward-looking statements. Such forward-looking statements, and financial or other business targets, are subject to certain risks and uncertainties which could cause actual results to differ materially from future results, performance or achievements of the Company expressed or implied by such forward-looking statements. Certain of such risks and uncertainties are discussed in more detail in the Company's Annual Report on Form 10-K for the year ended December 30, 2000 and include, but are not limited to, risks and uncertainties relating to investment in new production facilities, timely development and successful market acceptance of new products, price and availability of raw materials, impact of competitive products and pricing, business mix shift, customer and supplier and manufacturing concentrations, financial condition and inventory strategies of customers, changes in customer order patterns, increased competition, loss of significant contract(s) or customers, the euro conversion, legal proceedings, fluctuations in foreign exchange rates and other risks associated with foreign operations, changes in economic or political conditions, and other factors.

Any forward-looking statements should also be considered in light of the factors detailed in Exhibit 99 in the Company's Annual Report on Form 10-K for the years ended December 30, 2000 and January 1, 2000.

The Company's forward-looking statements represent its judgment only on the dates such statements were made. By making any forward-looking statements, the Company assumes no duty to update them to reflect new, changed or unanticipated events or circumstances.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market-sensitive Instruments and Risk Management

The Company is exposed to the impact of interest rate and foreign currency exchange rate changes.

The Company does not hold or purchase any foreign currency or interest rate contracts for trading purposes.

The Company's objective in managing the exposure to foreign currency changes is to reduce the risk on earnings and cash flow associated with foreign exchange rate changes. As a result, the Company enters into foreign exchange forward, option and swap contracts to reduce risks associated with the value of its existing foreign currency assets, liabilities, firm commitments and anticipated foreign revenues and costs. The gains and losses on these contracts are intended to offset changes in the related exposures. The Company does not hedge its foreign currency exposure in a manner that would entirely eliminate the effects of changes in foreign exchange rates on the Company's consolidated net income.

The Company's objective in managing its exposure to interest rate changes is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Company will periodically use interest rate contracts to manage net exposure to interest rate changes related to its borrowings. The Company had no significant interest rate contracts outstanding at year end 2000.

In the normal course of operations, the Company also faces other risks that are either nonfinancial or nonquantifiable. Such risks principally include changes in economic or political conditions, other risks associated with foreign operations, commodity price risk and litigation risks, which are not represented in the analyses that follow.

Foreign Exchange Value-at-Risk

The Company uses a "Value-at-Risk" (VAR) model to determine the estimated maximum potential one-day loss in earnings associated with both its foreign exchange positions and contracts. This approach assumes that market rates or prices for foreign exchange positions and contracts are normally distributed. The VAR model estimates were made assuming normal market conditions. Firm commitments, receivables and accounts payable denominated in foreign currencies, which certain of these instruments are intended to hedge, were included in the model. Forecasted transactions, which certain of these instruments are intended to hedge, were excluded from the model.

The VAR was estimated using a variance-covariance methodology based on historical volatility for each currency. The volatility and correlation used in the calculation were based on two-year historical data obtained from one of the Company's domestic banks. A 95 percent confidence level was used for a one-day time horizon.

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

The estimated maximum potential one-day loss in earnings for the Company's foreign exchange positions and contracts would have been immaterial to the Company's 2000 earnings.

Interest Rate Sensitivity

An assumed 50 basis point move in interest rates (10 percent of the Company's weighted-average floating rate interest rates) affecting the Company's variable-rate borrowings would have had an immaterial effect on the Company's 2000 earnings.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this item is contained in Registrant's Consolidated Financial Statements and the Notes thereto appearing on pages 44 through 56, and in the Report of Independent Accountants on page 57 of Registrant's 2000 Annual Report and is incorporated herein by reference.

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

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning directors called for by this item is incorporated by reference from pages 2, 3 and 4 of the 2001 Proxy Statement, which has been filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the end of the fiscal year covered by this report. Information concerning executive officers called for by this item appears in Part I of this report. The information concerning late filings under Section 16(a) of the Securities Exchange Act of 1934, as amended, is incorporated by reference from page 14 of the 2001 Proxy Statement.

Item 11. EXECUTIVE COMPENSATION

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by items 11, 12 and 13 is incorporated by reference from pages 5 through 21 of the 2001 Proxy Statement which has been filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the end of the fiscal year covered by this report.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) (2) Financial statements and financial statement schedules filed as part of this report are listed in the accompanying Index to Financial Statements and Financial Statement Schedules.

(3) Exhibits filed as a part of this report are listed in the Exhibit Index, which follows the financial statements and schedules referred to above. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 14(c) is identified in the Exhibit Index.

(b) Reports on Form 8-K: Registrant did not file any Reports on Form 8-K for the three months ended December 30, 2000.

(c) Those Exhibits and the Index thereto, required to be filed by Item 601 of Regulation S-K are attached hereto.

(d) Those financial statement schedules required by Regulation S-X which are excluded from Registrant's 2000 Annual Report by Rule 14a-3(b)(1), and which are required to be filed as financial statement schedules to this report, are indicated in the accompanying Index to Financial Statements and Financial Statement Schedules.

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/ Daniel R. O'Bryant

Daniel R. O'Bryant
Senior Vice President, Finance and
Chief Financial Officer

Dated: March 29, 2001

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 on the dates indicated.

Signature	Title	Date
/s/ Philip M. Neal Philip M. Neal	Chairman and Chief Executive Officer, Director	March 29, 2001
/s/ Dean A. Scarborough Dean A. Scarborough	President and Chief Operating Officer, Director	March 29, 2001
/s/ Daniel R. O'Bryant Daniel R. O'Bryant	Senior Vice President, Finance and Chief Financial Officer (Principal Financial Officer)	March 29, 2001
/s/ Thomas E. Miller Thomas E. Miller	Vice President and Controller (Principal Accounting Officer)	March 29, 2001

Signature	Title	Date
/s/ Dwight L. Allison, Jr. ------------------------------ Dwight L. Allison, Jr.	Director	March 29, 2001
/s/ John C. Argue ------------------------------ John C. Argue	Director	March 29, 2001
/s/ Joan T. Bok ------------------------------ Joan T. Bok	Director	March 29, 2001
/s/ Frank V. Cahouet ------------------------------ Frank V. Cahouet	Director	March 29, 2001
/s/ Richard M. Ferry ------------------------------ Richard M. Ferry	Director	March 29, 2001
/s/ Kent Kresa ------------------------------ Kent Kresa	Director	March 29, 2001
/s/ Charles D. Miller ------------------------------ Charles D. Miller	Director	March 29, 2001
/s/ Peter W. Mullin ------------------------------ Peter W. Mullin	Director	March 29, 2001
/s/ Sidney R. Petersen ------------------------------ Sidney R. Petersen	Director	March 29, 2001
/s/ David E. I. Pyott ------------------------------ David E. I. Pyott	Director	March 29, 2001

AVERY DENNISON CORPORATION

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

Individual financial statements of 50% or less owned entities accounted for by the equity method have been omitted because, considered in the aggregate or as a single subsidiary, they do not constitute a significant subsidiary.

With the exception of the consolidated financial statements and the accountants' report thereon listed in the above index, and certain information referred to in Items 1, 5 and 6, which information is included in the 2000 Annual Report and is incorporated herein by reference, the 2000 Annual Report is not to be deemed "filed" as part of this report.

All other 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.

REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Shareholders
of Avery Dennison Corporation:

Our audits of the consolidated financial statements referred to in our report dated January 22, 2001 appearing in the 2000 Annual Report to Shareholders of Avery Dennison Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP
Los Angeles, California
January 22, 2001

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(In millions)

	Balance at Beginning of Year	Additions: Charged to Costs and Expenses	Additions: From Acquisitions	Deductions from Reserves	Balance at End of Year
2000					
Allowance for doubtful accounts	$19.5	$ 7.6	$ 0.2	$ (7.9)	$19.4
Customer complaint reserve	21.6	8.6	0.7	(12.9)	18.0
Inventory reserve	28.6	10.9	0.8	(9.9)	30.4
1999					
Allowance for doubtful accounts	16.5	8.7	2.4	(8.1)	19.5
Customer complaint reserve	19.5	10.9	0.1	(8.9)	21.6
Inventory reserve	24.5	11.3	2.3	(9.5)	28.6
1998					
Allowance for doubtful accounts	15.6	2.7	0.2	(2.0)	16.5
Customer complaint reserve	18.8	3.6	0.3	(3.2)	19.5
Inventory reserve	24.3	14.1	0.4	(14.3)	24.5

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-38905) and Form S-8 (File Nos. 33-1132, 33-3645, 33-27275, 33-41238, 33-45376, 33-54411, 33-58921, 33-63979, 333-38707 and 333-38709) of Avery Dennison Corporation of our report dated January 22, 2001 relating to the financial statements, which appears in the 2000 Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 22, 2001 relating to the financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP
Los Angeles, California
March 28, 2001

AVERY DENNISON CORPORATION

EXHIBIT INDEX

For the Year Ended December 30, 2000

INCORPORATED BY REFERENCE:

Exhibit No.	Item	Originally Filed as Exhibit No.	Document
(3.1)	Restated Articles of Incorporation	B	Proxy Statement dated February 28, 1977 for Annual Meeting of Stockholders March 30, 1977; located in File No. 0-225 at Securities and Exchange Commission, 450 5th St., N.W., Washington, D.C.
(3.1.1)	Amendment to Certificate of Incorporation, filed April 10, 1984 with Office of Delaware Secretary of State	3.1.1	1983 Annual Report on Form 10-K
(3.1.2)	Amendment to Certificate of Incorporation, filed April 11, 1985 with Office of Delaware Secretary of State	3.1.2	1984 Annual Report on Form 10-K
(3.1.3)	Amendment to Certificate of Incorporation filed April 6, 1987 with Office of Delaware Secretary of State	3.1.3	1986 Annual Report on Form 10-K
(3.1.4)	Amendment to Certificate of Incorporation filed October 17, 1990 with Office of Delaware Secretary of State		Current Report on Form 8-K filed October 31, 1990
(3.1.5)	Amendment to Certificate of Incorporation filed April 28, 1997 with Office of Delaware Secretary of State	3	First Quarterly report for 1997 on Form 10-Q
(3.2)	By-laws, as amended	3(ii)	Third Quarterly report for 2000 on Form 10-Q
(4.1)	Rights Agreement dated as of October 23, 1997		Current Report on Form 8-K filed October 24, 1997
(4.2)	Indenture, dated as of March 15, 1991, between Registrant and Security Pacific National Bank, as Trustee (the "Indenture")		Registration Statement on Form S-3 (File No. 33-39491)
(4.3)	Officers' Certificate establishing a series of Securities entitled "Medium-Term Notes" under the Indenture		Current Report on Form 8-K filed March 25, 1991
(4.4)	First Supplemental Indenture, dated as of March 16, 1993, between Registrant and BankAmerica National Trust Company, as successor Trustee (the "Supplemental Indenture")		Registration Statement on Form S-3 (File No. 33-59642)
(4.5)	Officers' Certificate establishing a series of Securities entitled "Medium-Term Notes" under the Indenture, as amended by the Supplemental Indenture		Current Report on Form 8-K filed April 7, 1993
(4.6)	Officers' Certificate establishing a series of Securities entitled "Medium-Term Notes, Series B" under the Indenture, as amended by the Supplemental Indenture		Current Report on Form 8-K filed March 29, 1994
(4.7)	Officers' Certificate establishing a series of Securities entitled "Medium-Term Notes, Series C" under the Indenture, as amended by the Supplemental Indenture		Current Report on Form 8-K filed May 12, 1995

Exhibit No.	Item	Originally Filed as Exhibit No.	Document
(4.8)	Officers' Certificate establishing a series of Securities entitled "Medium-Term Notes, Series D" under the Indenture, as amended by the Supplemental Indenture		Current Report on Form 8-K filed December 16, 1996
(10.3)	*Deferred Compensation Plan for Directors	10.3	1981 Annual Report on Form 10-K
(10.5)	*Executive Medical and Dental Plan (description)	10.5	1981 Annual Report on Form 10-K
(10.6)	*Executive Financial Counseling Service (description)	10.6	1981 Annual Report on Form 10-K
(10.8.2)	*Agreement with P.M. Neal	10.8.2	1998 Annual Report on Form 10-K
(10.8.3)	*Agreement with R.G. van Schoonenberg	10.8.3	1996 Annual Report on Form 10-K
(10.8.4)	*Form of Employment Agreement	10.8.4	1997 Annual Report on Form 10-K
(10.9)	*Executive Group Life Insurance Plan	10.9	1982 Annual Report on Form 10-K
(10.10)	*Form of Indemnity Agreement between Registrant and certain directors and officers	10.10	1986 Annual Report on Form 10-K
(10.10.1)	*Form of Indemnity Agreement between Registrant and certain directors and officers	10.10.1	1993 Annual Report on Form 10-K
(10.11)	*Amended and Restated Supplemental Executive Retirement Plan ("SERP")	10.11.1	1998 Annual Report on From 10-K
(10.11.2)	*Letter of Grant to Philip M. Neal under SERP	10.11.2	1998 Annual Report on From 10-K
(10.12)	*Complete Restatement and Amendment of Executive Deferred Compensation Plan	10.12	1994 Annual Report on Form 10-K
(10.13)	*Fourth Amended Avery Dennison Retirement Plan for Directors	10.13.2	1992 Annual Report on Form 10-K
(10.15)	*1988 Stock Option Plan for Non-Employee Directors ("Director Plan")	10.15	1987 Annual Report on Form 10-K
(10.15.1)	*Amendment No. 1 to 1988 Stock Option Plan for Non-Employee Directors ("Director Plan")	10.15.1	1994 Annual Report on Form 10-K
(10.15.2)	*Form of Non-Employee Director Stock Option Agreement under Director Plan	10.15.2	1994 Annual Report on Form 10-K
(10.16)	*Complete Restatement and Amendment of Executive Variable Deferred Compensation Plan ("EVDCP")	10.16	1994 Annual Report on Form 10-K
(10.16.1)	*Amendment No. 1 to EVDCP	10.16.1	1999 Annual Report on Form 10-K
(10.17)	*Complete Restatement and Amendment of Directors Deferred Compensation Plan	10.17	1994 Annual Report on Form 10-K
(10.18)	*Complete Restatement and Amendment of Directors Variable Deferred Compensation Plan ("DVDCP")	10.18	1994 Annual Report on Form 10-K
(10.18.1)	*Amendment No. 1 to DVDCP	10.18.1	1999 Annual Report on Form 10-K
(10.19)	*1990 Stock Option and Incentive Plan ("1990 Plan")	10.19	1989 Annual Report on Form 10-K
(10.19.1)	*Amendment No. 1 to 1990 Plan	10.19.1	1993 Annual Report on Form 10-K

Exhibit No.	Item	Originally Filed as Exhibit No.	Document
(10.19.2)	*Form of Incentive Stock Option Agreement for use under 1990 Plan	10.19.2	1991 Annual Report on Form 10-K
(10.19.3)	*Form of Non-Qualified Stock Option ("NSO") Agreement under 1990 Plan	10.19.3	1994 Annual Report on Form 10-K
(10.19.4)	*Form of NQSO Agreement under 1990 Plan	10.19.4	1999 Annual Report on Form 10-K
(10.19.5)	*Amendment No. 2 to 1990 Plan	10.19.5	1996 Annual Report on Form 10-K
(10.21)	*Amended and Restated 1996 Stock Incentive Plan	10.21	1999 Annual Report on Form 10-K
(10.21.1)	*Form of NQSO Agreement under 1996 Plan	10.21.1	1999 Annual Report on Form 10-K
(10.27)	*Executive Long-Term Incentive Plan	10.27	1999 Annual Report on Form 10-K
(10.28)	*Complete Restatement and Amendment of Executive Deferred Retirement Plan ("EDRP")	10.28	1994 Annual Report on Form 10-K
(10.28.1)	*Amendment No. 1 to EDRP	10.28.1	1999 Annual Report on Form 10-K
(10.29)	*Executive Leadership Compensation Plan	10.29	1999 Annual Report on Form 10-K
(10.30)	*Senior Executive Leadership Compensation Plan	10.30	1999 Annual Report on Form 10-K
(10.31)	*Executive Variable Deferred Retirement Plan ("EVDRP")	10.31	Registration Statement on Form S-8 (File No. 33-63979)
(10.31.1)	*Amended and Restated EVDRP	10.31.1	1997 Annual Report on Form 10-K
(10.31.2)	*Amendment No. 1 to EVDRP	10.31.2	1999 Annual Report on Form 10-K
(10.32)	*Benefit Restoration Plan	10.32	1995 Annual Report on Form 10-K
(10.33)	*Restated Trust Agreement for Employee Stock Benefit Trust	10.33.1	1997 Annual Report on Form 10-K
(10.33.1)	*Common Stock Purchase Agreement	10.2	Current Report on Form 8-K filed October 24, 1996
(10.33.2)	*Restated Promissory Note	10.33.3	1997 Annual Report on Form 10-K
(10.34)	*Amended and Restated Capital Accumulation Plan ("CAP")	10.34	1999 Annual Report on Form 10-K
(10.34.1)	*Trust under CAP	4.2	Registration Statement on Form S-8 (File No. 333-38707)
(10.34.2)	*Amendment No. 1 to CAP	10.34.2	1999 Annual Report on Form 10-K

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* Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Form 10-K pursuant to Item 14(c).

SUBMITTED HEREWITH:

Exhibit No.	Item
3.2	Bylaws, as amended on December 7, 2000
10.15.3	Amendment No. 2 to Director Plan
12	Computation of Ratio of Earnings to Fixed Changes
13	Portions of Annual Report to Shareholders for fiscal year ended December 30, 2000
21	List of Subsidiaries
23	Consent of Independent Accountants (see page S-4)
99	Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

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* Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Form 10-K pursuant to Item 14(c).

STATEMENT AND AGREEMENT REGARDING LONG-TERM DEBT OF REGISTRANT

Except as indicated above, Registrant has no instrument with respect to long-term debt under which securities authorized thereunder equal or exceed 10% of the total assets of Registrant and its subsidiaries on a consolidated basis. Registrant agrees to furnish a copy of its long-term debt instruments to the Commission upon request.

Exhibit 3.2

BYLAWS
OF
AVERY DENNISON CORPORATION

ARTICLE I

OFFICES

Section 1. Registered Office.

The registered office of Avery Dennison Corporation (hereinafter called the "corporation") in the State of Delaware shall be at 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, and the name of the registered agent at that address shall be United States Corporation Company.

Section 2. Principal Office.

The principal executive office for the transaction of the business of the corporation is hereby fixed and located in Los Angeles County, California. The board of directors is hereby granted full power and authority to change said principal executive office from one location to another within or without the State of California.

Section 3. Other Offices.

The corporation may also have offices at such other places within or without the State of Delaware as the board of directors may from time to time determine, or the business of the corporation may require.

ARTICLE II

STOCKHOLDERS

Section 1. Place of Meetings.

Meetings of stockholders shall be held at any place within or outside the State of Delaware designated by the board of directors. In the absence of any such designation, stockholders' meetings shall be held at the principal executive office of the corporation.

Section 2. Annual Meetings of Stockholders.

The annual meeting of stockholders shall be held on the last Thursday in April of each year at 1:30 p.m. of said day, or on such other day, which shall not be a legal holiday, as shall be determined by the board of directors. Any previously scheduled annual meeting of stockholders may be postponed by resolution of the board of directors upon public notice given prior to the date previously scheduled for such annual meeting of stockholders.

Section 3. Special Meetings.

A special meeting of the stockholders may be called at any time by the board of directors, or by a majority of the directors or by a committee authorized by the board to do so. Any previously scheduled special meeting of the stockholders may be postponed by resolution of the board of directors upon public notice given prior to the date previously scheduled for such special meeting of the stockholders.

Section 4. Notice of Stockholders' Meetings.

All notices of meetings of stockholders shall be sent or otherwise given in accordance with Section 5 of this Article II not less than ten (10) nor more than sixty (60) days before the date of the meeting being noticed. The notice shall specify the place, date and hour of the meeting and (i) in case of a special meeting, the general nature of the business to be transacted, or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the stockholders. The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees who, at the time of the notice, management intends to present for election.

Section 5. Manner of Giving Notice; Affidavit of Notice.

Notice of any meeting of stockholders shall be given either personally or by mail or telegraphic or other written communication, charges prepaid, addressed to the stockholder at the address of such stockholder appearing on the books of the corporation or given by the stockholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or has been so given, notice shall be deemed to have been given if sent by mail or telegraphic or other written communication to the corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where such office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

An affidavit of the mailing or other means of giving any notice of any stockholders' meeting shall be executed by the secretary, assistant secretary or any transfer agent of the corporation giving such notice, and shall be filed and maintained in the minute book of the corporation.

Section 6. Quorum.

The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting of stockholders shall constitute a quorum for the transaction of business. The stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

Section 7. Adjourned Meeting and Notice Thereof.

Any stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the Chairman of the meeting, but in the absence of a quorum, no other business may be transacted at such meeting, except as provided in Section 6 of this Article II.

When any meeting of stockholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at a meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than thirty (30) days from the date set for the original meeting. Notice of any such adjourned meeting, if required, shall be given to each stockholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 4 and 5 of this Article II. At any adjourned meeting the corporation may transact any business which might have been transacted at the original meeting.

Section 8. Voting.

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 11 of this Article II. Such vote may be by voice vote or by ballot, at the discretion of the Chairman of the meeting. Any stockholder entitled to vote on any matter (other than the election of directors) may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal; but, if the stockholder fails to specify the number of shares such stockholder is voting affirmatively, it will be conclusively presumed that the stockholder's approving vote is with respect to all shares such stockholder is entitled to vote. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on any matter shall be the act of the stockholders, unless the vote of a greater number or voting by classes is required by the Delaware General Corporation Law or the certificate of incorporation or the certificate of determination of preferences as to any preferred stock.

At a stockholders' meeting involving the election of directors, no stockholder shall be entitled to cumulate (i.e., cast for any one or more candidates a number of votes greater than the number of the stockholder's shares). The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected.

Section 9. Waiver of Notice or Consent by Absent Stockholders.

The transactions of any meeting of stockholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting, or an approval of the minutes thereof. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of stockholders. All such waivers, consents or approvals shall be filed with the corporate records or made part of the minutes of the meeting.

Attendance of a person at a meeting shall also constitute a waiver of notice of such meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if such objection is expressly made at the meeting.

Section 10. No Stockholder Action by Written Consent Without a Meeting.

Stockholders may take action only at a regular or special meeting of stockholders.

Section 11. Record Date for Stockholder Notice and Voting.

For purposes of determining the holders entitled to notice of any meeting or to vote, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days prior to the date of any such meeting, and in such case only stockholders of record on the date so fixed are entitled to notice and to vote, notwithstanding any transfer of any shares on the books of the corporation after the record date fixed as aforesaid, except as otherwise provided in the Delaware General Corporation Law.

If the board of directors does not so fix a record date, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

Section 12. Proxies.

Every person entitled to vote for directors or on any other matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the secretary of the corporation or by any other means permitted by the Delaware General Corporation Code (Section 212). A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or electronic transmission or otherwise) by the stockholder or the stockholder's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, prior to the vote pursuant thereto, by a writing delivered to the corporation stating that the proxy is revoked or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy, or (ii) written notice of the death or incapacity of the maker of such proxy is received by the corporation before the vote pursuant thereto is counted; provided, however, that no such proxy shall be valid after the expiration of eleven (11) months from the date of such proxy, unless otherwise provided in the proxy.

Section 13. Inspectors of Election; Opening and Closing the Polls.

The board of directors by resolution shall appoint one or more inspectors, which inspector or inspectors may include individuals who serve the corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at the meetings of stockholders and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act or is able to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by law.

The chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

Section 14. Nomination and Stockholder Business Bylaw.

(A) Annual Meetings of Stockholders.

(1) Nominations of persons for election to the board of directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the corporation's notice of meeting, (b) by or at the direction of the board of directors or (c) by any stockholder of the corporation who was a stockholder of record at the time of giving of notice provided for in this Bylaw, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A) (1) of this Bylaw, the stockholder must have given timely notice thereof in writing to the secretary of the corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the secretary at the principal executive offices of the corporation not later than the close of business on the 60th day nor earlier than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner and (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Bylaw to the contrary, in the event that the number of directors to be elected to the board of directors of the corporation is increased and there is no public announcement by the corporation naming all of the nominees for director or specifying the size of the increased board of directors at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive offices of the corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the corporation.

(B) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the corporation's notice of meeting. Nominations of persons for election to the board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting (a) by or at the direction of the board of directors or (b) provided that the board of directors has determined that directors shall be elected at such meeting, by any stockholder of the corporation who is a stockholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw. In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the board of directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by paragraph (A) (2) of this Bylaw shall be delivered to the secretary at the principal executive offices of the corporation not earlier than the close of business on the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(C) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Bylaw and, if any proposed nomination or business is not in compliance with this Bylaw, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Bylaw, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock, if any, to elect directors under certain circumstances.

ARTICLE III

DIRECTORS

Section 1. Powers.

Subject to the provisions of the Delaware General Corporation Law and any limitations in the certificate of incorporation and these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the directors shall have the power and authority to:

(a) Select and remove all officers, agents and employees of the corporation, prescribe such powers and duties for them as may not be inconsistent with law, the certificate of incorporation or these bylaws, fix their compensation, and require from them security for faithful service.

(b) Change the principal executive office or the principal business office in the State of California from one location to another; cause the corporation to be qualified to do business in any other state, territory, dependency, or foreign country and conduct business within or outside the State of California; designate any place within or without the State of California for the holding of any stockholders' meeting or meetings, including annual meetings; adopt, make and use a corporate seal, and prescribe the forms of certificates of stock, and alter the form of such seal and of such certificates from time to time as in their judgment they may deem best, provided that such forms shall at all times comply with the provisions of law.

(c) Authorize the issuance of shares of stock of the corporation from time to time, upon such terms as may be lawful, in consideration of money paid, labor done or services actually rendered, debts or securities canceled or tangible or intangible property actually received.

(d) Borrow money and incur indebtedness for the purpose of the corporation, and cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, or other evidences of debt and securities therefor.

Section 2. Number and Qualification of Directors.

The number of directors of the corporation shall be twelve (12) until changed by a bylaw amending this Section 2, duly adopted by the board of directors or by the stockholders.

Section 3. Election and Term of Office of Directors.

Subject to Section 15 below, one class of the directors shall be elected at each annual meeting of the stockholders, but if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of stockholders held for that purpose. All directors shall hold office until their respective successors are elected. Irrespective of the provisions of Section 15 of this Article III and of the preceding sentence, a director shall automatically be retired on the date of the expiration of the first annual meeting following his 72nd birthday.

Section 4. Vacancies.

Vacancies in the board of directors may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director. Each director elected to fill a vacancy shall hold office for the remainder of the term of the person whom he or she succeeds, unless otherwise determined by the board of directors, and until a successor has been elected and qualified.

A vacancy or vacancies in the board of directors shall be deemed to exist in the case of the death, retirement, resignation or removal of any director, or if the board of directors by resolution declares vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony, or if the authorized number of directors be increased, or if the stockholders fail at any meeting of stockholders at which any director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting.

Any director may resign or voluntarily retire upon giving written notice to the chairman of the board, the president, the secretary or the board of directors. Such retirement or resignation shall be effective upon the giving of the notice, unless the notice specifies a later time for its effectiveness. If such retirement or resignation is effective at a future time, the board of directors may elect a successor to take office when the retirement or resignation becomes effective.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his term of office. No director may be removed during his term except for cause.

Section 5. Place of Meetings and Telephonic Meetings.

Regular meetings of the board of directors may be held at any place within or without the State of Delaware that has been designated from time to time by resolution of the board. In the absence of such designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board shall be held at any place within or without the State of Delaware that has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, at the principal executive office of the corporation. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in such meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting.

Section 6. Annual Meetings.

Immediately following each annual meeting of stockholders, the board of directors shall hold a regular meeting for the purpose of organization, any desired election of officers and transaction of other business. Notice of this meeting shall not be required.

Section 7. Other Regular Meetings.

Other regular meetings of the board of directors shall be held at such time as shall from time to time be determined by the board of directors. Such regular meetings may be held without notice provided that notice of any change in the determination of time of such meeting shall be sent to all of the directors. Notice of a change in the determination of the time shall be given to each director in the same manner as for special meetings of the board of directors.

Section 8. Special Meetings.

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board or the president or any vice president or the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at his or her address as it is shown upon the records of the corporation. In case such notice is mailed, it shall be deposited in the United States mail at least four (4) days prior to the time of the holding of the meeting. In case such notice is delivered personally, or by telephone or telegram, it shall be delivered personally, or by telephone or to the telegraph company at least forty-eight (48) hours prior to the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated to either the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose of the meeting nor the place if the meeting is to be held at the principal executive office of the corporation.

Section 9. Quorum.

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the board of directors. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 10. Waiver of Notice.

The transactions of any meeting of the board of directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum be present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes thereof. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director.

Section 11. Adjournment.

A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

Section 12. Notice of Adjournment.

Notice of the time and place of an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of such time and place shall be given prior to the time of the adjourned meeting, in the manner specified in Section 8 of this Article III, to the directors who were not present at the time of the adjournment.

Section 13. Action Without Meeting.

Any action required or permitted to be taken by the board of directors may be taken without a meeting, if all members of the board shall individually or collectively consent in writing to such action. Such action by written consent shall have the same force and effect as a unanimous vote of the board of directors. Such written consent or consents shall be filed with the minutes of the proceedings of the board.

Section 14. Fees and Compensation of Directors.

Directors and members of committees may receive such compensation, if any, for their services and such reimbursement of expenses, as may be fixed or determined by resolution of the board of directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation for such services.

Section 15. Classification of Directors.

The board of directors shall be and is divided into three classes, Class I, Class II and Class III. The number of directors in each class shall be the whole number contained in the quotient arrived at by dividing the authorized number of directors by three, and if a fraction is also contained in such quotient then if such fraction is one-third (1/3) the extra director shall be a member of Class III and if the fraction is two-thirds (2/3) one of the extra directors shall be a member of Class III and the other shall be a member of Class II. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected.

In the event of any increase or decrease in the authorized number of directors, (a) each director then serving as such shall nevertheless continue as a director of the class of which he is a member until the expiration of his current term, or his prior death, resignation or removal, and (b) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the board of directors to such class or classes as shall, so far as possible, bring the number of directors in the respective classes into conformity with the formula in this Section 15, as applied to the new authorized number of directors.

ARTICLE IV

COMMITTEES

Section 1. Committees of Directors.

The board of directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, including an executive committee, each consisting of two or more directors, to serve at the pleasure of the board. The board may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the board, shall have all the authority of the board, except with respect to:

(a) the approval of any action which, under the General Corporation Law of Delaware, also requires stockholders' approval or approval of the outstanding shares;

(b) the filling of vacancies on the board of directors or in any committee;

(c) the fixing of compensation of the directors for serving on the board or on any committee;

(d) the amendment or repeal of bylaws or the adoption of new bylaws;

(e) the amendment or repeal of any resolution of the board of directors which by its express terms is not so amendable or repealable;

(f) a distribution to the stockholders of the corporation, except at a rate or in a periodic amount or within a price range determined by the board of directors; or

(g) the appointment of any other committees of the board of directors or the members thereof.

Section 2. Meetings and Action of Committees.

Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Sections 5 (place of meetings), 7 (regular meetings), 8 (special meetings and notice), 9 (quorum), 10 (waiver of notice), 11 (adjournment), 12 (notice of adjournment) and

13 (action without meetings), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members, except that the time of regular meetings of committees may be determined by resolution of the board of directors as well as the committee, special meetings of committees may also be called by resolution of the board of directors, and notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V

OFFICERS

Section 1. Officers.

The officers of the corporation shall be the chairman of the board, the president, a vice president, a secretary and a treasurer. The corporation may also have, at the discretion of the board of directors, one or more additional vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article V. Any number of offices may be held by the same person.

Section 2. Election of Officers.

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article V, shall be chosen annually by the board of directors, and each shall hold his office until he shall resign or be removed or otherwise disqualified to serve or his successor shall be elected and qualified.

Section 3. Subordinate Officers, etc.

The board of directors may appoint, and may empower the chairman of the board to appoint, such other officers as the business of the corporation may
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require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the bylaws or as the board of directors may from time to time determine.

Section 4. Removal and Resignation of Officers.

Any officer may be removed, either with or without cause, by the board of directors, at any regular or special meeting thereof, or, except in case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies in Office.

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to such office.

Section 6. Chairman of the Board.

The chairman of the board shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction and control of the business and affairs of the corporation.

Section 7. President.

The president shall be the chief operating officer of the corporation and shall exercise and perform such powers and duties with respect to the administration of the business and affairs of the corporation as may from time to time be assigned to him by the chairman of the board or by the board of directors, or as may be prescribed by the bylaws.

Section 8. Vice Presidents.

In the absence or disability of the president, a vice president designated by the board of directors shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors or the bylaws.

Section 9. Secretary.

The secretary shall keep or cause to be kept, at the principal executive office or such other place as the board of directors may order, a book of minutes of all meetings and actions of directors, committees of directors and stockholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at directors' and committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a stock register, or a duplicate register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the board of directors required by the bylaws or by law to be given, and he shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by the bylaws.

Section 10. Treasurer.

The treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall be open at all reasonable times to inspection by any director.

The treasurer shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the chairman of the board and directors, whenever they request it, an account of all of his transactions as treasurer and of the financial condition of the corporation, and shall have other powers and perform such other duties as may be prescribed by the board of directors or the bylaws.

Section 11. Assistant Secretaries and Assistant Treasurers.

Any assistant secretary may perform any act within the power of the secretary, and any assistant treasurer may perform any act within the power of the treasurer, subject to any limitations which may be imposed in these bylaws or in board resolutions.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

Section 1. Indemnification and Insurance.

(A) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit, or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Corporation, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee of agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expenses, liability and loss (including attorneys' fees, judgements, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in paragraph (C) of this Bylaw, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors. The right to indemnification conferred in this Bylaw shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the Corporation within 20 days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, that if the General Corporation Law of the State of Delaware requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Bylaw or otherwise.

(B) To obtain indemnification under this Bylaw, a claimant shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this paragraph (B), a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (1) if requested by the claimant, by Independent Counsel (as hereinafter defined), or (2) if no request is made by the claimant for a determination by Independent Counsel, (i) by the Board of Directors by a majority vote of a quorum consisting of Disinterested Directors (as hereinafter defined), or (ii) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtained or even if obtainable, such quorum of Disinterested Directors so directs, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the claimant, or (iii) if a quorum of Disinterested Directors so directs, by the stockholders of the Corporation. In the event the determination of entitlement to indemnification is to be made by Independent Counsel at the request of the claimant, the Independent Counsel shall be selected by the Board of Directors unless there shall have occurred within two years prior to the date of the commencement of the action, suit or proceeding for which indemnification is claimed a "Change of Control" as defined in the 1996 Stock Incentive Plan, in which case the Independent Counsel shall be selected by the claimant unless the claimant shall request that such selection be made by the Board of Directors. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within 10 days after such determination.

(C) If a claim under paragraph (A) of this Bylaw is not paid in full by the Corporation within 30 days after a written claim pursuant to paragraph (B) of this Bylaw has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim, including attorney's fees. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, Independent Counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(D) If a determination shall have been made pursuant to paragraph (B) of this Bylaw that the claimant is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to paragraph (C) of this Bylaw.

(E) The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to paragraph (C) of this Bylaw that the procedures and presumptions of this Bylaw are not valid, binding and enforceable and shall stipulate in such proceeding that the Corporation is bound by all the provisions of this Bylaw.

(F) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Bylaw shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or Disinterested Directors or otherwise. No repeal or modification of this Bylaw shall in any way diminish or adversely affect the rights of any director, officer, employee or agent of the Corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

(G) The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware. To the extent that the Corporation maintains any policy or policies providing such insurance, each such director or officer, and each such agent or employee to which rights to indemnification have been granted as provided in paragraph (H) of this Bylaw, shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such director, officer, employee or agent.

(H) The Corporation may, to the extent authorized from time to time by the Board of Directors or the Chief Executive Officer, grant rights to indemnification, and rights to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent of the Corporation to the fullest extent of the provisions of this Bylaw with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

(I) If any provision or provisions of this Bylaw shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Bylaw (including, without limitation, each portion of any paragraph of this Bylaw containing any such provisions held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Bylaw (including, without limitation, each such portion of any paragraph of this Bylaw containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

(J) For purposes of this Bylaw:

(1) "Disinterested Director" means a director of the Corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(2) "Independent Counsel" means a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporation law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Corporation or the claimant in an action to determine the claimant's rights under this Bylaw.

(K) Any notice, request or other communication required or permitted to be given to the Corporation under this Bylaw shall be in writing and either delivered in person or sent by telecopy, telex, telegram, overnight mail or courier service, or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Corporation and shall be effective only upon receipt by the Secretary.

Section 2. Fiduciaries of Corporate Employee Benefit Plan.

This Article VI does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the corporation as defined in Section 1 of this Article VI. Nothing contained in this Article VI shall limit any right to indemnification to which such a trustee, investment manager or other fiduciary may be entitled by contract or otherwise, which shall be enforceable to the extent permitted by Section 410 of the Employee Retirement Income Security Act of 1974, as amended, other than this Article VI.

ARTICLE VII

RECORDS AND REPORTS

Section 1. Maintenance and Inspection of Stock Register.

The corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed, and as determined by resolution of the board of directors, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of shares held by each stockholder.

A stockholder or stockholders of the corporation holding at least five percent (5%) in the aggregate of the outstanding voting shares of the corporation may (i) inspect and copy the records of stockholders' names and addresses and stockholders during usual business hours upon five days prior written demand upon the corporation, and/or (ii) obtain from the transfer agent of the corporation, upon written demand and upon the tender of such transfer agent's usual charges for such list, a list of the stockholders' names and addresses, who are entitled to vote for the election of directors, and their shareholdings as of the most recent record date for which such list has been compiled or as of a date specified by the stockholder subsequent to the date of demand. Such list shall be made available to such stockholder or stockholders by the transfer agent on or before the later of five (5) days after the demand is received or the date specified therein as the date as of which the list is to be compiled.

The record of stockholders shall be open to inspection upon the written demand of any stockholder or holder of a voting trust certificate, at any time during usual business hours, for a purpose reasonably related to such holder's interests as a stockholder or as the holder of a voting trust certificate. Any inspection and copying under this Section 1 may be made in person or by an agent or attorney of the stockholder or holder of a voting trust certificate making such demand.

Section 2. Maintenance and Inspection of Bylaws.

The corporation shall keep at its principal executive office the original or a copy of the bylaws as amended to date, which shall be open to inspection by the stockholders at all reasonable times during office hours.

Section 3. Maintenance and Inspection of Other Corporate Records.

The accounting books and records and minutes of proceedings of the stockholders and the board of directors and any committee or committees of the board of directors shall be kept at such place or places designated by the board of directors, or, in the absence of such designation, at the principal executive office of the corporation. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. Such minutes and accounting books and records shall be open to inspection upon the written demand of any stockholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interests as a stockholder or as a holder of a voting trust certificate. Such inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. The foregoing rights of inspection shall extend to the records of each subsidiary corporation of the corporation.

Section 4. Inspection by Directors.

Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations. Such inspection by a director may be made in person or by agent or attorney and the right of inspection includes the right to copy and make extracts.

Section 5. Annual Report to Stockholders.

The board of directors shall cause an annual report to be sent to the stockholders not later than one hundred twenty (120) days after the close of the fiscal year adopted by the corporation. Such report shall be sent at least fifteen (15) days prior to the annual meeting of stockholders to be held during the next fiscal year and in the manner specified in Section 5 of Article II of these bylaws for giving notice to stockholders of the corporation. The annual report shall contain a balance sheet and statement of changes in financial position for such fiscal year, accompanied by any report thereon of independent accountants.

Section 6. Financial Statements.

A copy of any annual financial statement and any income statement of the corporation for each quarterly period of each fiscal year, and any accompanying balance sheet for the corporation as of the end of each such period, that has been prepared by the corporation shall be kept on file in the principal executive office of the corporation for twelve (12) months and each such statement shall be exhibited at all reasonable times to any stockholder demanding an examination of any such statement or a copy shall be mailed to any such stockholder.

If a stockholder or stockholders holding at least five percent (5%) of the outstanding shares of any class of stock of the corporation make a written request to the corporation for an income statement of the corporation for the three-month, six-month or nine-month period of the current fiscal year ended more than thirty (30) days prior to the date of the request, and a balance sheet of the corporation as of the end of such period, the treasurer shall cause such statement to be prepared, if not already prepared, and shall deliver personally or mail such statement or statements to the person making the request within thirty (30) days after the receipt of such request. If the corporation has not sent to the stockholders its annual report for the last fiscal year, this report shall likewise be delivered or mailed to such stockholder or stockholders within thirty (30) days after such request.

The corporation also shall, upon the written request of any stockholder, mail to the stockholder a copy of the last annual, semi-annual or quarterly income statement which it has prepared and a balance sheet as of the end of such period.

The quarterly income statements and balance sheets referred to in this section shall be accompanied by the report thereon, if any, of any independent accountants engaged by the corporation, or the certificate of an authorized officer of the corporation that such financial statements were prepared without audit from the books and records of the corporation.

ARTICLE VIII

GENERAL CORPORATE MATTERS

Section 1. Record Date for Purposes Other Than Notice and Voting.

For purposes of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days prior to any such action, and in such case only stockholders of record on the date so fixed are entitled to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date fixed as aforesaid, except as otherwise provided in the Delaware General Corporation Law.

If the board of directors does not so fix a record date, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board adopts the resolution relating thereto, or the sixtieth (60th) day prior to the date of such action, whichever is later.

Section 2. Checks, Drafts, Evidences of Indebtedness.

All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the corporation shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the board of directors.

Section 3. Corporate Contracts and Instruments; How Executed.

The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances; and, unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 4. Stock Certificates.

A certificate or certificates for shares of the capital stock of the corporation shall be issued to each stockholder when any such shares are fully paid. All certificates shall be signed in the name of the corporation by the chairman of the board or the president or vice president and by the treasurer or an assistant treasurer or the secretary or any assistant secretary, certifying the number of shares and the class or series of shares owned by the stockholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

Section 5. Lost Certificates.

Except as hereinafter in this Section 5 provided, no new stock certificate shall be issued in lieu of an old certificate unless the latter is surrendered to the corporation and canceled at the same time. The board of directors may in case any stock certificate or certificate for any other security is lost, stolen or destroyed, authorize the issuance of a new certificate in lieu thereof, upon such terms and conditions as the board of directors may require, including provision for indemnification of the corporation secured by a bond or other adequate security sufficient to protect the corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction of such certificate or the issuance of such new certificate.

Section 6. Representation of Stock of Other Corporations.

The chairman of the board, the president, or any vice president, or any other person authorized by resolution of the board of directors by any of the foregoing designated officers, is authorized to vote on behalf of the corporation any and all stock of any other corporation or corporations, foreign or domestic, standing in the name of the corporation. The authority herein granted to said officers to vote or represent on behalf of the corporation any and all stock by the corporation in any other corporation or corporations may be exercised by any such officer in person or by any person authorized to do so by proxy duly executed by said officer.

Section 7. Construction and Definitions.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of the bylaws. Without limiting the generality of the foregoing, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

Section 8. Fiscal Year.

The fiscal year of the corporation shall commence the first day of the calendar year.

Section 9. Seal.

The seal of the corporation shall be round and shall bear the name of the corporation and words and figures denoting its organization under the laws of the State of Delaware and year thereof, and otherwise shall be in such form as shall be approved from time to time by the board of directors.

ARTICLE IX

AMENDMENTS

Section 1. Amendment by Stockholders.

New bylaws may be adopted or these bylaws may be amended or repealed by the vote of not less than 80% of the total voting power of all shares of stock of the corporation entitled to vote in the election of directors, considered for purposes of this Section 1 as one class.

Section 2. Amendment by Directors.

Subject to the rights of the stockholders as provided in Section 1 of this Article IX, to adopt, amend or repeal bylaws, bylaws may be adopted, amended or repealed by the board of directors.

Amended : 12/07/00

EXHIBIT 10.15.3

AMENDMENT NO. 2
TO THE AVERY DENNISON CORPORATION
1988 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

WHEREAS, Paragraph 10 of the Avery Dennison Corporation 1988 Stock Option Plan for Non-Employee Directors (the "Plan") provides that the Plan may be amended by the Board of Directors of Avery Dennison Corporation (the "Company"); and

WHEREAS, the Board of Directors of the Company has determined that it is advisable to amend the Plan in certain respects.

NOW, THEREFORE, the Plan is hereby amended effective as of December 7, 2000 in the following respects:

1. Paragraph 7 is hereby revised in its entirety to read as follows

   7. Transferability and Stockholder Rights of Holders of Options

   Options granted under the Plan may be transferred to a Transferee or by will or by the laws of descent and distribution, and an Option may be exercised, during the lifetime of the holder thereof, by him, his heirs or a Transferee. The holder of an Option shall have none of the rights of a stockholder until the shares subject thereto shall have been registered in the name of the person or persons exercising such Option on the transfer books of the Company upon such exercise. For the purposes of the Plan, a "Transferee" shall mean "family members" as defined in the Securities and Exchange Commission Release No. 33-7646 and 34-41109, who have acquired the Option through a gift or a domestic relations order, and includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the employee) control the management of assets, and any other entity in which these persons (or the employee) own more than fifty percent of the voting interests.

2. All outstanding Stock Options Agreements under the Plan are hereby amended to provide that such Options may be transferred as set forth above in amended Paragraph 7 of the Plan.

3. The prior Exhibit A is hereby deleted and the attached Exhibit A is inserted in lieu thereof.

4. All other terms and conditions of the Plan remain in full force and effect.

EXHIBIT 12

Avery Dennison Corporation
Computation of Ratio of Earnings to Fixed Charges
(Dollars in Millions)

	2000	1999
Earnings		
Income before taxes	$426.3	$330.4
Add: Fixed Charges*	74.9	62.6
Amortization of capitalized interest	1.7	1.6
Less: Capitalized interest	(4.4)	(2.4)
	$498.5	$392.2
*Fixed charges:		
Interest expense	$ 54.6	$ 43.4
Capitalized interest	4.4	2.4
Amortization of debt issuance costs	.4	.3
Interest portion of leases	15.5	16.5
	$ 74.9	$ 62.6
Ratio of Earnings to Fixed Charges	6.7	6.3

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.

Financial Highlights

(In millions, except per share amounts)	2000	1999		1998
For the Year:		Reported	Without Restructuring *	
Net sales	$3,893.5	$3,768.2	$3,768.2	$3,459.9
Income before taxes	426.3	330.4	395.4	336.7
Net income	283.5	215.4	257.8	223.3
Net income as a percent of sales	7.3	5.7	6.8	6.5
Net income per common share, assuming dilution	$ 2.84	$ 2.13	$ 2.54	$ 2.15
Dividends per common share	1.11	.99	.99	.87
Capital expenditures	198.3	177.7	177.7	159.7
Return on average shareholders' equity (percent)	34.6	27.1	31.1	26.7

*Pro forma, excludes 1999 restructuring charge

ELEVEN-YEAR SUMMARY

(In millions, except per share amounts)	Compound Growth Rate 5 Year	Compound Growth Rate 10 Year(2)	2000 Dollars	2000 %	1999/(1)/ Dollars	1999/(1)/ %	1998 Dollars	1998 %
FOR THE YEAR								
Net sales	4.6%	4.2%	$3,893.5	100.0	$3,768.2	100.0	$3,459.9	100.0
Gross profit	6.8	5.1	1,332.2	34.2	1,281.4	34.0	1,144.5	33.1
Marketing, general and administrative expense	4.3	1.2	851.3	21.9	842.6	22.4	773.2	22.3
Interest expense	4.3	3.2	54.6	1.4	43.4	1.2	34.6	1.0
Income before taxes	13.7	39.2	426.3	10.9	330.4	8.8	336.7	9.7
Taxes on income	12.0	30.9	142.8	3.7	115.0	3.1	113.4	3.3
Net income	14.6	47.3	283.5	7.3	215.4	5.7	223.3	6.5

	5 Year	10 Year(2)	2000	1999	1998
PER SHARE INFORMATION					
Net income per common share	16.4%	50.0%	$ 2.88	$ 2.17	$ 2.20
Net income per common share, assuming dilution	16.6	N/A	2.84	2.13	2.15
Dividends per common share	15.1	13.2	1.11	.99	.87
Average common shares outstanding	(1.6)	(2.3)	98.3	99.2	101.5
Average common shares outstanding, assuming dilution	(1.7)	N/A	99.8	101.3	104.1
Book value at fiscal year end	2.0	2.2	$ 8.49	$ 8.20	$ 8.33
Market price at fiscal year end	17.0	17.7	54.88	72.88	45.06
Market price range			43.31 to 78.00	39.75 to 72.88	40.88 to 60.75
AT YEAR END					
Working capital			$ 181.7	$ 105.6	$ 137.7
Property, plant and equipment, net			1,079.0	1,043.5	1,035.6
Total assets			2,699.1	2,592.5	2,142.6
Long-term debt			772.9	617.5	465.9
Total debt			827.2	685.7	537.2
Shareholders' equity			828.1	809.9	833.3
Number of employees			17,900	17,400	16,100
OTHER INFORMATION					
Depreciation expense			$ 126.0	$ 126.5	$ 114.6
Research and development expense			67.8	64.3	65.0
Effective tax rate			33.5%	34.8%	33.7%
Long-term debt as a percent of total long-term capital			48.3	43.3	35.9
Total debt as a percent of total capital			50.0	45.8	39.2
Return on average shareholders' equity (percent)			34.6	27.1	26.7
Return on average total capital (percent)			19.6	17.0	19.0

(In millions, except per share amounts)	1997 Dollars	1997 %
FOR THE YEAR		
Net sales	$3,345.7	100.0
Gross profit	1,082.7	32.4
Marketing, general and administrative expense	739.8	22.1
Interest expense	31.7	.9
Income before taxes	311.2	9.3
Taxes on income	106.4	3.2
Net income	204.8	6.1

	1997
PER SHARE INFORMATION	
Net income per common share	$ 1.99
Net income per common share, assuming dilution	1.93
Dividends per common share	.72
Average common shares outstanding	103.1
Average common shares outstanding, assuming dilution	106.1
Book value at fiscal year end	$ 8.18
Market price at fiscal year end	43.75
Market price range	33.38 to 44.13
AT YEAR END	
Working capital	$ 163.6
Property, plant and equipment, net	985.3
Total assets	2,046.5
Long-term debt	404.1
Total debt	447.7
Shareholders' equity	837.2
Number of employees	16,200
OTHER INFORMATION	
Depreciation expense	$ 105.5
Research and development expense	61.1
Effective tax rate	34.2%
Long-term debt as a percent of total long-term capital	32.6
Total debt as a percent of total capital	34.8
Return on average shareholders' equity (percent)	24.8
Return on average total capital (percent)	18.1

(1) In 1999, the Company incurred $65 million in a pretax restructuring charge. After adjusting for this charge, 1999 net income was $257.8 million, or $2.60 per common share and $2.54 per diluted common share. The 5 and 10

year compound growth rates (excluding the restructuring charge) for net income were 18.7 percent and 8.5 percent, respectively, and 21.5 percent and 10.9 percent, respectively, for net income per common share. The 5 year compound growth rate (excluding the restructuring charge) for net income per common share, assuming dilution was 21.2 percent.

ELEVEN-YEAR SUMMARY Avery Dennison Corporation

	1996		1995		1994		1993	
(In millions, except per share amounts)	Dollars	%	Dollars	%	Dollars	%	Dollars	%
FOR THE YEAR								
Net sales	$3,222.5	100.0	$3,113.9	100.0	$2,856.7	100.0	$2,608.7	100.0
Gross profit	1,018.3	31.6	957.3	30.7	907.8	31.8	818.1	31.4
Marketing, general and administrative expense	712.4	22.1	689.8	22.2	691.9	24.2	642.7	24.6
Interest expense	37.4	1.2	44.3	1.4	43.0	1.5	43.2	1.7
Income before taxes	270.6	8.4	224.7	7.2	172.9	6.1	132.2	5.1
Taxes on income	94.7	2.9	81.0	2.6	63.5	2.2	48.9	1.9
Net income	175.9	5.5	143.7	4.6	109.4	3.8	84.4	3.2

	1996	1995	1994	1993
PER SHARE INFORMATION				
Net income per common share	$ 1.68	$ 1.35	$ .98	$ .73
Net income per common share, assuming dilution	1.63	1.32	.97	.72
Dividends per common share	.62	.55	.50	.45
Average common shares outstanding	105.0	106.5	111.1	115.9
Average common shares outstanding, assuming dilution	107.6	108.5	112.3	116.9
Book value at fiscal year end	$ 8.03	$ 7.69	$ 6.81	$ 6.40
Market price at fiscal year end	35.88	25.07	17.75	14.69
Market price range	23.88 to 35.88	16.63 to 25.07	13.32 to 17.88	12.75 to 15.57
AT YEAR END				
Working capital	$ 110.6	$ 127.6	$ 122.8	$ 141.6
Property, plant and equipment, net	962.7	907.4	831.6	758.5
Total assets	2,036.7	1,963.6	1,763.1	1,639.0
Long-term debt	370.7	334.0	347.3	311.0
Total debt	466.9	449.4	420.7	397.5
Shareholders' equity	832.0	815.8	729.0	719.1
Number of employees	15,800	15,500	15,400	15,750
OTHER INFORMATION				
Depreciation expense	$ 100.2	$ 95.3	$ 87.9	$ 84.1
Research and development expense	54.6	52.7	49.1	45.5
Effective tax rate	35.0%	36.0%	36.7%	37.0%
Long-term debt as a percent of total long-term capital	30.8	29.0	32.3	30.2
Total debt as a percent of total capital	35.9	35.5	36.6	35.6
Return on average shareholders' equity (percent)	21.4	18.6	14.8	11.0
Return on average total capital (percent)	16.4	14.4	12.1	9.3

	1992		1991		1990/(2)/	
(In millions, except per share amounts)	Dollars	%	Dollars	%	Dollars	%
FOR THE YEAR						
Net sales	$2,622.9	100.0	$2,545.1	100.0	$2,590.2	100.0

Gross profit	838.2	32.0	796.2	31.3	808.3	31.2
Marketing, general and administrative expense	665.7	25.4	653.9	25.7	752.7	29.1
Interest expense	42.3	1.6	37.5	1.5	40.0	1.5
Income before taxes	130.2	5.0	104.8	4.1	15.6	.6
Taxes on income	50.1	1.9	41.8	1.6	9.7	.4
Net income	80.1	3.1	63.0	2.5	5.9	.2

	1992	1991	1990
PER SHARE INFORMATION			
Net income per common share	$ .66	$ .51	$ .05
Net income per common share, assuming dilution	.66	n/a	n/a
Dividends per common share	.41	.38	.32
Average common shares outstanding	120.8	123.9	123.9
Average common shares outstanding, assuming dilution	121.8	n/a	n/a
Book value at fiscal year end	$ 6.82	$ 6.73	$ 6.83
Market price at fiscal year end	14.38	12.69	10.75
Market price range	11.63 to 14.44	9.69 to 12.75	7.82 to 16.50
AT YEAR END			
Working capital	$ 222.6	$ 226.0	$ 298.8
Property, plant and equipment, net	779.9	814.2	821.7
Total assets	1,684.0	1,740.4	1,890.3
Long-term debt	334.8	329.5	376.0
Total debt	427.5	424.0	510.4
Shareholders' equity	802.6	825.0	846.3
Number of employees	16,550	17,095	18,816
OTHER INFORMATION			
Depreciation expense	$ 83.8	$ 83.1	$ 80.8
Research and development expense	46.7	48.7	53.7
Effective tax rate	38.5%	39.9%	62.2%
Long-term debt as a percent of total long-term capital	29.4	28.5	30.8
Total debt as a percent of total capital	34.8	33.9	37.6
Return on average shareholders' equity (percent)	9.7	7.7	.7
Return on average total capital (percent)	8.3	6.7	1.5

(2) In 1990, the Company incurred $85.2 million in pretax charges related to the merger of Avery International Corporation and Dennison Manufacturing Company and $13.8 million of merger-related costs. After adjusting for these charges, 1990 net income was $71.7 million, or $.58 per common share.

Consolidated Balance Sheet

(Dollars in millions)	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	$ 11.4	$ 6.9
Trade accounts receivable, less allowance for doubtful accounts of $19.4 and $19.5 for 2000 and 1999, respectively	580.5	542.4
Inventories, net	271.5	279.8
Other receivables	29.3	23.8
Prepaid expenses	25.2	23.7
Deferred taxes	64.5	79.4
Total current assets	982.4	956.0
Property, plant and equipment, net	1,079.0	1,043.5
Intangibles resulting from business acquisitions, net	394.3	397.0
Other assets	243.4	196.0
	$2,699.1	$ 2,592.5
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term and current portion of long-term debt	$ 54.3	$ 68.2
Accounts payable	326.4	316.8
Accrued payroll and employee benefits	117.1	133.7
Other accrued liabilities	236.0	252.4
Income taxes payable	66.9	79.3
Total current liabilities	800.7	850.4
Long-term debt	772.9	617.5
Long-term retirement benefits and other accrued liabilities	129.5	132.0
Non-current deferred taxes	94.0	99.4
Other long-term obligation	73.9	83.3
Shareholders' equity:		
Common stock, $1 par value, authorized - 400,000,000 shares at year end 2000 and 1999; issued - 124,126,624 shares at year end 2000 and 1999	124.1	124.1
Capital in excess of par value	692.0	962.3
Retained earnings	1,448.3	1,288.5
Cost of unallocated ESOP shares	(15.3)	(16.8)
Employee stock trusts, 12,758,017 shares and 13,914,515 shares at year end 2000 and 1999, respectively	(699.9)	(1,014.0)
Treasury stock at cost, 13,881,533 shares and 11,453,728 shares at year end 2000 and 1999, respectively	(615.7)	(481.3)
Accumulated other comprehensive loss	(105.4)	(52.9)
Total shareholders' equity	828.1	809.9
	$2,699.1	$ 2,592.5

See Notes to Consolidated Financial Statements

Consolidated Statement of Income

(In millions, except per share amounts)	2000	1999	1998
Net sales	$3,893.5	$3,768.2	$3,459.9
Cost of products sold	2,561.3	2,486.8	2,315.4
Gross profit	1,332.2	1,281.4	1,144.5
Marketing, general and administrative expense	851.3	842.6	773.2
Restructuring charge	-	65.0	-
Interest expense	54.6	43.4	34.6
Income before taxes	426.3	330.4	336.7
Taxes on income	142.8	115.0	113.4
Net income	$ 283.5	$ 215.4	$ 223.3
Per share amounts:			
Net income per common share	$ 2.88	$ 2.17	$ 2.20
Net income per common share, assuming dilution	2.84	2.13	2.15
Dividends	1.11	.99	.87
Average shares outstanding:			
Common shares	98.3	99.2	101.5
Common shares, assuming dilution	99.8	101.3	104.1
Common shares outstanding at year end	97.5	98.8	100.0

See Notes to Consolidated Financial Statements

Consolidated Statement of Shareholders' Equity

(Dollars in millions)	Common stock, $1 par value	Capital in excess of par value	Retained earnings	Cost of unallocated ESOP shares
Fiscal year ended 1997	$124.1	$ 592.5	$1,063.6	$ (23.4)
Comprehensive income:				
Net income			223.3	
Other comprehensive income:				
Foreign currency translation adjustment				
Minimum pension liability adjustment				
Other comprehensive income				
Total comprehensive income				
Repurchase of 4 million shares for treasury				
Stock issued under option plans, net of $43.6 of tax and dividends paid on stock held in stock trusts		(34.8)		
Dividends: $.87 per share			(101.8)	
ESOP transactions, net				5.1
Employee stock benefit trust market value adjustment		29.8		
Fiscal year ended 1998	124.1	587.5	1,185.1	(18.3)
Comprehensive income:				
Net income			215.4	
Foreign currency translation adjustment				
Total comprehensive income				
Repurchase of 2.4 million shares for treasury				
Stock issued under option plans, net of $34 of tax and dividends paid on stock held in stock trusts		(23.0)		
Dividends: $.99 per share			(112.0)	
ESOP transactions, net				1.5
Employee stock benefit trust market value adjustment		397.8		
Fiscal year ended 1999	124.1	962.3	1,288.5	(16.8)
Comprehensive income:				
Net income			283.5	
Foreign currency translation adjustment				
Total comprehensive income				
Repurchase of 2.4 million shares for treasury				
Stock issued under option plans, net of $36.3 of tax and dividends paid on stock held in stock trusts		(28.9)		
Dividends: $1.11 per share			(123.7)	
ESOP transactions, net				1.5
Employee stock benefit trust market value adjustment		(241.4)		
Fiscal year ended 2000	$124.1	$ 692.0	$1,448.3	(15.3)

(Dollars in millions)	Employee stock trusts	Treasury stock	Accumulated other comprehensive income (loss)	Total
Fiscal year ended 1997	$ (730.3)	$(166.8)	$(22.5)	$ 837.2
Comprehensive income:				
Net income				223.3
Other comprehensive income:				
Foreign currency translation adjustment			13.3	13.3
Minimum pension liability adjustment			1.1	1.1
Other comprehensive income			14.4	14.4
Total comprehensive income				237.7
Repurchase of 4 million shares for treasury		(192.6)		(192.6)
Stock issued under option plans, net of $43.6 of tax and dividends paid on stock held in stock trusts	82.5			47.7
Dividends: $.87 per share				(101.8)
ESOP transactions, net				5.1
Employee stock benefit trust market value adjustment	(29.8)			--
Fiscal year ended 1998	(677.6)	(359.4)	(8.1)	833.3
Comprehensive income:				
Net income				215.4
Foreign currency translation adjustment			(44.8)	(44.8)

Total comprehensive income				170.6
Repurchase of 2.4 million shares for treasury		(121.9)		(121.9)
Stock issued under option plans, net of $34 of tax and dividends paid on stock held in stock trusts	61.4			38.4
Dividends: $.99 per share				(112.0)
ESOP transactions, net				1.5
Employee stock benefit trust market value adjustment	(397.8)			--
Fiscal year ended 1999	(1,014.0)	(481.3)	(52.9)	809.9
Comprehensive income:				
Net income				283.5
Foreign currency translation adjustment			(52.5)	(52.5)
Total comprehensive income				231.0
Repurchase of 2.4 million shares for treasury		(134.4)		(134.4)
Stock issued under option plans, net of $36.3 of tax and dividends paid on stock held in stock trusts	72.7			43.8
Dividends: $1.11 per share				(123.7)
ESOP transactions, net				1.5
Employee stock benefit trust market value adjustment	241.4			-
Fiscal year ended 2000	$ (699.9)	$(615.7)	$(105.4)	$ 828.1

See Notes to Consolidated Financial Statements

Consolidated Statement of Cash Flows

(In millions)	2000	1999	1998
Operating Activities			
Net income	$ 283.5	$ 215.4	$ 223.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Restructuring charge	-	65.0	-
Depreciation	126.0	126.5	114.6
Amortization	30.9	23.9	12.6
Deferred taxes	11.8	(15.3)	13.8
Changes in assets and liabilities, net of the effect of foreign currency translation, business acquisitions and divestitures, and restructuring charge:			
Trade accounts receivable, net	(37.0)	(66.1)	18.6
Inventories, net	8.8	(28.0)	11.0
Other receivables	(6.4)	(.3)	8.3
Prepaid expenses	(2.0)	(4.6)	1.0
Accounts payable and accrued liabilities	(4.3)	74.7	(11.8)
Taxes on income	6.5	60.9	41.5
Long-term retirement benefits and other accrued liabilities	(7.9)	(25.2)	(13.4)
Net cash provided by operating activities	409.9	426.9	419.5
Investing Activities			
Purchase of property, plant and equipment	(198.3)	(177.7)	(159.7)
Acquisitions, net of miscellaneous proceeds from sale of assets	(64.7)	(175.8)	(30.9)
Other	(52.5)	(22.1)	(23.6)
Net cash used in investing activities	(315.5)	(375.6)	(214.2)
Financing Activities			
Increase in long-term debt	40.0	-	50.0
Decrease in long-term debt	(13.4)	(.9)	(3.9)
Net increase in other debt	118.9	152.2	39.3
Dividends paid	(123.7)	(112.0)	(101.8)
Purchase of treasury stock	(134.4)	(121.9)	(192.6)
Proceeds from exercise of stock options	19.7	16.9	20.7
Other	3.9	3.3	(2.3)
Net cash used in financing activities	(89.0)	(62.4)	(190.6)
Effect of foreign currency translation on cash balances	(.9)	(.5)	.5
Increase (decrease) in cash and cash equivalents	4.5	(11.6)	15.2
Cash and cash equivalents, beginning of year	6.9	18.5	3.3
Cash and cash equivalents, end of year	$ 11.4	$ 6.9	$ 18.5

See Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Operations
The Company is a worldwide manufacturer of pressure-sensitive adhesives and materials, and consumer and converted products. The Company's major markets are in office products, data processing, health care, retail, transportation, industrial and durable goods, food and apparel. The Pressure-sensitive Adhesives and Materials segment and the Consumer and Converted Products segment each contribute approximately 50 percent of the Company's total sales. Sales are generated primarily in the United States and continental Europe.

Principles of Consolidation
The consolidated financial statements include the accounts of all majority-owned subsidiaries. All intercompany accounts, transactions and profits are eliminated. Investments in certain affiliates (20 percent to 50 percent ownership) are accounted for by the equity method of accounting. Investments representing less than 20 percent ownership are accounted for by the cost method of accounting.

Fiscal Year
The Company's 2000 and 1999 fiscal years reflected 52-week periods ending December 30, 2000 and January 1, 2000, respectively. Fiscal year 1998 reflected a 53-week period ending January 2, 1999. Normally, each fiscal year consists of 52 weeks, but every fifth or sixth fiscal year consists of 53 weeks.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, deposits in banks and short-term investments, with maturities of three months or less when purchased. The carrying amounts of these assets approximate fair value due to the short maturity of the instruments. Cash paid for interest and taxes was as follows:

(In millions)	2000	1999	1998
Interest, net of capitalized amounts	$ 54.8	$44.1	$29.8
Income taxes, net of refunds	142.8	62.7	86.3

Note 1. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using both the first-in, first-out (FIFO) and last-in, first-out (LIFO) methods. Inventories valued using the LIFO method comprised 37 percent and 40 percent of inventories before LIFO adjustment at year end 2000 and 1999, respectively. Inventories at year end were as follows:

(In millions)	2000	1999
Raw materials	$ 85.8	$ 86.2
Work-in-progress	67.1	77.0
Finished goods	139.9	137.0
LIFO adjustment	(21.3)	(20.4)
	$271.5	$279.8

Property, Plant and Equipment

Major classes of property, plant and equipment were as follows:

(In millions)	2000	1999
Land	$ 44.5	$ 41.9
Buildings and improvements	443.6	434.4
Machinery and equipment	1,378.9	1,324.9
Construction-in-progress	144.8	133.5
	2,011.8	1,934.7
Accumulated depreciation	932.8	891.2
	$1,079.0	$1,043.5

Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty-five years. Maintenance and repair costs are expensed as incurred; renewals and betterments are capitalized. Upon the sale or retirement of properties, the accounts are relieved of the cost and the related accumulated depreciation, with any resulting profit or loss included in net income.

Intangibles Resulting From Business Acquisitions

Intangibles resulting from business acquisitions consist primarily of the excess of the acquisition cost over the fair value of net tangible assets acquired and are amortized over a 5 to 40 year period using the straight-line method. The Company evaluates the carrying value of its goodwill on an ongoing basis and recognizes an impairment when the estimated future undiscounted cash flows from operations are less than the carrying value of the goodwill. Accumulated amortization at year end 2000 and 1999 was $83.4 million and $67 million, respectively.

Note 1. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation
All asset and liability accounts of international operations are translated into U.S. dollars at current rates. Revenue, costs and expenses are translated at the weighted-average currency rate, which prevailed during the fiscal year. Translation gains and losses of subsidiaries operating in hyperinflationary economies are included in net income currently. Gains and losses resulting from foreign currency transactions, other than those transactions described below, are included in income currently. Gains and losses resulting from hedging the value of investments in certain international operations and from translation of financial statements are excluded from net income and are recorded directly to a component of other comprehensive income.

Transaction and translation losses decreased net income in 2000, 1999 and 1998 by $3 million, $1.7 million and $2.9 million, respectively.

Financial Instruments
The Company enters into foreign exchange forward, option and swap contracts, and interest rate contracts to manage exposure to fluctuations in foreign currency exchange and interest rates. The Company does not hold or purchase any foreign currency or interest rate contracts for trading purposes.

Foreign exchange forward, option and swap contracts that hedge existing assets, liabilities or firm commitments are measured at fair value and the related gains and losses on these contracts are recognized in net income currently. Foreign exchange forward and option contracts that hedge forecasted transactions are measured at fair value and the related gains and losses on these contracts are deferred and subsequently recognized in net income in the period in which the underlying transaction is consummated. In the event that an anticipated transaction is no longer likely to occur, the Company recognizes the change in fair value of the instrument in net income currently.

Gains and losses resulting from foreign exchange forward, option and swap contracts are recorded in the same category as the related item being hedged. Cash flows from the use of financial instruments are reported in the same category as the hedged item in the Consolidated Statement of Cash Flows. Gains and losses on contracts used to hedge the value of investments in certain foreign subsidiaries are included as a component of other comprehensive income.

The net amounts paid or received on interest rate agreements are recognized as adjustments to interest expense over the terms of the agreements. Contract premiums paid, if any, are amortized to interest expense over the terms of the underlying instruments.

Revenue Recognition
Sales, provisions for estimated sales returns, and the cost of products sold are recorded at the time of shipment. Actual product returns are charged against estimated sales return allowances. If title to product does not pass to customers upon shipment, estimates are used, where significant, to delay revenue recognition until such time that title is transferred.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements and was effective the fourth quarter of 2000. The implementation of this guidance did not have a material impact on the Company's financial results.

Note 1. Summary of Significant Accounting Policies (continued)

Shipping and Handling Costs

Shipping and handling costs, which consist primarily of freight-out costs, are included in "Cost of products sold" for the Pressure-sensitive Adhesives and Materials segment and in "Marketing, general and administrative expense" for the Consumer and Converted Products segment. Freight-out costs included in "Marketing, general and administrative expense" were $32.9 million, $33.7 million and $28.4 million for 2000, 1999 and 1998, respectively.

Research and Development

Research and development costs are expensed as incurred. Research and development expense for 2000, 1999 and 1998 was $67.8 million, $64.3 million and $65 million, respectively.

Stock-Based Compensation

The Company's stock option grants are generally priced at fair market value on the date of grant. Under the provisions of Statement of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock Based Compensation," the Company uses the intrinsic value method of accounting for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees."

Environmental Expenditures

Environmental expenditures that do not contribute to current or future revenue generation are expensed. Expenditures for newly acquired assets and those which extend or improve the economic useful life of existing assets are capitalized and amortized over the remaining asset life. The Company reviews, on a quarterly basis, its estimates of costs of compliance with environmental laws and the cleanup of various sites, including sites in which governmental agencies have designated the Company as a potentially responsible party. When it is probable that obligations have been incurred and where a minimum cost or a reasonable estimate of the cost of compliance or remediation can be determined, the applicable amount is accrued. For other potential liabilities, the timing of accruals coincides with the related ongoing site assessments. Potential insurance reimbursements are not recorded or offset against the liabilities until received, and liabilities are not discounted.

Note 1. Summary of Significant Accounting Policies (continued)

Net Income Per Share

Net income per common share amounts were computed as follows:

(In millions, except per share amounts)	2000	1999	1998
(A) Net income available to common shareholders	$283.5	$215.4	$223.3
(B) Weighted average number of common shares outstanding	98.3	99.2	101.5
Additional common shares issuable under employee stock options using the treasury stock method	1.5	2.1	2.6
(C) Weighted average number of common shares outstanding assuming the exercise of stock options	99.8	101.3	104.1
Net income per common share (A) / (B)	$ 2.88	$ 2.17	$ 2.20
Net income per common share, assuming dilution (A) / (C)	2.84	2.13	2.15

Comprehensive Income

Comprehensive income includes net income, foreign currency translation adjustments and adjustments to the minimum pension liability that are presented as a component of shareholders' equity. Accumulated comprehensive income balances consist primarily of foreign currency translation adjustments.

Future Accounting Requirements

The Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and related amendments. This Statement requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are required to be recorded each period in current earnings or other comprehensive income, depending upon the type of hedging transaction and the hedge effectiveness.

The Company formed an implementation team drawn from both internal and external resources, which reviewed the Company's derivative contracts and existing hedge relationships, developed appropriate hedge effectiveness models and updated accounting and reporting procedures to ensure proper measurement, recording and reporting of derivative instruments and hedge items.

The Company will adopt SFAS No. 133 in the first quarter of 2001. Based on current market conditions, the Company anticipates that the impact of this new standard will result in a transition adjustment of approximately $.5 million to decrease net income.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - A Replacement of FASB Statement No. 125." This Statement revises the standards for accounting for securitizations and other transfers of financial assets and collateral. This Statement is effective for the Company's 2001 fiscal year. The Company does not believe that the new standard will have a material impact on the Company's financial results.

Note 1. Summary of Significant Accounting Policies (continued)

Related Party Transactions
From time to time, the Company enters into transactions in the normal course of business with affiliated entities or individuals. The Company believes that such transactions are at arm's-length and for terms that would have been obtained from unaffiliated third parties. None of these transactions are significant to the financial position or results of operations of the Company.

Financial Presentation
Certain prior year amounts have been reclassified to conform with the 2000 financial statement presentation.

Note 2. Acquisitions and Joint Ventures
In the first quarter of 2000, the Company acquired the Adespan pressure-sensitive materials operation of Panini S.p.A., a European printing and publishing company based in Italy. Adespan had sales of approximately $75 million in 1999. The Adespan business operates as a division within the Company's Fasson roll materials business in Europe.

In the fourth quarter of 1999, the Company acquired the remaining minority stake in its Argentine business, the largest pressure-sensitive materials operation in that country.

In the third quarter of 1999, the Company acquired Stimsonite Corporation (Stimsonite), based in Niles, Illinois, a leading manufacturer of reflective safety products for the transportation and highway safety markets. The Company paid approximately $150 million (including the assumption of approximately $20 million in debt) for Stimsonite, which was primarily funded with the issuance of debt. Stimsonite had sales of $87 million in 1998. The excess of the cost-basis over the fair value of net tangible assets acquired was $124.7 million.

In the first quarter of 1999, the Company completed a transaction with Steinbeis Holding GmbH to combine substantially all of the Company's office products businesses in Europe with Zweckform Buro-Produkte GmbH (Zweckform), a German office products supplier. The Company's aggregate cost basis in this venture was financed through available cash resources of approximately $23 million and the assumption of an obligation as reported in the "Other long-term obligation" line on the Consolidated Balance Sheet. It is the intention of the Company to pay the entire obligation in 2004. The excess of the cost basis over the fair value of net tangible assets acquired was $104.6 million.

In the fourth quarter of 1998, the Company acquired Spartan International, Inc. (Spartan), a privately held specialty converting company based in Holt, Michigan. Spartan supplies pressure-sensitive products to the commercial graphics, sign making, vehicle marking and automotive markets.

The Company made other acquisitions during 2000 and 1999 that were also not significant to the consolidated position of the Company. The aggregate cost of acquired companies was approximately $76 million, $285 million and $31 million in 2000, 1999 and 1998, respectively.

In 2000 and 1999, acquired businesses added approximately 3 percent and 5 percent, respectively, to the Company's total sales. The acquired businesses did not have a significant impact on the Company's results of operations for any of the three years in the period ended December 30, 2000.

Note 3. Restructuring

In the first quarter of 1999, the Company announced a major realignment of its cost structure designed to increase operating efficiencies and improve profitability. The realignment resulted in a pretax restructuring charge of $65 million, or $.42 per diluted share on an after-tax basis.

The restructuring involved the consolidation of manufacturing and distribution capacity in both of the Company's operating segments. The $65 million charge reflected the costs to close manufacturing and distribution facilities, the elimination of approximately 1,500 positions (principally in manufacturing), and other initiatives to exit activities.

The restructuring charge consisted of employee severance and related costs of $35.1 million and asset write-downs of $29.9 million. Severance and related costs represented cash paid to employees terminated under the program. Asset write-downs, principally related to equipment, represented non-cash charges required to reduce the carrying value of the assets to be disposed of to net realizable value as of the planned date of disposal. At year end 1999, $12.3 million remained accrued for severance and related costs (included in "Accrued payroll and employee benefits") and $6.7 million remained accrued for asset write-downs (included in "Other accrued liabilities"). During 2000, the Company completed the 1999 restructuring program and utilized amounts accrued for purposes identified in the realignment plan.

Note 4. Debt

Long-term debt and its respective weighted average interest rates at December 30, 2000 consisted of the following:

(In millions)	December 30, 2000	January 1, 2000
Medium-term notes		
Series 1993 at 6.6%	$ 98.0	$100.0
Series 1994 at 7.7%	100.0	100.0
Series 1995 at 7.2%	100.0	100.0
Series 1996 at 6.6%	60.0	60.0
Series 1998 at 5.9%	50.0	50.0
Series 2000 at 6.6%	40.0	-
Other long-term borrowings	6.3	17.8
Domestic variable rate short-term borrowings at 6.6% to be refinanced on a long-term basis	322.3	193.3
Less: amount classified as current	(3.7)	(3.6)
	$ 772.9	$617.5

Note 4. Debt (continued)

The Company's medium-term notes have maturities from 2002 through 2025 and accrue interest at fixed and floating rates. The Company issued $40 million of medium-term notes during 2000. The proceeds from this issuance were used to refinance long-term debt and for other general corporate purposes.

Maturities of long-term debt during 2001 through 2005 are $3.7 million, $20.9 million, $70.9 million, $85.8 million and $395.3 million, respectively, with $200 million maturing thereafter.

The Company's total interest costs in 2000, 1999 and 1998 were $59 million, $45.8 million and $37.6 million, respectively, of which $4.4 million, $2.4 million and $3 million, respectively, were capitalized as part of the cost of assets constructed for the Company's use.

The Company had $50.6 million of borrowings outstanding under short-term lines of credit at variable interest rates ranging from 4.5 percent to 17 percent at year end 2000.

As of December 30, 2000, the Company had additional available short-term lines of credit totaling $446.7 million. These available lines of credit included a 364-day revolving credit facility with four domestic banks to provide up to $200 million in borrowings through December 13, 2001. All amounts borrowed under this agreement will be due no later than that date. The Company may annually extend the revolving period and due date with the approval of the banks. The financing available under this agreement will be used as a commercial paper back-up facility and to finance other corporate requirements. There was no debt outstanding under this agreement as of year end 2000.

The Company also has a revolving credit agreement with four domestic banks to provide up to $250 million in borrowings through July 1, 2005, with all amounts borrowed under this agreement due no later than that date. The Company may annually extend the revolving period and due date with the approval of the banks. The financing available under this agreement will be used, as needed, to repay uncollateralized short-term and currently maturing long-term debt and to finance other corporate requirements. There was no debt outstanding under this agreement as of year end 2000.

The terms of various loan agreements in effect at year end require that the Company maintain specified ratios on consolidated debt and consolidated interest expense to certain measures of income.

The fair value of the Company's debt is estimated based on the discounted amount of future cash flows using the current rates offered to the Company for debts of the same remaining maturities. At year end 2000 and 1999, the fair value of the Company's total debt, including short-term borrowings, was $835.5 million and $659.2 million, respectively.

Note 5. Financial Instruments

The Company enters into foreign exchange forward, option and swap contracts to reduce its risk from exchange rate fluctuations associated with receivables, payables, loans and commitments denominated in foreign currencies that arise primarily as a result of its operations outside the United States. At the end of 2000 and 1999, the Company had foreign exchange forward contracts with a notional value of $97 million and $94.7 million, respectively, primarily denominated in European currencies. The Company's foreign exchange option contracts, which were substantially denominated in European currencies, had notional amounts of $9.5 million and $12.9 million at the end of 2000 and 1999, respectively. In general, the maturities of the contracts coincide with the underlying exposure positions they are intended to hedge. All foreign exchange forward and option contracts outstanding have maturities within 12 months. The carrying value of the foreign exchange forward contracts approximated the fair value, which, based on quoted market prices of comparable instruments, was a net liability of approximately $.5 million and $15.1 million at the end of 2000 and 1999, respectively. The carrying value of the foreign exchange option contracts, based on quoted market prices of comparable instruments, was $.2 million at the end of 2000 and 1999. The carrying value of the foreign exchange option contracts approximated the fair market value.

During 1998, the Company entered into a swap contract to hedge foreign currency commitments of approximately $9 million over a five year period. The carrying value of this contract approximated fair value, which was a liability of approximately $.6 million and $1.5 million at the end of 2000 and 1999, respectively.

The counterparties to foreign exchange forward, option and swap contracts consist of a large number of major international financial institutions. The Company centrally monitors its positions and the financial strength of its counterparties. Therefore, while the Company may be exposed to losses in the event of nonperformance by these counterparties, it does not anticipate any such losses.

At the end of 2000, the Company had letters of credit outstanding for $6.4 million which guaranteed various trade activities. The aggregate contract amount of all outstanding letters of credit approximated fair value.

As of year end 2000 and 1999, approximately 26 percent and 27 percent, respectively, of trade accounts receivable were from nine domestic customers. While the Company does not require its customers to provide collateral, the financial position and operations of these customers are monitored on an ongoing basis. Although the Company may be exposed to losses in the event of nonpayment, it does not anticipate any such losses.

Note 6. Commitments

Minimum annual rental commitments on operating leases having initial or remaining noncancellable lease terms in excess of one year are as follows:

(In millions) Year	
2001	$ 35.5
2002	30.1
2003	22.4
2004	18.2
2005	14.4
Thereafter	17.4
Total minimum lease payments	$138.0

Operating leases relate primarily to office and warehouse space, electronic data processing and transportation equipment.

Rent expense for 2000, 1999 and 1998 was $44 million, $47 million and $41 million, respectively.

Note 7. Taxes Based on Income

Taxes based on income were as follows:

(In millions)	2000	1999	1998
Current:			
U.S. Federal tax	$ 68.6	$ 78.7	$ 56.5
State taxes	12.3	12.8	13.4
International taxes	50.6	39.4	30.1
	131.5	130.9	100.0
Deferred:			
U.S. taxes	8.4	(9.9)	11.1
International taxes	2.9	(6.0)	2.3
	11.3	(15.9)	13.4
Taxes on income	$142.8	$115.0	$113.4

The principal items accounting for the difference in taxes as computed at the U.S. statutory rate and as recorded were as follows:

(In millions)	2000	1999	1998
Computed tax at 35% of income before taxes	$149.2	$115.6	$117.8
Increase (decrease) in taxes resulting from:			
State taxes, net of federal tax benefits	8.0	8.3	8.7
Other items, net	(14.4)	(8.9)	(13.1)
Taxes on income	$142.8	$115.0	$113.4

Consolidated income before taxes for U.S. and international operations was as follows:

(In millions)	2000	1999	1998
U.S.	$245.5	$222.6	$232.2
International	180.8	107.8	104.5
	$426.3	$330.4	$336.7

U.S. income taxes have not been provided on undistributed earnings of international subsidiaries ($606.6 million at year end 2000) because such earnings are considered to be reinvested indefinitely or because U.S. income taxes on dividends would be substantially offset by foreign tax credits.

Operating loss carryforwards for international subsidiaries aggregating $29.3 million are available to reduce income taxes payable, of which $9.7 million will expire from 2001 through 2010, while $19.6 million can be carried forward indefinitely. A valuation allowance has been provided for approximately 46 percent of the deferred tax assets related to the net operating losses and foreign tax credit carryforwards.

Note 7. Taxes Based on Income (continued)

Deferred income 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 which give rise to the Company's deferred tax assets and liabilities were as follows:

(In millions)	2000	1999
Accrued expenses not currently deductible	$ 81.2	$ 92.9
Net operating losses and foreign tax credit carryforwards	14.9	14.3
Postretirement and postemployment benefits	12.6	12.6
Pension costs	(13.1)	(9.8)
Depreciation and amortization	(89.9)	(92.0)
Deferred tax on intangibles resulting from business acquisitions	(21.5)	(23.9)
Valuation allowance	(6.8)	(6.5)
Total net deferred tax liabilities	$(22.6)	$(12.4)

Note 8. 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 nine 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 two 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 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.

Note 9. Shareholders' Equity

Common Stock and Common Stock Repurchase Program

The Company's Certificate of Incorporation authorizes five million shares of $1 par value preferred stock (none outstanding), with respect to which the Board of Directors may fix the series and terms of issuance, and 400 million shares of $1 par value voting common stock.

In December 1997, the Company redeemed the outstanding preferred stock purchase rights and issued new preferred stock purchase rights, declaring a dividend of one such right on each outstanding share of common stock and since such time the Company has issued such rights with each share of common stock that has been subsequently issued. When exercisable, each new right will entitle its holder to buy one one-hundredth of a share of Series A Junior Participating Preferred Stock at a price of $150.00 per one one-hundredth of a share until October 31, 2007. The rights will become exercisable if a person acquires 20 percent or more of the Company's common stock or makes an offer, the consummation of which will result in the person's owning 20 percent or more of the Company's common stock. In the event the Company is acquired in a merger, each right entitles the holder to purchase common stock of the acquiring company having a market value of twice the exercise price of the right. If a person or group acquires 20 percent or more of the Company's common stock, each right entitles the holder to purchase the Company's common stock with a market value equal to twice the exercise price of the right. The rights may be redeemed by the Company at a price of one cent per right at any time prior to a person's or group's acquiring 20 percent of the Company's common stock. The 20 percent threshold may be reduced by the Company to as low as 10 percent at any time prior to a person's acquiring a percent of Company stock equal to the lowered threshold.

The Board of Directors has authorized the repurchase of an aggregate 40.4 million shares of the Company's outstanding common stock. The acquired shares may be reissued under the Company's stock option and incentive plans or used for other Corporate purposes. At year end 2000, approximately 3.7 million shares were still available for repurchase pursuant to this authorization.

Stock Option and Incentive Plans

The Company's Employee Stock Benefit Trust (ESBT) funds a portion of the Company's obligations arising from various employee benefit plans. The ESBT common stock is carried at market value with changes in share price from prior reporting periods reflected as an adjustment to capital in excess of par value.

The Company maintains various stock option and incentive plans which are fixed employee stock-based compensation plans. Under the plans, incentive stock options and stock options granted to directors may be granted at not less than 100 percent of the fair market value of the Company's common stock on the date of the grant, whereas nonqualified options granted to employees may be issued at prices no less than par value. Options granted are generally priced at fair market value on the date of the grant and generally vest ratably over a four year period. Unexercised options expire ten years from the date of grant. The following table sets forth stock option information relative to these plans (options in thousands):

Note 9. Shareholders' Equity (continued)

	2000 Weighted-average exercise price	2000 Number of options	1999 Weighted average exercise price	1999 Number of options	1998 Weighted average exercise price	1998 Number of options
Outstanding at beginning of year	$35.49	7,252.1	$28.70	7,744.9	$23.19	9,147.7
Granted	54.57	744.0	58.23	1,190.5	45.65	1,098.5
Exercised	22.34	(1,611.6)	18.09	(1,460.7)	14.32	(2,204.7)
Forfeited or expired	46.43	(313.3)	35.18	(222.6)	28.28	(296.6)
Outstanding at year end	$40.75	6,071.2	$35.49	7,252.1	$28.70	7,744.9
Options exercisable at year end		3,095.2		3,426.5		3,714.0

The following table summarizes information on fixed stock options outstanding at December 30, 2000 (options in thousands):

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
$11.97 to 13.53	193.7	1.5 years	$13.04	193.7	$13.04
15.28 to 23.63	1,192.0	4.4 years	20.45	1,192.0	20.45
34.94 to 45.19	2,895.9	6.9 years	40.99	1,528.7	38.11
45.53 to 67.31	1,789.6	9.3 years	56.87	180.8	58.02
$11.97 to 67.31	6,071.2	6.9 years	$40.75	3,095.2	$30.90

As permitted under current accounting standards, no compensation cost was recognized in the Consolidated Statement of Income for the Company's stock option and incentive plans. Had compensation cost for the Company's stock-based compensation plans been recognized ratably over the options' vesting periods, the Company's pro forma net income and net income per common share would have been $271.1 million and $2.75, respectively, for 2000, $202.5 million and $2.04, respectively, for 1999 and $213.4 million and $2.10, respectively, for 1998. Net income per share, assuming dilution, would have been $2.72, $2.00 and $2.05 for 2000, 1999 and 1998, respectively.

The weighted-average fair value of options granted during 2000, 1999 and 1998 was $22.16, $19.70 and $13.07, respectively. Option grant date fair values were determined using a Black-Scholes option pricing model. The underlying assumptions used were as follows:

	2000	1999	1998
Risk-free interest rate	6.10%	5.40%	5.37%
Expected stock price volatility	34.63	28.13	24.34
Expected dividend yield	1.43	1.72	2.18
Expected option term	10 years	10 years	10 years

Note 10. Pensions and Other Postretirement Benefits

Defined Benefit Plans and Postretirement Health Benefits

The Company sponsors a number of defined benefit plans covering substantially all U.S. employees, employees in certain other countries and non-employee directors. It is the Company's policy to make contributions to these plans sufficient to meet the minimum funding requirements of applicable laws and regulations, plus additional amounts, if any, as the Company's actuarial consultants advise to be appropriate. Plan assets are invested in a diversified portfolio that consists primarily of equity securities. Benefits payable to employees are based primarily on years of service and employees' pay during their employment with the Company. Certain benefits provided by the Company's U.S. defined benefit plan may be paid, in part, from an employee stock ownership plan.

The Company provides postretirement health benefits to its retired employees up to the age of 65 under a cost-sharing arrangement, and supplemental Medicare benefits to certain U.S. retirees over the age of 65. The Company's policy is to fund the cost of the postretirement benefits on a cash basis.

Note 10. Pensions and Other Postretirement Benefits (continued)

The following provides a reconciliation of benefit obligations, plan assets and funded status of the plans:

(In millions)	Pension Benefits 2000	Pension Benefits 1999	Postretirement Health Benefits 2000	Postretirement Health Benefits 1999
Change in benefit obligation:				
Benefit obligation at beginning of year	$462.1	$ 473.6	$ 24.4	$ 29.9
Service cost	12.0	12.3	.6	.8
Interest cost	32.3	30.6	1.9	1.7
Participant contribution	1.9	1.9	-	-
Amendments	1.7	.3	-	-
Actuarial loss (gain)	20.8	(18.8)	1.2	(6.1)
Benefits paid	(27.8)	(26.7)	(2.0)	(1.6)
Acquisition	-	6.2	-	-
Curtailment	(.4)	1.0	-	(.3)
Foreign currency translation	(15.9)	(18.3)	-	-
Benefit obligation at end of year	$486.7	$ 462.1	$ 26.1	$ 24.4
Change in plan assets:				
Fair value of plan assets at beginning of year	$655.4	$ 605.5	-	-
Actual return on plan assets	26.0	91.9	-	-
Employer contribution	4.6	5.7	$ 2.0	$ 1.6
Participant contribution	1.9	1.9	-	-
Benefits paid	(27.8)	(26.7)	(2.0)	(1.6)
Foreign currency translation	(9.2)	(22.9)	-	-
Fair value of plan assets at end of year	$650.9	$ 655.4	-	-
Funded status of the plans:				
Plan assets in excess of (less than) benefit obligation	$164.2	$ 193.3	$(26.1)	$(24.4)
Unrecognized net actuarial gain	(81.6)	(119.9)	(8.9)	(10.6)
Unrecognized prior service cost	2.7	2.1	1.2	1.4
Unrecognized net asset	(12.1)	(15.1)	-	-
Net amount recognized	$ 73.2	$ 60.4	$(33.8)	$(33.6)
Amounts recognized in the Consolidated Balance Sheet consist of:				
Prepaid benefit cost	$118.2	$ 99.4	-	-
Accrued benefit liability	(45.3)	(39.6)	$(33.8)	$(33.6)
Intangible asset	.3	.6	-	-
Net amount recognized	$ 73.2	$ 60.4	$(33.8)	$(33.6)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $215.4 million, $208.8 million and $176.7 million, respectively, at year end 2000, and $30.7 million, $29 million and $3.5 million, respectively, at year end 1999.

	Pension Benefits 2000	Pension Benefits 1999	Pension Benefits 1998	Postretirement Health Benefits 2000	Postretirement Health Benefits 1999	Postretirement Health Benefits 1998
Weighted-average assumptions used:						
Discount rate	7.2%	7.2%	6.7%	7.75%	7.75%	7.00%
Expected long-term rate of return on plan assets	9.1	9.3	9.2	-	-	-
Rate of increase in future compensation levels	4.0	4.1	4.1	-	-	-

Note 10. Pensions and Other Postretirement Benefits (continued)

The following table sets forth the components of net periodic benefit (income) cost:

	Pension Benefits			Postretirement Health Benefits		
(In millions)	2000	1999	1998	2000	1999	1998
Components of net periodic benefit (income) cost:						
Service cost	$ 12.0	$ 12.3	$ 10.1	$ .6	$ .8	$ 1.0
Interest cost	32.3	30.6	29.9	1.9	1.7	2.0
Expected return on plan assets	(53.2)	(48.1)	(44.0)	-	-	-
Recognized net actuarial (gain) loss	(1.9)	(.2)	.6	(.4)	(.4)	(.1)
Amortization of prior service cost	.8	.9	.9	.1	.1	-
Amortization of transition obligation or asset	(1.9)	(2.0)	(2.0)	-	-	-
Curtailment	-	1.3	-	-	(.2)	-
Net periodic benefit (income) cost	$(11.9)	$ (5.2)	$ (4.5)	$ 2.2	$ 2.0	$ 2.9

For measurement purposes, a 6 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001. The rate was assumed to remain at that level.

A one percentage point change in assumed health care cost trend rates would have the following effects:

(In millions)	One percentage-point increase	One percentage-point decrease
Effect on total of service and interest cost components	.3	(.2)
Effect on postretirement benefit obligation	2.5	(2.2)

As a result of changes in assumptions used during 2000 and 1999, an additional liability of $.3 million and $.6 million, respectively, is reflected in the Company's Consolidated Balance Sheet. These amounts are offset in 2000 and 1999 by the recording of an intangible pension asset of $.3 million and $.6 million, respectively. Consolidated pension income for 2000, 1999 and 1998 was $(10.9) million, $(3.8) million and $(2.9) million, respectively.

Defined Contribution Plans

The Company sponsors various defined contribution plans covering its U.S. employees, including a 401(k) savings plan. The Company matches participant contributions to the 401(k) savings plan based on a formula within the plan. The Avery Dennison Corporation Employee Savings Plan (Savings Plan) has a leveraged employee stock ownership plan (ESOP) feature which allows the plan to borrow funds to purchase shares of the Company's common stock at market prices. Savings Plan expense consists primarily of stock contributions from the ESOP feature to participant accounts.

Note 10. Pensions and Other Postretirement Benefits (continued)

ESOP expense is accounted for under two different methodologies: the cost of shares allocated method and the fair value method. Total ESOP (income) expense for 2000, 1999 and 1998 was $(1.6) million, $(1.6) million and $.1 million, respectively. There were no Company contributions to pay interest or principal on ESOP borrowings for 2000 and 1999. Company contributions to pay interest or principal on ESOP borrowings for 1998 were $.1 million.

Interest costs incurred by the ESOPs for 2000, 1999 and 1998 were $1.7 million, $1.5 million and $1.8 million, respectively. Dividends on unallocated ESOP shares used for debt service were $1.6 million in 2000, 1999 and 1998.

Consolidated (income) expense for all defined contribution plans (including total ESOP expense) for 2000, 1999 and 1998 was $(.5) million, $(.4) million and $.8 million, respectively. Of the total shares held by the ESOP, 5.1 million shares were allocated and 1.4 million shares were unallocated at year end 2000, and 5.6 million shares were allocated and 1.6 million shares were unallocated at year end 1999. Of the total shares held by the ESOP, all shares accounted for under the fair value method were allocated at year end 2000 and 1999.

Other Retirement Plans

The Company has deferred compensation plans which permit eligible employees and directors to defer a portion of their compensation. The deferred compensation, together with certain Company contributions, earn specified and variable rates of return. As of year end 2000 and 1999, the Company had accrued $102.6 million and $99.4 million, respectively, for its obligations under these plans. The Company's expense, which includes Company contributions and interest expense, was $10.8 million, $13.1 million and $6.3 million for 2000, 1999 and 1998, respectively. A portion of the interest may be forfeited by participants if employment is terminated before age 55 other than by reason of death, disability or retirement.

To assist in the funding of these plans, the Company purchases corporate-owned life insurance contracts. Proceeds from the insurance policies are payable to the Company upon the death of the participant. The cash surrender value of these policies, net of outstanding loans, included in "Other assets" was $82 million and $67.7 million at year end 2000 and 1999, respectively.

Note 11. Segment Information

The Company manages its business in two operating segments: Pressure-sensitive Adhesives and Materials and Consumer and Converted Products. The segments were determined based upon the types of products produced and markets served by each segment. The Pressure-sensitive Adhesives and Materials segment manufactures pressure-sensitive adhesives and base materials that are sold primarily to converters and label printers for further processing. Products in this segment include Fasson-brand papers, films and foils, specialty tape and chemicals. The Consumer and Converted Products segment manufactures products for use by the retail industry and original-equipment manufacturers. This segment includes Avery-brand labels and other consumer products, custom labels, high performance specialty films and labels, automotive applications and fasteners.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Intersegment sales are recorded at or near market prices and are eliminated in determining consolidated sales. The Company evaluates performance based on income from operations before interest expense and taxes. General corporate expenses are also excluded from the computation of income from operations.

The Company does not disclose total assets by operating segment since the Company does not produce such information internally. Instead, the Company reviews each operating segment's average invested capital to assess performance and decide how to allocate resources to each segment.

Note 11. Segment Information (continued)

Financial information by operating segment is set forth below:

(In millions)	2000	1999/(1)/	1998
Net sales:			
Pressure-sensitive Adhesives and Materials	$2,136.4	$ 2,025.0	$1,877.7
Consumer and Converted Products	1,898.3	1,887.9	1,726.2
Intersegment/(2)/	(141.2)	(149.0)	(152.5)
Divested operations	-	4.3	8.5
Net sales	$3,893.5	$ 3,768.2	$3,459.9
Income (loss) from operations before interest and taxes:			
Pressure-sensitive Adhesives and Materials	$ 212.4	$ 181.2	$ 168.5
Consumer and Converted Products	293.2	224.8	229.1
Divested operations	-	(1.8)	(3.9)
Corporate administrative and research and development expenses	(24.7)	(30.4)	(22.4)
	$ 480.9	$ 373.8	$ 371.3
Interest expense	(54.6)	(43.4)	(34.6)
Income before taxes	$ 426.3	$ 330.4	$ 336.7
Capital expenditures:			
Pressure-sensitive Adhesives and Materials	$ 111.1	$ 79.1	$ 81.4
Consumer and Converted Products	74.2	80.9	69.9
Corporate and divested operations	13.0	17.7	8.4
Capital expenditures	$ 198.3	$ 177.7	$ 159.7
Depreciation expense:			
Pressure-sensitive Adhesives and Materials	$ 69.9	$ 64.7	$ 58.2
Consumer and Converted Products	48.7	53.2	47.9
Corporate and divested operations	7.4	8.6	8.5
Depreciation expense	$ 126.0	$ 126.5	$ 114.6

/(1)/ Results for 1999 include a pretax restructuring charge of $65 million. The charge was allocated as follows: $25.1 million to the Pressure-sensitive Adhesives and Materials segment, $37.6 million to the Consumer and Converted Products segment, and $2.3 million to Corporate. See Note 3 for additional information regarding the Company's 1999 restructuring charge.

/(2)/ Intersegment sales primarily represent sales from Pressure-sensitive Adhesives and Materials to Consumer and Converted Products.

Note 11. Segment Information (continued)

Financial information relating to the Company's operations by geographic area is set forth below:

(In millions)	2000	1999	1998
Net sales:			
U.S.	$2,393.9	$2,341.4	$2,194.8
International	1,539.9	1,468.0	1,283.1
Intersegment	(40.3)	(45.5)	(26.5)
Divested operations	-	4.3	8.5
Net sales	$3,893.5	$3,768.2	$3,459.9
Property, plant and equipment, net:			
U.S.	$ 604.9	$ 582.2	$ 578.1
International	411.0	385.7	388.2
Corporate and divested operations	63.1	75.6	69.3
Property, plant and equipment, net	$1,079.0	$1,043.5	$1,035.6

Revenues are attributed to geographic areas based on the location to which the product is shipped. The Company's international operations, conducted primarily in continental Europe, are on the FIFO basis of inventory cost accounting. U.S. operations use both FIFO and LIFO. Export sales from the United States to unaffiliated customers are not a material factor in the Company's business.

Note 12. Quarterly Financial Information (Unaudited)

(In millions, except per share data)	First Quarter/(1)/	Second Quarter	Third Quarter	Fourth Quarter/(2)/
2000				
Net sales	$965.3	$993.4	$1,001.7	$933.1
Gross profit	334.1	343.7	340.3	314.1
Net income	70.2	72.8	73.0	67.5
Net income per common share	.71	.74	.74	.69
Net income per common share, assuming dilution	.70	.73	.73	.69
1999 /(1)/				
Net sales	$933.9	$928.5	$ 961.0	$944.8
Gross profit	311.9	314.2	327.5	327.8
Net income	18.4	63.7	66.0	67.3
Net income per common share	.19	.64	.66	.68
Net income per common share, assuming dilution	.18	.63	.65	.67
1998 /(2)/				
Net sales	$843.6	$871.5	$ 860.2	$884.6
Gross profit	280.5	291.3	280.9	291.8
Net income	54.2	57.4	55.8	55.9
Net income per common share	.53	.56	.55	.56
Net income per common share, assuming dilution	.52	.55	.54	.54

/(1)/ Net income for the first quarter of 1999 includes expense of $42.5 million, or $.42 per diluted share on an after-tax basis, related to the restructuring charge.

/(2)/ The Company's 1998 fiscal year reflected a 53-week period compared to 52-week periods in 2000 and 1999. The extra week in 1998 was reflected in the fourth quarter.

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements and accompanying information were prepared by and are the responsibility of management. The statements were prepared in conformity with generally accepted accounting principles and, as such, include amounts that are based on management's best estimates and judgments.

The internal control systems are designed to provide reliable financial information for the preparation of financial statements, to safeguard assets against loss or unauthorized use and to ensure that transactions are executed consistent with Company policies and procedures. Management believes that existing internal accounting control systems are achieving their objectives and that they provide reasonable assurance concerning the accuracy of the financial statements.

Oversight of management's financial reporting and internal accounting control responsibilities is exercised by the Board of Directors, through an audit committee which consists solely of outside directors (see page 58). The Committee meets periodically with financial management, internal auditors and the independent accountants to obtain reasonable assurance that each is meeting its responsibilities and to discuss matters concerning auditing, internal accounting control and financial reporting. The independent accountants and the Company's internal audit department have free access to meet with the Audit Committee without management's presence.

Philip M. Neal Chairman and Chief Executive Officer	Daniel R. O'Bryant Senior Vice President, Finance, and Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Avery Dennison Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity, and cash flows, which appear on pages 44 through 47 of this Annual Report, present fairly, in all material respects, the financial position of Avery Dennison Corporation and its subsidiaries at December 30, 2000 and January 1, 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 30, 2000 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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/s/ PricewaterhouseCoopers LLP
Los Angeles, California
January 22, 2001

Corporate Information

Counsel
Latham & Watkins
Los Angeles, California

Independent Accountants
PricewaterhouseCoopers LLP
Los Angeles, California

Transfer Agent-Registrar
First Chicago Trust Company
a division of EquiServe
P.O. Box 2500
Jersey City, NJ 07303-2500
(800) 756-8200
(201) 222-4955 (hearing impaired number)
http://www.equiserve.com (Web site)

Annual Meeting
The Annual Meeting of Shareholders will be held at 1:30 pm, Thursday, April 26, 2001, in the Conference Center of Avery Dennison's Miller Corporate Center, 150 North Orange Grove Boulevard, Pasadena, California.

The DirectSERVICE Investment and Stock Purchase Program
Shareholders of record may reinvest their cash dividends in additional shares of Avery Dennison common stock at market price. Investors may also invest optional cash payments of up to $12,500 per month in Avery Dennison common stock at market price. Avery Dennison investors not yet participating in the program, as well as brokers and custodians who hold Avery Dennison common stock for clients, may obtain a copy of the program by writing to The DirectSERVICE Investment Program, c/o First Chicago Trust Company (include a reference to Avery Dennison in the correspondence), P.O. Box 2598, Jersey City, NJ 07303-2598, or calling (800) 649-2291, or logging onto their Web site at http://www.equiserve.com

Direct Deposit of Dividends
Avery Dennison shareholders may deposit quarterly dividend checks directly into their checking or savings accounts. For more information, call Avery Dennison's transfer agent and registrar, First Chicago Trust Company, at (800) 870-2340.

Form 10-K
A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, will be furnished to shareholders and interested investors free of charge upon written request to the Secretary of the Corporation.

Corporate Headquarters
Avery Dennison Corporation
Miller Corporate Center
150 North Orange Grove Boulevard
Pasadena, California 91103
Phone: (626) 304-2000
Fax: (626) 792-7312

Mailing Address:
P.O. Box 7090
Pasadena, California 91109-7090

Stock and Dividend Data

Common shares of Avery Dennison are listed on the New York and Pacific stock exchanges. Ticker symbol: AVY

	2000		1999	
	High	Low	High	Low
Market Price				
First Quarter	78	55 5/16	59	39 3/4
Second Quarter	69 11/16	57 3/4	69 1/8	56 5/8
Third Quarter	69 1/8	43 3/8	63 15/16	52 3/16
Fourth Quarter	57 3/16	43 5/16	72 7/8	51 13/16

Prices shown represent closing prices on the NYSE.

	2000	1999
Dividends Per Common Share		
First Quarter	$ .27	$ .24
Second Quarter	.27	.24
Third Quarter	.27	.24
Fourth Quarter	.30	.27
Total	$ 1.11	$ .99

Number of shareholders of record as of year end 2000: 12,987

EXHIBIT 21

Avery Dennison Corporation

NAME OF CURRENT SUBSIDIARY	JURISDICTION IN WHICH ORGANIZED
A.V. Chemie AG	Switzerland
ADC Philippines, Inc	Philippines
ADESPAN SRL	Italy
ADESPAN U.K. Limited	United Kingdom
AEAC, Inc	U.S.A.
Avery (China) Company Limited	China
Avery Automotive Limited	United Kingdom
Avery Corp	U.S.A.
Avery de Mexico S.A. de C.V	Mexico
Avery Dennison (Fiji) Limited	Fiji
Avery Dennison (Guangzhou) Co. Ltd	China
Avery Dennison (Guangdong) Converted Products Ltd	China
Avery Dennison (Hong Kong) Limited	Hong Kong
Avery Dennison (India) Private Limited	India
Avery Dennison (Ireland) Limited	Ireland
Avery Dennison (Kunshan) Limited	China
Avery Dennison (Malaysia) Sdn. Bhd	Malaysia
Avery Dennison (Shanghai) International Trading Limited	China
Avery Dennison (Thailand) Ltd	Thailand
Avery Dennison Australia Group Holdings Pty Limited	Australia
Avery Dennison Belgie N.V	Belgium
Avery Dennison C.A	Venezuela
Avery Dennison Canada Inc	Canada
Avery Dennison Chile S.A	Chile
Avery Dennison Colombia S.A	Colombia
Avery Dennison Converted Products de Mexico, S.A. de C.V	Mexico
Avery Dennison Coordination Center N.V	Belgium
Avery Dennison Nordic A/S	Denmark
Avery Dennison Danmark Holding ApS	Denmark
Avery Dennison Deutschland GmbH	Germany
Avery Dennison do Brasil Ltda	Brazil
Avery Dennison Dover S.A	Argentina
Avery Dennison Etiket Ticaret Limited Sirketi	Turkey
Avery Dennison Foreign Sales Corporation	Barbados
Avery Dennison France S.A	France
Avery Dennison Health Management Corporation	U.S.A.
Avery Dennison Holding AG	Switzerland
Avery Dennison Holding GmbH	Germany
Avery Dennison Holdings Limited	Australia
Avery Dennison Hong Kong B.V	Netherlands
Avery Dennison Hungary Limited	Hungary
Avery Dennison Iberica, S.A	Spain
Avery Dennison Italia S.p.A	Italy
Avery Dennison Korea Limited	Korea
Avery Dennison Luxembourg S.A	Luxembourg
Avery Dennison Materials France S.a.r.l	France
Avery Dennison Materials GmbH	Germany
Avery Dennison Materials Ireland Limited	Ireland
Avery Dennison Materials Nederland B.V	Netherlands
Avery Dennison Materials Pty Limited	Australia
Avery Dennison Materials U.K. Limited	United Kingdom
Avery Dennison Mexico S.A. de C.V	Mexico
Avery Dennison Norge A/S	Norway

NAME OF CURRENT SUBSIDIARY	JURISDICTION IN WHICH ORGANIZED
Avery Dennison Office Products (NZ) Limited	New Zealand
Avery Dennison Office Products (Pty.) Ltd	South Africa
Avery Dennison Office Products Company	U.S.A.
Avery Dennison Office Products de Mexico, S.A. de C.V	Mexico
Avery Dennison Office Products Italia S.r.l	Italy
Avery Dennison Office Products Pty Limited	Australia
Avery Dennison Office Products U.K. Limited	United Kingdom
Avery Dennison Osterreich GmbH	Austria
Avery Dennison Overseas Corporation	U.S.A.
Avery Dennison Overseas Corporation (Japan Branch)	Japan
Avery Dennison Pension Trustee Limited	United Kingdom
Avery Dennison Peru S.A	Peru
Avery Dennison Polska Sp. z o.o	Poland
Avery Dennison Printer Labels A/S	Denmark
Avery Dennison Scandinavia A/S	Denmark
Avery Dennison Schweiz AG	Switzerland
Avery Dennison Security Printing Europe A/S	Denmark
Avery Dennison Shared Services, Inc	U.S.A.
Avery Dennison Singapore (Pte) Ltd	Singapore
Avery Dennison South Africa (Proprietary) Limited	South Africa
Avery Dennison Suomi OY	Finland
Avery Dennison Sverige AB	Sweden
Avery Dennison Systemes D'Etiquetage France S.A.S	France
Avery Dennison U.K. Limited	United Kingdom
Avery Dennison Zweckform Austria GmbH	Austria
Avery Dennison Zweckform Office Products Europe GmbH	Germany
Avery Dennison Zweckform Unterstutzungskasse GmbH	Germany
Avery Dennison, S.A. de C.V	Mexico
Avery Dennison-Maxell K.K	Japan
Avery Etiketsystemer A/S	Denmark
Avery Etiketten B.V	Netherlands
Avery Etikettsystem Svenska AB	Sweden
Avery Graphic Systems, Inc	U.S.A.
Avery Holding B.V	Netherlands
Avery Holding Limited	United Kingdom
Avery Holding S.A	France
Avery Label (Northern Ireland) Limited	United Kingdom
Avery Maschinen GmbH	Germany
Avery Pacific Corporation	U.S.A.
Avery Properties Pty. Limited	Australia
Avery Research Center, Inc	U.S.A.
Avery, Inc	U.S.A.
BOA/IWACO Offset A/S	Denmark
Cardinal Insurance Limited	Bermuda (U.S.A.)
Dennison do Brasil Industria E Comercio Ltda	Brazil
Dennison International Company	U.S.A.
Dennison International Holding B.V	Netherlands
Dennison Ireland Limited	Ireland
Dennison Manufacturing (Trading) Ltd	Channel Islands
Dennison Manufacturing Company	U.S.A.
Dennison Office Products Limited	Ireland
DMC Development Corporation	U.S.A.
Dunsirn Industries, Inc	U.S.A.
Etikettrykkeriet A/S	Denmark
Fasson Canada Inc	Canada

NAME OF CURRENT SUBSIDIARY	JURISDICTION IN WHICH ORGANIZED
Fasson Portugal Produtos Auto-Adesivos Lda................................	Portugal
IWACO A/S...	Denmark
IWACO Labels & Labelling Systems OY.......................................	Finland
IWACO Norge AS..	Norway
LAC Retail Systems Limited..	United Kingdom
Monarch Industries, Inc...	U.S.A.
OCAWI Sverige AB..	Sweden
PT Avery Dennison Indonesia...	Indonesia
Retail Products Limited...	Ireland
Security Printing Division, Inc...	U.S.A.
Societe Civile Immobiliere Sarrail..	France
Spartan International, Inc..	U.S.A.
Spartan Plastics Canada, Ltd..	Canada
Steinbeis Office Products Beteiligungs GmbH...............................	Germany
Stimsonite Australia Pty Limited..	Australia
Stimsonite Corporation..	U.S.A.
Stimsonite do Brasil Ltda...	Brazil
Stimsonite Europa Limited...	United Kingdom
Stimsonite Hong Kong Limited..	Hong Kong
Stimsonite International, Inc...	U.S.A.
Tiadeco Participacoes, Ltda...	Brazil
Zweckform U.K. Ltd..	United Kingdom

Exhibit 99

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Information provided by the Company may contain certain forward-looking information, as defined by the Private Securities Litigation Reform Act of 1995 (the "Act"). Words such as "anticipate," "assume," "believe," "continue," "estimate," "expect," "intend," "may," "plan," "potential," "project," "should," "target," "will," and other expressions, which refer to future events and trends, identify forward-looking statements that involve risks and uncertainties. Forward-looking information may relate to such matters as sales, unit volume, income, margins, earnings per share, return on equity, return on total capital, economic value added, capital expenditures, dividends, cash flow, debt to capital ratios, growth rates, future economic performance and trends, short- and long-term plans (including financing, operating and strategic plans) and objectives for future operations as well as assumptions, expectations, projections and estimates relating to any of the forward-looking information. This Statement is being made pursuant to the Act and with the intention of obtaining the benefits of the so-called "safe harbor" provisions of the Act. The Company cautions that forward-looking statements are not guarantees because there are inherent and obvious difficulties in attempting to predict the outcome of future events. Therefore, actual results may differ materially from those expressed or implied. The Company assumes no obligation to update any forward-looking statements.

The ability of the Company to attain management's goals and objectives are materially dependent on numerous factors, including those set forth herein.

Operating results are importantly influenced by general economic conditions and growth (or contraction) of the principal economies in which the Company operates, including the United States, Canada, Europe, Latin America and the Asia-Pacific region. All economies in which the Company operates are cyclical and the rates of growth (or contraction) can vary substantially. More than one-third of the Company's sales are in foreign currencies, which fluctuate in relation to one another and to the United States dollar. Fluctuations in currencies can cause transaction, translation and other losses to the Company. The Company's international operations are strongly influenced by the political, economic and regulatory environment (including tariffs) in the countries in which the Company conducts its operations.

As a manufacturer, the Company's sales and profitability are also dependent upon availability and cost of raw materials and the ability to control or pass on costs of raw materials and labor. Inflationary and other increases in the costs of raw materials and labor have occurred in the past and are expected to recur, and the Company's ability to reflect these costs in increased selling prices for its products, increasing its productivity, and focusing on higher profit businesses, has allowed the Company generally to maintain its margins. Past performance may or may not be replicable in the future.

The Company's customers are widely diversified, but in certain portions of its business, industry concentration has increased the importance and decreased the number of significant customers. In particular, sales of the Company's consumer products in the United States are concentrated in a few major customers, principally discount office product superstores and distributors. These developments, including increased credit risks, may increase pressures on the Company's margins.

A significant portion of the revenues in each of its recent fiscal years has been represented by sales of products introduced by the Company within five years prior to the period in question. The Company's ability to develop and successfully market new products and to develop, acquire and retain necessary intellectual property rights is therefore essential to maintaining the Company's growth, which ability cannot be assured.

Other factors include costs and other effects of interest rate increases, legal and administrative cases and proceedings (whether civil, such as environment and product related, or criminal), settlements, judgements and investigations, claims, and changes in those items; developments or assertions by or against the Company relating to intellectual property rights and intellectual property licenses; adoption of new, or change in, accounting policies and practices and the application of such policies and practices; changes in business mix, rates of growth and profitability may be influenced by customer or supplier business reorganizations or combinations; loss of a significant contract(s) or customer(s); customer acceptance of new products; the euro conversion; general or specific economic conditions and the ability and willingness of purchasers to substitute other products for the products that the Company manufactures or distributes; financial condition and inventory strategies of customers; and pricing, purchasing, financing and promotional decisions by intermediaries in the distribution channel, which could affect orders, or end-user demand, for the Company's products.

The factors identified in this statement are believed to be important factors (but not necessarily all of the important factors) that could cause actual results to be materially different from those that may be expressed or implied in any forward-looking statement made by, or on behalf, of the Company. Other factors not discussed in this statement could also have material adverse effects concerning forward-looking objectives or estimates.