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 June 28, 1997

OR

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

For the transition period from ____________ to ____________

COMMISSION FILE NUMBER 1-7685

AVERY DENNISON CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	95-1492269
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

150 NORTH ORANGE GROVE BOULEVARD, PASADENA, CALIFORNIA	91103
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (818) 304-2000

Indicate by a check 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 25, 1997: 120,402,745

AVERY DENNISON CORPORATION
AND SUBSIDIARIES

INDEX TO FORM 10-Q

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

	June 28, 1997	December 28, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9.5	$ 3.8
Trade accounts receivable, net	496.8	448.5
Inventories, net	254.6	244.4
Prepaid expenses	22.1	17.8
Other current assets	89.0	90.0
Total current assets	872.0	804.5
Property, plant and equipment, at cost	1,751.8	1,767.9
Accumulated depreciation	(808.2)	(805.2)
	943.6	962.7
Intangibles resulting from business acquisitions, net	130.8	135.9
Other assets	145.7	133.6
	$ 2,092.1	$ 2,036.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	$ 86.4	$ 96.2
Accounts payable	232.6	230.7
Other current liabilities	325.8	367.0
Total current liabilities	644.8	693.9
Long-term debt	444.1	370.7
Deferred taxes and other long-term liabilities	177.6	140.1
Shareholders' equity:		
Common stock - $1 par value:		
Authorized - 400,000,000 shares; Issued - 124,126,624 shares at June 28, 1997 and December 28, 1996	124.1	124.1
Capital in excess of par value	514.2	475.4
Retained earnings	1,002.3	945.6
Cumulative foreign currency translation adjustment	(1.0)	28.3
Cost of unallocated ESOP shares	(29.9)	(29.4)
Minimum pension liability	(0.2)	(0.2)
Employee stock benefit trust, 17,380,545 shares at June 28, 1997 and 17,959,358 shares at December 28, 1996	(675.7)	(644.3)
Treasury stock at cost, 3,638,848 shares at June 28, 1997 and 2,551,808 shares at December 28, 1996	(108.2)	(67.5)
Total shareholders' equity	825.6	832.0
	$ 2,092.1	$ 2,036.7

See Notes to Consolidated Financial Statements

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

	Three Months Ended		Six Months Ended	
	June 28, 1997	June 29, 1996	June 28, 1997	June 29, 1996
Net Sales	$ 844.8	$ 797.7	$ 1,673.7	$ 1,594.3
Cost of products sold	571.0	549.3	1,137.0	1,099.2
Gross profit	273.8	248.4	536.7	495.1
Marketing, general and administrative expense	188.7	174.9	369.0	350.2
Interest expense	8.8	9.4	17.3	18.3
Income before taxes	76.3	64.1	150.4	126.6
Taxes on income	26.7	22.5	52.6	45.0
Net income	$ 49.6	$ 41.6	$ 97.8	$ 81.6
PER SHARE AMOUNTS:				
Net income per common share	$ 0.48	$ 0.39	$ 0.95	$ 0.77
Net income per fully diluted common share	0.47	0.38	0.92	0.75
Dividends	0.17	0.15	0.34	0.30
AVERAGE SHARES OUTSTANDING:				
Common shares	103.3	105.4	103.4	105.6
Fully diluted common shares	106.3	108.1	106.5	108.3

See Notes to Consolidated Financial Statements

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

	Six Months Ended	
	June 28, 1997	June 29, 1996
OPERATING ACTIVITIES:		
Net income	$ 97.8	$ 81.6
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	52.1	49.8
Amortization	5.6	5.6
Deferred taxes	5.8	10.5
Net change in assets and liabilities, net of the effect of foreign currency translation and business divestitures	(73.0)	(88.1)
Net cash provided by operating activities	88.3	59.4
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(67.6)	(73.9)
Net (payments) proceeds from sale of assets, business divestitures and acquisitions	(4.2)	3.8
Other	(3.8)	(1.0)
Net cash used in investing activities	(75.6)	(71.1)
FINANCING ACTIVITIES:		
Net increase in short-term debt	121.5	68.7
Net decrease in long-term debt	(53.0)	(1.4)
Dividends paid	(41.2)	(31.7)
Purchase of treasury stock	(40.7)	(50.1)
Other	6.9	4.3
Net cash used in financing activities	(6.5)	(10.2)
Effect of foreign currency translation on cash balances	(0.5)	--
Increase (decrease) in cash and cash equivalents	5.7	(21.9)
Cash and cash equivalents, beginning of period	3.8	27.0
Cash and cash equivalents, end of period	$ 9.5	$ 5.1

See Notes to Consolidated Financial Statements

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

1. GENERAL

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

The second quarters of 1997 and 1996 consisted of thirteen-week periods ending June 28, 1997 and June 29, 1996, respectively. The interim results of operations are not necessarily indicative of future financial results.

2. FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies and translation of the financial statements of subsidiaries which operate in hyperinflationary economies during 1997 resulted in no losses and losses of $.6 million, respectively, during the three and six months ended June 28, 1997. During 1996, the Company recorded losses of $.6 million and $1.2 million, respectively, during the three and six months ended June 29, 1996. Operations in hyperinflationary economies consist of the Company's Brazilian operations for 1997 and 1996 and Mexican operations for 1997.

3. FINANCIAL INSTRUMENTS

The Company enters into forward exchange and interest rate contracts to manage exposure to fluctuations in foreign currency exchange and interest rates. The Company does not hold or issue financial instruments for trading purposes.

Forward exchange 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. Forward exchange 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 forward exchange contracts are recorded in the same category as that arising from 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 statement of cash flows. Gains and losses on contracts used to hedge the value of investments in certain foreign subsidiaries are included in the cumulative foreign currency translation adjustment component of shareholders' equity.

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.

4. INVENTORIES

Inventories consisted of (in millions):

	June 28, 1997	December 28, 1996
Raw materials	$ 82.8	$ 82.7
Work-in-progress	72.9	72.4
Finished goods	133.7	123.4
LIFO adjustment	(34.8)	(34.1)
	$ 254.6	$ 244.4

5. INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS

Accumulated amortization of intangible assets at June 28, 1997 and December 28, 1996 was $47 million and $46.6 million, respectively.

6. RESEARCH AND DEVELOPMENT

Research and development expense for the three and six months ended June 28, 1997 was $16.1 million and $30.6 million, respectively. For the three and six months ended June 29, 1996, research and development expense was $13.2 million and $26.5 million, respectively.

7. 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 18 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.

7. CONTINGENCIES (CONTINUED)

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

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

8. NET INCOME PER SHARE

Net income per common share is computed by dividing net income by the weighted-average number of common shares outstanding. Net income per fully diluted common share is computed by dividing net income by the weighted-average number of common shares and common share equivalents outstanding. Common share equivalents include shares issuable upon the assumed exercise of outstanding stock options.

9. NEW ACCOUNTING STANDARDS

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

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income". The standard establishes guidelines for the reporting and display of comprehensive income and its components in financial statements. Comprehensive income includes items such as foreign currency translation adjustments and adjustments to the minimum pension liability that are currently presented as a component of shareholders' equity. Companies will be required to report total comprehensive income for interim periods beginning first quarter of 1998. Disclosure of comprehensive income and its components will be required beginning fiscal year end 1998.

Also in June 1997, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information". The standard requires that companies disclose "operating segments" based on the way management disaggregates the company for making internal operating decisions. The new rules will be effective for the 1998 fiscal year. Abbreviated quarterly disclosure will be required beginning first quarter of 1999, with both 1999 and 1998 information. The Company does not believe that the new standard will have a material impact on the reporting of its segments.

RESULTS OF OPERATIONS: FOR THE QUARTER

Quarterly sales increased to $844.8 million, a 5.9 percent increase over second quarter 1996 sales of $797.7 million. Excluding changes in foreign currency rates, sales increased 8.3 percent.

The gross profit margin increased to 32.4 percent for the quarter compared to 31.1 percent for the second quarter of 1996. The increase was due to improved productivity and product mix.

Marketing, general and administrative expense, as a percent of sales, was 22.3 percent compared to 21.9 percent for the second quarter of 1996, reflecting the Company's increased spending on new products and geographic expansion.

Interest expense declined to $8.8 million for the second quarter of 1997, compared to $9.4 million a year ago, due to lower weighted-average interest rates. Income before taxes, as a percent of sales, increased to 9 percent from 8 percent a year ago, primarily as a result of improved gross profit margins. The effective tax rate was 35 percent for the second quarter of 1997 compared to 35.1 percent for the second quarter of 1996.

Net income increased 19 percent to $49.6 million compared to $41.6 million in the second quarter of 1996. Net income per common share for the quarter was $.48 compared to $.39 in the same period last year, a 23 percent increase. Net income per fully diluted common share was $.47 for the second quarter of 1997 and $.38 for the second quarter of 1996, a 24 percent increase year over year.

Results of Operations by Business Sector

The Pressure-sensitive adhesives and materials sector reported increased sales for the second quarter of 1997 compared to the same period last year. Profitability for the sector was impacted by an increase in research and development costs for new products. The U.S. operations' sales growth was primarily led by increased sales volume for new products. Profitability for the U.S. operations was impacted by an increase in research and development costs for new products. The international businesses reported sales and profitability growth. The improvements were primarily due to higher unit volume and geographic expansion, which was partially offset by changes in foreign currency rates.

The Consumer and converted products sector reported increased sales and profitability for the quarter. Increased sales in the U.S. operations continue to be led by growth of its Avery-brand products and other consumer products. Profitability improved primarily as a result of new products and an improved product mix. Sales for the international businesses were impacted by the changes in foreign currency rates and sales declines at certain European operations due to the softness of certain economies. Profitability for the international businesses was primarily impacted by decreased sales at selected European operations and investments for the market expansion of new products.

RESULTS OF OPERATIONS: SIX MONTHS YEAR-TO-DATE

Sales for the first six months of 1997 were up 5 percent to $1.67 billion compared to the corresponding period of 1996. Excluding changes in foreign currency rates, sales increased 7 percent.

The gross profit margin for the first six months was 32.1 percent compared to 31.1 percent for the first six months of 1996. The increase was due to improved productivity and product mix and increased capacity utilization. Marketing, general and administrative expense, as a percent of sales, for the first six months was 22 percent for both periods.

Interest expense declined to $17.3 million for the first six months compared to $18.3 million for the first six months of 1996. The decrease was primarily due to lower weighted-average interest rates. Income before taxes, as a percent of sales, increased to 9 percent for the first six months of 1997 compared to 7.9 percent for 1996, as a result of improved gross profit margins. The year-to-date effective tax rate was 35 percent for 1997 and 35.5 percent for 1996.

Net income was $97.8 million for the first six months of 1997 compared to $81.6 million for the first six months of 1996. Net income per common share increased 23 percent to $.95 for the first six months of 1997 compared to $.77 for the same period last year. Net income per fully diluted common share was $.92 for the first six months of 1997 compared to $.75 for the same period last year, a 23 percent increase year over year.

Results of Operations by Business Sector

The Pressure-sensitive adhesives and materials sector reported increased sales and profitability for the first six months of 1997 compared to the same period last year. The U.S. operations' sales growth was primarily led by increased sales volume for new products. Profitability for the U.S. operations was impacted by an increase in research and development costs for new products. The international businesses reported increased sales and profitability primarily due to higher unit volume and geographic expansion, which was partially offset by changes in foreign currency rates.

The Consumer and converted products sector reported increased sales and profitability for the first six months of 1997 compared to 1996. Increased sales in the U.S. operations continue to be led by growth of its Avery-brand products and other consumer products. Profitability improved primarily as a result of new products and an improved product mix. Sales for the international businesses were impacted by changes in foreign currency and sales declines at certain European operations. Profitability for the international businesses was primarily impacted by operations in France and decreased sales at selected European operations due to the softness of certain economies.

FINANCIAL CONDITION

Average working capital, excluding short-term debt, as a percentage of sales, improved to 9.3 percent for the quarter from 10.9 percent a year ago. Average inventory turnover for the second quarter was 9 inventory turns compared to 9.5 inventory turns a year ago; the average number of days sales outstanding in accounts receivable was 54 days compared to 56 days a year ago.

Net cash flows provided by operating activities totaled $88.3 million for the first six months of 1997 and $59.4 million for the first half of 1996. The increase in net cash flows provided by operating activities is primarily due to a change in working capital requirements and the Company's improved profitability.

Capital spending for the quarter was $35.9 million compared to $35.6 million a year ago. For the first six months, capital spending totaled $67.6 million compared to $73.9 million a year ago. Total capital spending for 1997 is expected to be approximately $180 to $190 million, which is comparable to 1996. In addition to cash flow from operations, the Company had more than adequate financing arrangements to conduct its operations.

During the first six months of 1997, total debt increased $63.6 million to $530.5 million from year end 1996. During the fourth quarter of 1996, the Company registered with the Securities and Exchange Commission, $150 million in principal amount of medium-term notes. In July 1997, $20 million had been issued. Proceeds from the medium-term notes were used to reduce debt and for other general corporate purposes.

Shareholders' equity decreased to $825.6 million from $832 million at year end 1996. During the second quarter of 1997, the Company purchased 559,000 shares of common stock at a cost of $21.1 million. For the first six months of 1997, the Company purchased 1.1 million shares of common stock at a cost of $40.7 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, increased during the quarter by $31.4 million to $675.7 million from year end 1996. Total debt to total capital was 39.1 percent as of the end of second quarter of 1997 and 35.9 percent at year end 1996.

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

FUTURE ACCOUNTING REQUIREMENTS

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

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income". The standard establishes guidelines for the reporting and display of comprehensive income and its components in financial statements. Comprehensive income includes items such as foreign currency translation adjustments and adjustments to the minimum pension liability that are currently presented as a component of shareholders' equity. Companies will be required to report total comprehensive income for interim periods beginning first quarter of 1998. Disclosure of comprehensive income and its components will be required beginning fiscal year end 1998.

Also in June 1997, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information". The standard requires that companies disclose "operating segments" based on the way management disaggregates the company for making internal operating decisions. The new rules will be effective for the 1998 fiscal year. Abbreviated quarterly disclosure will be required beginning first quarter of 1999, with both 1999 and 1998 information. The Company does not believe that the new standard will have a material impact on the reporting of its segments.

SAFE HARBOR STATEMENT

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

PART II. OTHER INFORMATION
AVERY DENNISON CORPORATION
AND SUBSIDIARIES

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits:

a. Exhibits:	11	Computation of Net Income Per Share Amounts
	12	Computation of Ratio of Earnings to Fixed Charges
	27	Financial Data Schedule

b. Reports on Form 8-K: There were no reports on Form 8-K filed for the three months ended June 28, 1997.

SIGNATURES

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

AVERY DENNISON CORPORATION
(Registrant)

/s/ Thomas E. Miller

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

August 11, 1997

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

	Three Months Ended		Six Months Ended	
	June 28, 1997	June 29, 1996	June 28, 1997	June 29, 1996
(A) Weighted average number of common shares outstanding	103.3	105.4	103.4	105.6
Additional common shares issuable under employee stock options using the treasury stock method	3.0	2.7	3.1	2.7
(B) Weighted average number of common shares outstanding assuming the exercise of stock options	106.3	108.1	106.5	108.3
(C) Net income applicable to common stock	$ 49.6	$ 41.6	$ 97.8	$ 81.6
Net income per share as reported (C / A)	$ 0.48	$ 0.39	$ 0.95	$ 0.77
Net income per share giving effect to the exercise of outstanding stock options (C / B)	$ 0.47	$ 0.38	$ 0.92	$ 0.75

Exhibit 11

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

	Three Months Ended		Six Months Ended	
	June 28, 1997	June 29, 1996	June 28, 1997	June 29, 1996
Earnings:				
Income before taxes	$ 76.3	$ 64.1	$ 150.4	$ 126.6
Add: Fixed charges*	13.2	13.9	26.3	27.4
Amortization of capitalized interest	1.3	1.2	1.4	1.3
Less: Capitalized interest	(0.5)	(0.8)	(1.3)	(1.6)
	$ 90.3	$ 78.4	$ 176.8	$ 153.7
*Fixed charges:				
Interest expense	$ 8.8	$ 9.4	$ 17.3	$ 18.3
Capitalized interest	0.5	0.8	1.3	1.6
Amortization of debt issuance costs	0.1	0.1	0.2	0.3
Interest portion of leases	3.8	3.6	7.5	7.2
	$ 13.2	$ 13.9	$ 26.3	$ 27.4
Ratio of Earnings to Fixed Charges	6.8	5.6	6.7	5.6

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

Exhibit 12

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

6-MOS
DEC-27-1997
DEC-29-1996
JUN-28-1997
9,500
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254,600
872,000
1,751,800
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444,100
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369,000
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17,300
150,400
52,600
97,800
0
0
0
97,800
.95
.92

ACCOUNTS RECEIVABLE ARE SHOWN NET OF ANY ALLOWANCES.