UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended July 1, 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

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

Number of shares of $1 par value common stock outstanding as of July 28, 2000: 111,538,800

AVERY DENNISON CORPORATION
AND SUBSIDIARIES

INDEX TO FORM 10-Q

PART I. ITEM 1. FINANCIAL INFORMATION
AVERY DENNISON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(Dollars in millions)
(Unaudited)

	July 1, 2000	January 1, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6.4	$ 6.9
Trade accounts receivable, net	610.8	542.4
Inventories, net	308.0	279.8
Prepaid expenses	25.6	23.7
Deferred tax assets	76.6	79.4
Other current assets	26.8	23.8
Total current assets	1,054.2	956.0
Property, plant and equipment, at cost	1,970.4	1,934.7
Accumulated depreciation	913.5	891.2
	1,056.9	1,043.5
Intangibles resulting from business acquisitions, net	415.4	397.0
Other assets	205.6	196.0
	$ 2,732.1	$ 2,592.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	$ 43.9	$ 68.2
Accounts payable	363.0	316.8
Other current liabilities	429.4	465.4
Total current liabilities	836.3	850.4
Long-term debt	739.1	617.5
Deferred taxes and other long-term liabilities	241.0	231.4
Long-term obligation	77.4	83.3
Shareholders' equity:		
Common stock - $1 par value authorized - 400,000,000 shares; issued - 124,126,624 shares at July 1, 2000 and January 1, 2000	124.1	124.1
Capital in excess of par value	857.8	962.3
Retained earnings	1,370.9	1,288.5
Cost of unallocated ESOP shares	(16.8)	(16.8)
Employee stock benefit trusts, 13,164,687 shares at July 1, 2000 and 13,914,515 shares at January 1, 2000	(882.8)	(1,014.0)
Treasury stock at cost, 12,268,824 shares at July 1, 2000 and 11,453,728 shares at January 1, 2000	(534.0)	(481.3)
Accumulated other comprehensive loss	(80.9)	(52.9)
Total shareholders' equity	838.3	809.9
	$ 2,732.1	$ 2,592.5

See Notes to Consolidated Financial Statements

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

	Three Months Ended		Six Months Ended	
	July 1, 2000	July 3, 1999	July 1, 2000	July 3, 1999
Net sales	$ 993.4	$ 928.5	$ 1,958.7	$ 1,862.4
Cost of products sold	649.7	614.3	1,280.9	1,236.3
Gross profit	343.7	314.2	677.8	626.1
Marketing, general and administrative expense	218.7	207.3	432.9	415.6
Restructuring charge	-	-	-	65.0
Interest expense	14.6	9.2	26.9	19.6
Income before taxes	110.4	97.7	218.0	125.9
Taxes on income	37.6	34.0	75.0	43.8
Net income	$ 72.8	$ 63.7	$ 143.0	$ 82.1
PER SHARE AMOUNTS:				
Net income per common share	$ .74	$ .64	$ 1.45	$ .83
Net income per common share, assuming dilution	.73	.63	1.42	.81
Dividends	.27	.24	.54	.48
AVERAGE SHARES OUTSTANDING:				
Common shares	98.7	99.4	98.8	99.4
Common shares, assuming dilution	100.4	101.7	100.6	101.6

See Notes to Consolidated Financial Statements

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

	Six Months Ended	
	July 1, 2000	July 3, 1999
OPERATING ACTIVITIES:		
Net income	$ 143.0	$ 82.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Restructuring charge	-	65.0
Depreciation	63.5	62.8
Amortization	15.1	9.6
Deferred taxes	3.7	(13.2)
Changes in assets and liabilities, net of the effect of foreign currency translation, business divestitures, acquisitions and restructuring charge	(54.9)	(23.6)
Net cash provided by operating activities	170.4	182.7
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(77.3)	(58.6)
Payments for acquisitions, net of divestitures	(76.9)	(32.5)
Other	(13.6)	1.3
Net cash used in investing activities	(167.8)	(89.8)
FINANCING ACTIVITIES:		
Net increase in short-term debt	100.6	4.0
Net decrease in long-term debt	(1.5)	(.3)
Dividends paid	(60.6)	(54.7)
Purchase of treasury stock	(52.7)	(65.6)
Proceeds from exercise of stock options	13.0	11.9
Other	(1.6)	-
Net cash used in financing activities	(2.8)	(104.7)
Effect of foreign currency translation on cash balances	(.3)	(.4)
Decrease in cash and cash equivalents	(.5)	(12.2)
Cash and cash equivalents, beginning of period	6.9	18.5
Cash and cash equivalents, end of period	$ 6.4	$ 6.3

See Notes to Consolidated Financial Statements

1. GENERAL

The accompanying unaudited consolidated financial statements include normal recurring adjustments necessary for a fair presentation of the Company's interim results. Certain prior year amounts have been reclassified to conform with current year presentation. The condensed financial statements and notes in this Form 10-Q are presented as permitted by Regulation S-X, and as such, they do not contain certain information included in the Company's 1999 annual financial statements and notes. This Form 10-Q should be read in conjunction with the Company's consolidated financial statements and notes included in the Company's 1999 Annual Report on Form 10-K.

The second quarters of 2000 and 1999 consisted of thirteen-week periods ending July 1, 2000 and July 3, 1999, respectively. The interim results of operations are not necessarily indicative of future financial results.

2. 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 involves the consolidation of manufacturing and distribution capacity in both of the Company's operating segments. The $65 million charge reflects 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 significant components of the restructuring charge and the remaining balance as of July 1, 2000 (included within "Other current liabilities") were as follows:

(In millions)	Charge	Amounts Utilized	Balance
Severance and related costs	$ 35.1	$ 27.7	$ 7.4
Asset write-downs	29.9	26.1	3.8
	$ 65.0	$ 53.8	$ 11.2

Severance and related costs represent cash paid or to be paid to employees being terminated under the program. Asset write-downs identified as part of the restructuring program, principally related to equipment, represent 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.

Seven plant closures had been initiated, six of which had been completed, by the end of the second quarter 2000 and approximately 1,160 employees had left the Company. The Company expects to complete the restructuring program in 2000.

3. NET INCOME PER SHARE

Net income per common share amounts were computed as follows:

(In millions, except per share amounts)

		Three Months Ended		Six Months Ended	
		July 1, 2000	July 3, 1999	July 1, 2000	July 3, 1999
(A)	Net income available to common shareholders	$ 72.8	$ 63.7	$ 143.0	$ 82.1
(B)	Weighted average number of common shares outstanding	98.7	99.4	98.8	99.4
	Additional common shares issuable under employee stock options using the treasury stock method	1.7	2.3	1.8	2.2
(C)	Weighted average number of common shares outstanding assuming the exercise of stock options	100.4	101.7	100.6	101.6
Net income per common share (A) / (B)		$ .74	$ .64	$ 1.45	$ .83
Net income per common share, assuming dilution (A) / (C)		$ .73	$ .63	$ 1.42	$ .81

4. COMPREHENSIVE INCOME

Comprehensive income includes net income and foreign currency translation adjustments that are currently presented as a component of shareholders' equity. The Company's total comprehensive income for the three and six months ended July 1, 2000 was $52.9 million and $115 million, respectively. For the three and six months ended July 3, 1999 total comprehensive income was $53.6 million and $47.2 million, respectively.

5. FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies and translation of financial statements of subsidiaries operating in hyperinflationary economies during 2000 resulted in losses of $1.1 million and $1.2 million, respectively, during the three and six months ended July 1, 2000. For the three and six months ended July 3, 1999, the Company recorded a loss of $1.1 million. Operations in hyperinflationary economies consist of the Company's operations in Turkey.

6. 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 Condensed Consolidated Statement of Cash Flows. Gains and losses on contracts used to hedge the value of investments in certain foreign subsidiaries are included in 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.

7. INVENTORIES

Inventories consisted of (in millions):

	July 1, 2000	January 1, 2000
Raw materials	$ 91.7	$ 86.2
Work-in-progress	76.1	77.0
Finished goods	165.9	144.0
LIFO adjustment	(25.7)	(27.4)
	$ 308.0	$ 279.8

8. BUSINESS ACQUISITIONS

During the first half of 2000, the Company acquired two companies for approximately $80 million. The acquisitions represent additions to the Company's materials and converting operations and were accounted for using the purchase method of accounting. Operating results have been included in the consolidated financial statements since acquisition, and the assets and liabilities of the entities have been recorded using a preliminary estimate of fair value. The excess of the purchase price over the fair value of the net assets acquired is approximately $32 million and is being amortized over its expected useful life. These businesses are not significant in relation to the consolidated financial position and results of operations.

Accumulated amortization of intangible assets at July 1, 2000 and January 1, 2000 was $74.7 million and $67 million, respectively.

9. RESEARCH AND DEVELOPMENT

Research and development expense for the three and six months ended July 1, 2000 was $17.5 million and $34 million, respectively. For the three and six months ended July 3, 1999, research and development expense was $14.9 million and $30.5 million, respectively.

10. 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 11 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 that the potential liability over the amounts currently accrued would not materially affect the Company.

10. CONTINGENCIES (continued)

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.

11. SEGMENT INFORMATION

Financial information by reportable operating segment is set forth below:

	Three Months Ended		Six Months Ended	
(In millions)	July 1, 2000	July 3, 1999	July 1, 2000	July 3, 1999
NET SALES:				
Pressure-sensitive Adhesives and Materials	$ 549.8	$ 492.1	$ 1,087.2	$ 993.0
Consumer and Converted Products	480.2	471.2	940.7	936.3
Intersegment	(36.6)	(36.4)	(69.2)	(70.4)
Divested operations	-	1.6	-	3.5
Net sales	$ 993.4	$ 928.5	$ 1,958.7	$ 1,862.4
INCOME (LOSS) FROM OPERATIONS BEFORE INTEREST AND TAXES:				
Pressure-sensitive Adhesives and Materials	$ 57.0	$ 50.8	$ 118.0	$ 77.9
Consumer and Converted Products	74.6	64.3	140.2	87.3
Corporate administrative and research and development expenses	(6.6)	(7.6)	(13.3)	(18.6)
Divested operations	-	(.6)	-	(1.1)
	$ 125.0	$ 106.9	$ 244.9	$ 145.5
Interest expense	(14.6)	(9.2)	(26.9)	(19.6)
Income before taxes	$ 110.4	$ 97.7	$ 218.0	$ 125.9

Results for the six months ended July 3, 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 2 for additional information regarding the Company's first quarter 1999 restructuring charge.

12. FUTURE 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 will be effective the fourth quarter of 2000. The Company is in the process of determining the impact of this standard and anticipates that it will not have a material impact on the Company's financial results when effective.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives will be recorded each period in current earnings or other comprehensive income. The new rules will be effective the first quarter of 2001. The Company is in the process of determining the impact of this new standard and, based on current market conditions, anticipates that the new rules will not have a material impact on the Company's financial results when effective.

RESULTS OF OPERATIONS: FOR THE QUARTER

Quarterly sales increased to $993.4 million, a 7 percent increase over second quarter 1999 sales of $928.5 million. Excluding the impact of currency, sales grew 10.7 percent. Acquisitions contributed 5.2 percentage points of sales growth.

Gross profit margin increased to 34.6 percent for the quarter compared to 33.8 percent for the second quarter of 1999. The improvement was primarily due to manufacturing cost reductions and improved productivity.

Marketing, general and administrative expense, as a percent of sales, improved to 22 percent compared to 22.3 percent for the second quarter of 1999.

Interest expense increased to $14.6 million for the quarter, compared to $9.2 million a year ago, primarily reflecting increased debt to fund acquisitions and share repurchases.

Income before taxes, as a percent of sales, increased to 11.1 percent from 10.5 percent a year ago, primarily as a result of manufacturing cost reductions and improved productivity. The effective tax rate decreased to 34.1 percent for the quarter compared to 34.8 percent for the second quarter of 1999, primarily due to a different geographic mix of income.

Net income increased 14.3 percent to $72.8 million compared to $63.7 million in the second quarter of 1999. Net income per common share for the quarter was $.74 compared to $.64 in the same period last year, a 15.6 percent increase. Net income per common share, assuming dilution, was $.73 for the second quarter of 2000 and $.63 for the second quarter of 1999, a 15.9 percent increase year over year.

RESULTS OF OPERATIONS BY REPORTABLE OPERATING SEGMENT

Pressure-sensitive Adhesives and Materials:

(In millions)	Three Months Ended July 1, 2000	Three Months Ended July 3, 1999
Net sales	$ 549.8	$ 492.1
Income from operations before interest and taxes	57.0	50.8

RESULTS OF OPERATIONS: FOR THE QUARTER (CONTINUED)

The Pressure-sensitive Adhesives and Materials segment reported increased sales and income for the second quarter of 2000 compared to the same period last year. Increased sales in the U.S. operations were primarily driven by the acquisition of Stimsonite and growth in the graphics materials business. Domestic sales growth was negatively impacted by what the Company believes to be a temporary slowdown for the U.S. roll materials business. This slowdown in growth was driven primarily by two factors: packaging and graphics changes planned by consumer product companies, which resulted in transitional inventory reductions by the Company's converting customers; and some loss of sales on certain price-competitive, lower margin products. The Company expects to regain sales related to these factors by the end of the year. The slowdown and the resulting shift in product mix in the U.S. tempered increases achieved by international operations. Total international operations in the segment reported increased sales, driven by 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. Income from international operations increased primarily due to volume growth and improved profitability in the Asian and Latin American businesses.

Consumer and Converted Products:

	Three Months Ended	
(In millions)	July 1, 2000	July 3, 1999
Net sales	$ 480.2	$ 471.2
Income from operations before interest and taxes	74.6	64.3

The Consumer and Converted Products segment reported increased sales and income for the second quarter of 2000 compared to the same period last year. Sales in the U.S. operations improved primarily due to sales growth for most Avery-brand office products. Income from U.S. operations increased due to the sales growth in the office products business and manufacturing cost reductions and improved productivity related to the prior year's restructuring. Both sales and income were partially impacted by decreased volume in some of the Company's consumer packaging businesses. Total international operations in the segment reported increased sales primarily due to growth in the worldwide ticketing business. Solid sales growth in Europe was offset by changes in foreign currency rates. Income for the international operations increased due to strong volume growth and improved profitability in the worldwide ticketing business.

RESULTS OF OPERATIONS: SIX MONTHS YEAR-TO-DATE

Sales for the first six months of 2000 increased 5.2 percent to $1.96 billion compared to $1.86 billion in the corresponding period of 1999. Excluding the impact of currency, sales grew 8.8 percent. Acquisitions contributed 3.5 percentage points of sales growth.

RESULTS OF OPERATIONS: SIX MONTHS YEAR-TO-DATE (CONTINUED)

Gross profit margin for the first six months increased to 34.6 percent compared to 33.6 percent for the first six months of 1999. The improvement was due to manufacturing cost reductions and improved productivity.

Marketing, general and administrative expense, as a percent of sales, for the first six months improved to 22.1 percent compared to 22.3 percent for the first six months of 1999.

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, in the first quarter of 1999. The restructuring involves the consolidation of manufacturing and distribution capacity in both of the Company's operating segments. The $65 million charge reflects 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 includes severance and related costs for approximately 1,500 positions ($35.1 million), and asset write-downs ($29.9 million). Severance and related costs represent cash paid or to be paid to employees being terminated under the program. Asset write-downs identified as part of the restructuring program, principally related to equipment, represent 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. Seven plant closures had been initiated, six of which had been completed, by the end of the second quarter 2000 and approximately 1,160 employees had left the Company. In addition, $27.7 million had been paid for severance and related costs and $26.1 million had been utilized in asset write-downs. The Company expects to complete the restructuring program in 2000. The Company expects cumulative 2000 pretax savings in the range of $38 million to $40 million. When fully implemented, the Company estimates annual savings of approximately $58 million to $62 million.

Interest expense increased to $26.9 million for the first six months compared to $19.6 million for the first six months of 1999, primarily reflecting increased debt to fund acquisitions, capital expenditures and share repurchases.

Income before taxes, as a percent of sales, was 11.1 percent compared to 6.8 percent for 1999, reflecting the $65 million restructuring charge. Excluding the restructuring charge, income before taxes, as a percent of sales, was 10.3 percent for the first six months of 1999. The increase reflects the benefits of manufacturing cost reductions and improved profitability. The year-to-date effective tax rate decreased to 34.4 percent for 2000 from 34.8 percent for 1999 primarily due to a different geographic mix of income.

Net income totaled $143 million compared to $82.1 million in the first six months of 1999. Excluding the restructuring charge in the first quarter of 1999, net income increased 14.9 percent from $124.5 million. Net income, as a percent of sales, was 7.3 percent for the first six months of 2000 and 4.4 percent for the same period last year. Excluding the restructuring charge, net income, as a percent of sales, was 6.7 percent for the first six months of 1999.

RESULTS OF OPERATIONS: SIX MONTHS YEAR-TO-DATE (CONTINUED)

Net income per common share for the first six months was $1.45 compared to $.83 for the same period last year. Excluding the restructuring charge, net income per common share for the first six months increased 16 percent from $1.25 for the same period last year. Net income per common share, assuming dilution, was $1.42 for the first six months of 2000 and $.81 for the first six months of 1999. Excluding the restructuring charge, net income per common share, assuming dilution, increased 15.4 percent from $1.23 for the same period last year.

RESULTS OF OPERATIONS BY REPORTABLE OPERATING SEGMENT

Pressure-sensitive Adhesives and Materials:	Six Months Ended	
(In millions)	July 1, 2000	July 3, 1999
Net sales	$ 1,087.2	$ 993.0
Income from operations before interest and taxes	118.0	77.9

The Pressure-sensitive Adhesives and Materials segment reported increased sales and income for the first six months of 2000 compared to the same period last year. The segment's income results for the first six months of 1999 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 and solid unit volume growth in the graphics materials business. Domestic sales growth was negatively impacted by what the Company believes to be a temporary slowdown in the U.S. roll materials business in the second quarter. This slowdown in growth was driven primarily by two factors: packaging and graphics changes planned by consumer product companies, which resulted in transitional inventory reductions by the Company's converting customers; and some loss of sales on certain price-competitive, lower margin products. The Company expects to regain sales related to these factors by the end of the year. The slowdown and the resulting shift in product mix in the U.S. tempered increases achieved by international operations. Total international operations in the segment reported increased sales and income. Increased sales were driven by strong volume growth in Asia, Latin America and Europe, as well as the recent acquisition of Adespan in Europe. Sales growth in Europe was offset by changes in foreign currency rates. Income from international operations increased compared to the first six months of 1999, excluding the restructuring charge, primarily due to volume growth and improved profitability in the Asian and Latin American businesses.

Consumer and Converted Products:	Six Months Ended	
(In millions)	July 1, 2000	July 3, 1999
Net sales	$ 940.7	$ 936.3
Income from operations before interest and taxes	140.2	87.3

RESULTS OF OPERATIONS: SIX MONTHS YEAR-TO-DATE (CONTINUED)

The Consumer and Converted Products segment reported increased sales and income for the first six months of 2000 compared to the same period last year. The segment's income results for the first six months of 1999 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 led by sales growth for most Avery-brand office products. Income from U.S. operations increased compared to the first six months of 1999, excluding the restructuring charge, due to the sales growth in the office products business and manufacturing cost reductions and improved productivity related to the prior year's restructuring. Both sales and income were impacted by decreased volume and an unfavorable product mix shift in the Company's consumer packaging businesses. In the prior year, a key customer in the battery labels business made a product mix change in its battery lines, resulting in a partial shift from higher-priced tester labels to standard battery labels. Sales in the international operations decreased slightly due to changes in foreign currency rates. The impact of currency on European operations offset strong sales growth in the Asian and Latin American businesses. Income from international operations increased compared to the first six months of 1999, excluding the restructuring charge, due to improved profitability in the European office products business and growth in the worldwide ticketing business.

FINANCIAL CONDITION

Average working capital, excluding short-term debt, as a percentage of sales, increased to 6.6 percent for the quarter from 4.9 percent a year ago, partially reflecting a decrease in current liabilities related to prior year's restructuring. Average inventory turnover for the second quarter was 8.4 inventory turns compared to 9.8 inventory turns a year ago. The decrease in inventory turns was primarily due to higher inventory levels associated with recently acquired companies, as well as an increase in certain office products inventories to maintain service levels as production moves to other manufacturing facilities as a result of the restructuring. The average number of days of sales outstanding in accounts receivable increased to 56 days compared to 53 days a year ago, reflecting longer payment terms associated with increased international sales and recent acquisitions.

Net cash flows provided by operating activities totaled $170.4 million for the first six months of 2000 and $182.7 million for the first half of 1999. The decrease in net cash flows provided by operating activities was primarily due to an increase in working capital. In addition to cash flows from operations, the Company has more than adequate financing arrangements, at competitive rates, to conduct its operations.

Capital spending for the quarter was $44.5 million compared to $34.7 million a year ago. For the first six months of 2000, capital spending totaled $77.3 million compared to $58.6 million a year ago. This increase was due to investment in capacity to support volume growth. Total capital spending for 2000 is expected to be in the range of $180 million to $200 million.

FINANCIAL CONDITION (CONTINUED)

During the first six months of 2000, total debt increased $97.3 million to $783 million from year end 1999. The increase in debt was primarily due to the debt issuance to fund acquisitions, capital expenditures and share repurchases. Total debt to total capital was 48.3 percent as of the end of the second quarter of 2000 and 45.8 percent at year end 1999. The Company previously registered with the Securities and Exchange Commission $150 million in principal amount of uncollateralized medium-term notes, of which $110 million in notes had been issued as of year end 1999. No notes were issued during the first six months of 2000. Proceeds from the medium-term notes have been used to refinance short-term debt and for other general corporate purposes.

On March 31, 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 will continue to operate as a division within the Company's Fasson roll materials business in Europe.

On January 12, 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 and the assumption of an obligation as reported in the "Long-term obligation" line on the Condensed Consolidated Balance Sheet. The entire obligation is scheduled to be paid in 2004.

Shareholders' equity increased to $838.3 million from $809.9 million at year end 1999. During the second quarter of 2000, the Company purchased approximately .4 million shares of common stock at a cost of $23.6 million. During the first six months of 2000, the Company purchased .8 million shares of common stock at a cost of $52.7 million. The market value of shares held in the employee stock benefit trust, after the issuance of shares under the Company's stock and incentive plans, decreased by $131.2 million to $882.8 million from year end 1999. Dividends paid for the first six months of 2000 totaled $60.6 million compared to $54.7 million a year ago.

FUTURE 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 will be effective the fourth quarter of 2000. The Company is in the process of determining the impact of this standard and anticipates that it will not have a material impact on the Company's financial results when effective.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives will be recorded each period in current earnings or other comprehensive income. The new rules will be effective the first quarter of 2001. The Company is in the process of determining the impact of this new standard and, based on current market conditions, anticipates that the new rules will not have a material impact on the Company's financial results when effective.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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 Form 10-Q contain "forward-looking statements" within the meaning of the Private Securities Reform Act of 1995. These statements, which are not statements of historical fact, may contain estimates, assumptions, projections and/or expectations regarding future events. 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 any 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 January 1, 2000 and include, but are not limited to, risks and uncertainties relating to investment in new production facilities, timely development and successful marketing of new products, impact of competitive products and pricing, customer and supplier and manufacturing concentrations, changes in customer order patterns and inventory levels, increased competition, loss of significant contract(s) or customer(s), the euro conversion, legal proceedings, fluctuations in foreign exchange rates or other risks associated with foreign operations, changes in economic or political conditions, and other factors.

Any forward looking statements should be considered in light of the factors detailed in Exhibit 99 in the Company's Annual Report on Form 10-K for the year ended 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There are no material changes in the information provided in Item 7A of the Company's Form 10-K for the fiscal year ended January 1, 2000.

PART II. OTHER INFORMATION
AVERY DENNISON CORPORATION
AND SUBSIDIARIES

ITEMS 1, 2, 3 AND 4. NOT APPLICABLE

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibit 12: Computation of Ratio of Earnings to Fixed Charges

b. Reports on Form 8-K: There were no reports on Form 8-K filed for the three months ended July 1, 2000.

SIGNATURES

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

AVERY DENNISON CORPORATION
(Registrant)

/s/ Robert M. Calderoni

Robert M. Calderoni
Senior Vice President, Finance, and
Chief Financial Officer
(Principal Financial Officer)

/s/ Thomas E. Miller

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

August 14, 2000

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

	Three Months Ended		Six Months Ended	
	July 1, 2000	July 3, 1999	July 1, 2000	July 3, 1999
Earnings:				
Income before taxes	$ 110.4	$ 97.7	$ 218.0	$ 125.9
Add: Fixed charges*	19.3	13.6	36.7	28.0
Amortization of capitalized interest	.4	.4	.8	.8
Less: Capitalized interest	(.3)	(.6)	(1.1)	(.8)
	$ 129.8	$ 111.1	$ 254.4	$ 153.9
*Fixed charges:				
Interest expense	$ 14.6	$ 9.2	$ 26.9	$ 19.6
Capitalized interest	.3	.6	1.1	.8
Amortization of debt issuance costs	.1	.1	.2	.2
Interest portion of leases	4.3	3.7	8.5	7.4
	$ 19.3	$ 13.6	$ 36.7	$ 28.0
Ratio of Earnings to Fixed Charges	6.7	8.2	6.9	5.5

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

Exhibit 12

5

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

6-MOS
DEC-30-2000
JAN-02-2000
JUL-01-2000
6,400
0
610,800
0
308,000
1,054,200
1,970,400
913,500
2,732,100
836,300
739,100
0
0
124,100
714,200
2,732,100
1,958,700
1,958,700
1,280,900
1,280,900
432,900
0
26,900
218,000
75,000
143,000
0
0
0
143,000
1.45
1.42

ACCOUNTS RECEIVABLE ARE SHOWN NET OF ANY ALLOWANCES.