

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 8-K

PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

January 26, 1999  
Date of Report (Date of earliest event reported)

AVERY DENNISON CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation)

1-7685  
(Commission File Number)

95-1492269  
(IRS Employer Identification No.)

150 N. Orange Grove Boulevard  
Pasadena, California  
(Address of principal executive offices)

91103  
(Zip Code)

Registrant's Telephone Number, including area code: (626) 304-2000

Item 5. Other Events.

The Company issued a news release today in the form attached as Exhibit 99.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in the Company's news release constitute "forward looking statements" under the Private Securities Litigation Reform Act. Projections related to expense reductions and savings forecast, earnings and profitability, and the Company's realignment of its cost structure involve certain risks and uncertainties. Actual results may differ materially due to factors such as the impact of competitive conditions; changes in the levels of spending on Company initiatives and business opportunities; other streamlining programs; changes in tax law or generally accepted accounting practices; and other matters, including those referred to in the Company's SEC filings.

SIGNATURES

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

Dated: January 26, 1999

AVERY DENNISON CORPORATION

By: /s/ Robert M. Calderoni  
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Name: Robert M. Calderoni  
Title: Senior Vice President, Finance and  
Chief Financial Officer

EXHIBIT LIST

Exhibit No.	Description
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99	News Release dated January 26, 1999.

AVERY DENNISON REPORTS RECORD  
4TH QUARTER AND YEAR-END RESULTS

1998 results provide double-digit earnings-per-share growth over prior year and superior returns on investment

Major cost reduction program to be launched in 1st Quarter 1999

PASADENA, Calif. -- January 26, 1999 -- Avery Dennison Corporation (NYSE/PSE:AVY) today reported fourth quarter and year-end records for earnings, sales and returns on investment. The Company also announced the implementation of a major cost reduction program, which will include a one-time restructuring charge in the first quarter of 1999, designed to increase operating efficiencies and improve profitability in 1999 and beyond.

For the fourth quarter:

- . Earnings per share, on a diluted basis, increased to \$.54 per share, a record level for the fourth quarter and an increase of 3.8 percent over the prior year fourth quarter earnings of \$.52 per share.
- . Reported sales grew 5.8 percent to a record \$884.6 million from \$836.4 million a year ago. Excluding the impact of currency, sales grew 5.2 percent from the prior year fourth quarter.
- . Unit volume increased 8.1 percent over the prior year.

In the fourth quarter, sales were up in both the Company's Consumer and Converted Products and Pressure-sensitive Adhesives and Materials sectors in the United States and internationally. International sales growth was especially strong in the quarter.

Financial highlights for the year:

- . Earnings per share, on a diluted basis, increased 11.4 percent to \$2.15 from \$1.93 in 1997, the seventh consecutive year of double-digit earnings-per-share growth.
- . Reported sales increased 3.4 percent to a record \$3.5 billion from \$3.3 billion in 1997. Excluding the impact of currency, sales grew nearly 5 percent.
- . Unit volume grew 7.4 percent.
- . Return on shareholders' equity reached a new high of 26.7 percent from 24.8 percent last year.
- . Return on total capital increased to 19 percent from 18.1 percent in 1997.

. Economic value added increased 20 percent over the prior year to \$100 million.

"1998 was another record-setting year for Avery Dennison," said Philip M. Neal, president and chief executive officer. "Our successful strategies enabled us to continue to deliver double-digit earnings per share growth despite challenging global economic conditions that surfaced in the second half of the year. In addition, sales, profits and returns on investment achieved new all-time highs.

"The Company's continued outstanding results reflect the platform for growth that we have built successfully over the last few years. We have achieved growth in our core markets and expanded into new geographic markets, while enhancing operational excellence and financial strength."

"During the past year, we made important investments around the world to grow our core businesses, underscoring our long-term commitment to worldwide expansion. We opened a major new facility in Germany to produce pressure-sensitive film for rapidly growing European markets. We made acquisitions in North America, Latin America and Europe, in addition to our recent joint venture with Zweckform, a leading office products supplier in Germany," Neal said. "In addition, we plan to build a new office products manufacturing facility in Northern Mexico, which will provide more efficient, lower-cost service and distribution to our customers in the Western United States and Latin America."

Avery Dennison also announced plans for a major realignment of the Company's cost structure that will streamline operations and further improve profitability. This program will be implemented aggressively, resulting in savings of \$15 million to \$18 million in 1999. When fully implemented, the realignment is expected to result in annualized cost savings of \$58 million to \$62 million.

The restructuring will result in a one-time pretax charge to 1st Quarter 1999 earnings of \$60 million to \$65 million, or \$.40 to \$.42 per diluted share on an after-tax basis. The restructuring charge will include severance costs, related asset write-offs, and other one-time expenses.

The Company will close eight facilities around the world in the Company's Consumer and Converted Products and Pressure-sensitive Adhesives and Materials sectors. As a result, approximately 1,500 positions will be eliminated, or approximately nine percent of the Company's total workforce.

"Avery Dennison has consistently delivered superior returns and earnings growth," said Neal. "We expect this major realignment to position the Company for double-digit earnings growth in 1999 and beyond, before the effects of the one-time charge."

Avery Dennison develops, manufactures and markets innovative self-adhesive solutions for consumer products and label systems. Based in Pasadena, Calif., the Company makes a wide range of products for consumer and industrial markets, including Avery-brand office products, Fasson-brand self-adhesive materials, peel-and-stick postage stamps, battery labels, automated retail tag and labeling systems, and specialty tapes and chemicals. Approximately 16,100 employees in 200 manufacturing and sales facilities produce and sell Avery Dennison products in 89 countries.

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

	Three Months Ended		Year Ended	
	Jan. 2, 1999	Dec. 27, 1997	Jan. 2, 1999	Dec. 27, 1997
Net sales	\$884.6	\$836.4	\$3,459.9	\$3,345.7
Cost of products sold	592.8	560.5	2,315.4	2,263.0
Gross profit	291.8	275.9	1,144.5	1,082.7
Marketing, general & administrative expense	198.2	186.9	773.2	739.8
Interest expense	9.3	6.4	34.6	31.7
Income before taxes	84.3	82.6	336.7	311.2
Taxes on income	28.4	28.2	113.4	106.4
Net income	\$ 55.9	\$ 54.4	\$ 223.3	\$ 204.8
Net income per common share, assuming dilution	\$ 0.54	\$ 0.52	\$ 2.15	\$ 1.93
Average shares outstanding:				
Assuming dilution	102.7	105.5	104.1	106.1
Common shares outstanding at period end	100.0	102.4	100.0	102.4

Supplementary Sector Information

	1998 Sales % Change		Operating Margins		
			1998	1997	1996
Pressure-sensitive adhesives & materials (PS)	\$1,874.1	2.8%	9.1%	9.4%	9.0%
Consumer & converted products (CCP)	\$1,742.1	4.2%	13.0%	11.3%	10.0%

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AVERY DENNISON  
CONDENSED CONSOLIDATED BALANCE SHEET  
(In millions)

ASSETS	Jan. 2, 1999	Dec. 27, 1997
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Current assets:		
Cash and cash equivalents	\$ 18.5	\$ 3.3
Trade accounts receivable, net	454.8	457.7
Inventories, net	230.6	230.1
Other current assets	98.1	102.4
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Total current assets	802.0	793.5
Property, plant and equipment, net	1,035.6	985.3
Intangibles resulting from business acquisitions, net	145.1	133.7
Other assets	159.9	134.0
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	\$2,142.6	\$2,046.5
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LIABILITIES AND SHAREHOLDERS' EQUITY		
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Current liabilities:		
Short-term and current portion of long-term debt	\$ 71.3	\$ 43.6
Accounts payable	269.8	245.3
Other current liabilities	323.2	341.0
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Total current liabilities	664.3	629.9
Long-term debt	465.9	404.1
Other long-term liabilities	179.1	175.3
Shareholders' equity:		
Common stock	124.1	124.1
Capital in excess of par value	587.5	592.5
Retained earnings	1,185.1	1,063.6
Cumulative translation adjustment	(8.1)	(21.4)
Cost of unallocated ESOP shares	(18.3)	(23.4)
Minimum pension liability	-	(1.1)
Employee stock benefit trusts	(677.6)	(730.3)
Treasury stock at cost	(359.4)	(166.8)
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Total shareholders' equity	833.3	837.2
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	\$2,142.6	\$2,046.5
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AVERY DENNISON  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
(In millions)

	Year Ended	
	Jan. 2, 1999	Dec. 27, 1997
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Operating Activities:		
Net income	\$ 223.3	\$ 204.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	114.6	105.5
Amortization	12.6	11.3
Deferred taxes	13.8	18.4
Cash provided by operations	364.3	340.0
Changes in assets and liabilities, net of the effect of foreign currency translation, business divestitures and acquisitions	58.5	28.4
Net cash provided by operating activities	422.8	368.4
Investing Activities:		
Purchase of property, plant and equipment	(159.7)	(177.3)
Net (payments) proceeds from acquisitions, sale of assets and business divestitures	(30.9)	4.6
Other	(26.9)	(16.3)
Net cash used in investing activities	(217.5)	(189.0)
Financing Activities:		
Net increase in long-term debt	46.1	58.3
Net increase (decrease) in short-term debt	39.3	(73.0)
Dividends paid	(101.8)	(86.8)
Purchase of treasury stock	(192.6)	(99.3)
Proceeds from exercise of stock options	20.7	13.3
Other	(2.3)	7.9
Net cash used in financing activities	(190.6)	(179.6)
Effect of foreign currency translation on cash balances	0.5	(0.3)
Increase (decrease) in cash and cash equivalents	15.2	(0.5)
Cash and cash equivalents, beginning of year	3.3	3.8
Cash and cash equivalents, end of year	\$ 18.5	\$ 3.3

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