FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED JANUARY 1, 1994

OR

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

For the transition period from ____________________ to ____________________

COMMISSION FILE NUMBER 1-7685

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

DELAWARE (State or other jurisdiction of incorporation or organization)	95-1492269 (I.R.S. Employer Identification No.)
150 NORTH ORANGE GROVE BOULEVARD, PASADENA, CALIFORNIA (Address of principal executive offices)	91103 (Zip Code)

Registrant's telephone number, including area code (818) 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 Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange Pacific Stock Exchange
Dennison 8 1/4% Sinking Fund Debentures due 1996	New York Stock 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. [_]

The aggregate market value of voting stock held by non-affiliates as of February 25, 1994, was approximately $1,591,700,480.

Number of shares of common stock, $1 par value, outstanding as of February 25, 1994: 56,230,429.

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 January 1, 1994 (the "1993 Annual Report")	PARTS I, II
Definitive Proxy Statement for Annual Meeting of Stockholders to be held April 28, 1994 (the "1994 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 discussion below includes Dennison units and operations as if Dennison had been a subsidiary of Registrant for all relevant periods.

The principal business of Registrant and its subsidiaries (Registrant and its subsidiaries are sometimes hereinafter referred to as the "Company") is the production of self-adhesive materials. Some 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 office products and other items not involving pressure-sensitive components, such as notebooks, three-ring binders, organizing systems, felt-tip markers, glues, fasteners, business forms, tickets, tags, hot stamping materials, and a diversified line of labeling systems and imprinting equipment.

A self-adhesive material is one that adheres to a surface by mere press-on contact. It consists of four elements--a face stock, which may be 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 device is pressed or rolled into place.

Self-adhesive materials may initially cost more than materials using heat or moisture activated adhesives, but their use often effects substantial 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.

Foreign operations, principally in Western Europe, constitute a significant portion of the Company's business. Aside from certain risks normally attending foreign operations, such as currency fluctuation, exchange control regulations and the effect of international relations and domestic affairs of foreign countries on the conduct of business, the nature of these operations and the countries in which they are conducted are such as to present no unusual business risks over those encountered in the Company's domestic activities.

The Company manufactures and sells its products from 200 manufacturing facilities and sales offices located in 24 countries, and employs a total of approximately 15,750 persons worldwide.

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 would not have a material adverse effect on the Company's business. However, sales of the Company's office products segment are increasingly concentrated in a few major customers, principally discount office products superstores and distributors. United States export sales are an insignificant part of the Company's business. Backlogs are not considered material in the industries in which the Company competes.

The Company's business is separated into three principal industry segments--Pressure-Sensitive Adhesives and Materials, Office Products, and Product Identification and Control Systems. The Company's operations within each of these three segments are further divided organizationally into various groups, each consisting of two or more divisions which manufacture products similar in nature or sell to similar markets.

PRESSURE-SENSITIVE ADHESIVES AND MATERIALS UNITS

These units manufacture and sell Fasson- and Avery-brand pressure-sensitive base materials generally in unconverted form, and include Materials North America, Materials Europe, Automotive and Graphic Systems, Specialty Tape Divisions and Chemical Divisions. Base materials consist chiefly of papers, fabrics, plastic films and metal foils which are primed and coated with Company-developed and purchased adhesives and laminated with specially coated backing papers and films for protection. They can be 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. The business of these units is not seasonal.

Materials North America, including units in Canada, Mexico and the Far East, and Materials Europe, including units in Latin America, Australia and South Africa, manufacture and sell a wide range of pressure-sensitive coated papers, films and foils, in roll and sheet form, to label printers, converters and merchant distributors for labeling, decorating, fastening, electronic data processing and special applications, and also provide paper and film stock for use in a variety of industrial, commercial and consumer applications. Certain units also manufacture and sell proprietary film face stocks and specialty insulation paper.

Automotive and Graphic Systems units manufacture and sell proprietary woodgrain and metallic hotstamp foils for interior decoration in the automotive industry and decoration in the appliance manufacturing industry, and proprietary woodgrain film laminate for housing exteriors. These divisions also design and manufacture pressure-sensitive films for commercial applications such as computerized sign making, vehicle striping, fleet identification and architectural graphics. The Automotive units in the United States and Europe also manufacture and sell pressure-sensitive films for automotive decoration and protection and instrumentation graphics, as well as double-sided transfer tapes for automotive bonding applications. Retroflective films are sold for government and commercial applications, and a specialty metallic dispersion is manufactured for the packaging industry.

The Specialty Tape Divisions sell specialty tapes and bonding materials to industrial and medical converters and original equipment manufacturers, and to diaper producers throughout the world. Major products include single- and double-coated adhesive films, foils and foams, transfer tapes, specialty adhesives and release tapes.

The Chemical Divisions produce a range of solvent and emulsion-based acrylic polymer adhesives, protective coatings and binders for internal uses as well as for other companies.

The Company competes, both domestically and internationally, with a relatively small 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.

OFFICE PRODUCTS UNITS

Office products units manufacture stock products which are sold primarily through office products wholesalers and dealers, through mass market channels of distribution, and through discount office products superstores. The business of these units is not seasonal, except for certain stationery products sold through various channels during the back-to-school selling season.

Office products units in North America and Europe manufacture and sell a wide range of products for home, school and office uses, including pressure-sensitive labels, laser printer labels and software, binders, dividers, organizing systems (including indexing and tabbing guides), adhesive products, marking devices and numerous other office products. The Avery and Dennison Brands Division produces the Avery-brand line of stock self-adhesive products including copier and laser labels and related software, laser-printer card and tabbing products, unprinted labels, correction tape, file folder labels, color-coding labels and data-processing labels. This division also manufactures and sells a wide range of stationery products, including felt-tip markers, adhesives and specialty products under the Carter's and Dennison brand names, and accounting products, note pads and business forms under the National brand name. In addition, the division manufactures and sells file guides and indexing and tabbing business forms, as well as a similar line of products sold under the PRESaply and Dennison brand names. The K&M Division manufactures and sells notebooks, three-ring binders, sheet protectors and various vinyl and heat-sealed products under the K&M-from-Avery brand name, as well as National-brand binders.

International office products units include Avery Myers Ltd., a United Kingdom based manufacturer and distributor of office products and accessories including plastic and metal desk and office accessories, computer storage units, filing racks and cabinets, organizers, index systems and related items; Avery Guidex Ltd., a United Kingdom manufacturer and seller of a wide range of manila files, folders and wallets, lever arch files, suspension files and project covers; and Cheval and Doret units in France, which produce a line of binder and document protection products which are substantially similar to those of the office products units in the United States.

Office products units are generally leaders in most markets in which they compete even though they must compete with other large manufacturers on a global basis. Among the principal competitors in the office products business are Esselte AB, American Brands, Inc. and Minnesota Mining and Manufacturing Co. The Company believes that its ability to service its customers with an extensive product line, its channel distribution strength, and its ability to develop internally and to commercialize successfully new products are probably the most important factors in developing and maintaining the various units' competitive position.

PRODUCT IDENTIFICATION AND CONTROL SYSTEMS UNITS

Product identification and control systems units manufacture and sell a wide range of converted products including labels, tags, fasteners and automated labeling and imprinting equipment to a wide variety of customers for industrial and retail applications. They include Converting Europe, the Label Divisions North America and the Soabar Products and Fastener Divisions. Converted products include pressure-sensitive base materials, and paper or plastic film which are converted into labels and other products by embossing, printing, stamping and die-cutting. These products are sold by units in this segment directly to manufacturers and packagers, as well as through foreign subsidiaries, distributors and licensees. The business of these units is not seasonal.

Converting Europe manufactures and sells a wide range of custom made pressure-sensitive labels for functional, decorative and information purposes, and automated label application and imprinting machines to the automotive, pharmaceutical, cosmetic, durable goods and consumer packaged goods markets. The group also produces and sells a line of stock self-adhesive products, including copier and laser labels, unprinted labels, file folder labels, color coding labels and data processing labels. Its products are sold by subsidiaries located in Western Europe. This group also furnishes production, merchandising and technical information to independent licensees operating in several foreign countries to assist them in converting self-adhesive base materials, and in selling a product line similar to that of the group's subsidiaries.

The Label Divisions North America produce custom pressure-sensitive and Therimage-brand heat transfer and in-mold film labels and automated label application machinery for the automotive, durable goods, cosmetics, pharmaceutical and consumer packaged goods industries. Custom pressure-sensitive products similar to those sold by Converting Europe units are sold directly to a wide range of industrial users in similar markets in North America, and custom pressure-sensitive labels and specialty forms/label combination products are sold to the electronic data processing market, primarily in North America.

Soabar Products and Fastener Divisions design, fabricate and sell a wide variety of tags and labels and an established line of machines for imprinting, dispensing and attaching preprinted roll tags and labels. The machine products are designed for use with tags as a complete system. These units also design, manufacture and sell integrated shipping and receiving systems, ink jet systems and contact marking systems. Principal markets include apparel, retail and industrial companies for identification, tracking and control applications principally in North America, Europe and the Far East. The Fastener Division produces plastic tying and attaching products for retail and industrial users. Products are sold directly to end users and internationally through subsidiaries, as well as through distributors and licensees in foreign countries.

These business units usually occupy a strong position in most markets in which they compete, although many face strong local competition. The Company believes that its diverse technical foundation, including a significant range of electronic imprinting and data control systems, high speed printers, automatic labeling systems and fastening devices, as well as its ability to provide necessary labeling and marking equipment to order, are probably the most important factors in developing and maintaining the various units' competitive position.

ASIA PACIFIC GROUP

The newly formed Asia Pacific Group was created to strengthen and expand the Company's presence in Asia. Included in the group are Fasson Australia, which manufactures and sells pressure-sensitive base materials in Australia and New Zealand; Soabar Ticketing Services Division, Hong Kong, which produces and sells price marking tags and bar coded labels for the Asian garment industry; Dennison Australia, which manufactures office products labels and Therimage-brand decorating systems and other control systems products for distribution in Australia and New Zealand; and Fasson Korea, which distributes pressure-sensitive base materials principally in Korea. Also included in the Asia Pacific Group are organizations for the distribution of fasteners, base materials and office products in Southeast Asia and Japan. Divisions in the group are included in the three industry segments described above for financial reporting purposes.

RESEARCH AND DEVELOPMENT

Many of the Company's current products are the result of its own research and development efforts. The Company expended $45.5 million, $46.7 million and $48.7 million in 1993, 1992, and 1991, 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 two or more of the Company's industry segments, and cannot readily be allocated among such segments. In addition, many such expenditures are for products and projects at a relatively early stage of development, and the segment in which they will be utilized cannot be determined at the time the expenditures are made. However, research and development expenditures which can be identified by Company industry segments are approximately proportional to the percentages of Company sales represented by each such segment.

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

The loss of any of the Company's individual patents, trademarks or licenses, or any group of related patents, trademarks or licenses, would not be material to the business of the Company taken as a whole, nor to any of the Company's three industry segments, except those referred to above.

THREE YEAR SUMMARY OF SEGMENT INFORMATION

The Business Segment Information attributable to the Company's operations for the three years ended January 1, 1994, which appears in Note 9 of Notes to Consolidated Financial Statements on pages 49 through 51 of the 1993 Annual Report, is incorporated herein by reference.

OTHER MATTERS

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 instrumentalities of federal, state, local and foreign governments. During the past several years, the Company has made a substantial investment in solvent capture and control units and solvent-free systems. Installation of these units and systems has reduced atmospheric emissions and the Company's requirements for solvents.

Major research efforts have been directed toward development of new adhesives and solvent-free adhesive processing systems. Emulsion and hot-melt adhesives and solventless silicone systems have been installed at the Company's Peachtree City, Georgia; Fort Wayne, Indiana; Mentor, Ohio; Rancho Cucamonga, California; Rodange, Luxembourg and Turnhout, Belgium facilities. The Company has also added hot-melt capacity in other plants in Massachusetts and Ohio and in Australia, Brazil, France and Mexico. Some solvent production has also been converted to emulsion adhesive systems at other plants.

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 Financial Condition and Results of Operations" (Part II, Item 7).

ITEM 2. PROPERTIES

The Company operates 27 principal manufacturing facilities ranging in size from approximately 100,000 square feet to approximately 800,000 square feet and totaling over 5,500,000 square feet. The following sets forth the locations of such principal facilities and the business segments for which they are presently used:

PRESSURE-SENSITIVE ADHESIVES AND MATERIALS UNITS

Domestic--Painesville and Fairport, Ohio; Peachtree City, Georgia; Quakertown, Pennsylvania; Rancho Cucamonga, California; Fort Wayne and Schererville, Indiana.

Foreign--Hazerswoude, Holland; Cramlington, England; Champ-sur-Drac, France; Turnhout, Belgium; Ajax, Canada; and Rodange, Luxembourg.

OFFICE PRODUCTS UNITS

Domestic--Torrance, California; Gainesville, Georgia; Rochelle and Rolling Meadows, Illinois; Chicopee and Springfield, Massachusetts; Meridian, Mississippi; and Crossville, Tennessee.

Foreign--Bowmanville, Canada; West Midlands, England; La Monnerie and Troyes, France.

PRODUCT IDENTIFICATION AND CONTROL SYSTEMS UNITS

Domestic--Philadelphia, Pennsylvania; and Framingham, Massachusetts.

In addition to the Company's principal manufacturing facilities described above, the Company's principal facilities include its corporate headquarters facility in Pasadena, California, offices located in Leiden, Holland; Concord, Ohio and Framingham, Massachusetts and the Research Center, located in Pasadena, California.

All of the Company's principal properties identified above are owned in fee except the Torrance, California; Rolling Meadows, Illinois; Springfield, Massachusetts; Ajax, Canada; and small portions of the Framingham, Massachusetts; and La Monnerie, France facilities, all of 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, construction of the first portion of which was completed in 1893 and which has been enlarged on several occasions thereafter; and the West Midlands, England plant building which was constructed in 1938. All buildings owned or leased are well maintained and of sound construction, and are considered suitable and adequate for the Company's presently foreseeable needs. 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 encumbrances on, any of its properties except for mortgage liens against the Meridian, Mississippi; La Monnerie and Troyes, France and Turnhout, Belgium plants and three other facilities not listed separately above, and except that certain long-term liabilities of the Company are collateralized by the Company's corporate headquarters.

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 seventeen waste disposal or waste recycling sites which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination. Litigation has been initiated by a governmental authority with respect to four 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 PRP's 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 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.

The Registrant and its subsidiaries are involved in various other lawsuits, claims and inquiries, most of which are routine to the nature of their business. In the Company's opinion, the resolution of these other matters will not result in any material liability.

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*

NAME	AGE	SERVED AS OFFICER SINCE		FORMER POSITIONS AND OFFICES WITH REGISTRANT
Charles D. Miller	66	May 1965	1964-1965	Director of Corporate Planning
Chairman and Chief Executive Officer			1965-1969	V.P. and General Manager of Fasson Europe
(Also Director of Registrant)			1969-1972	Group V.P.--Fasson
			1972-1975	Executive V.P.
			1975-1977	President and Chief Operating Officer
			1977-1983	President and Chief Executive Officer
Philip M. Neal	53	January 1974	1974-1975	Controller
President and Chief			1975-1979	V.P. and Controller
Operating Officer (Also Director of Registrant)			1979-1988	Senior Vice President, Finance and Chief Financial Officer
			1988-1990	Group Vice President, Materials Group (U.S.)
			1990	Executive Vice President

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*All officers are elected to serve a one year term and until their successors are elected and qualify.

EXECUTIVE OFFICERS OF THE REGISTRANT* (CONTINUED)

NAME	AGE	SERVED AS OFFICER SINCE		FORMER POSITIONS AND OFFICES WITH REGISTRANT
R. Gregory Jenkins Senior Vice President, Finance and Chief Financial Officer	57	July 1981	1974-1975	Director of Planning, Avery Label
			1975-1977	General Manager, Labeling Systems, Avery Label
			1977-1981	Div. V.P. and General Manager, Industrial Products Division, Avery Label
			1981-1987	Group Vice President, Materials Group (U.S.)
			1987-1988	Senior Vice President, Planning and Technology
Alan J. Gotcher Senior Vice President, Manufacturing and Technology	44	November 1984	1984-1990	Vice President, Corporate Research
Kim A. Caldwell Senior Group Vice President, Worldwide Materials	46	June 1990	1974-1975	Corporate Financial Analyst
			1975-1976	Operations Analyst, Custom Industrial West
			1976-1977	Sr. Product Mgr. Business Systems Div.
			1977-1978	Manufacturing Mgr., Business Systems Div.
			1978-1981	General Mgr., Labeling Systems, Industrial Products Div.
			1981-1985	Dir., Marketing and Sales, Fasson Roll Div. (U.S.)
			1985-1990	Vice President and General Mgr., Fasson Roll Div. (U.S.)
Donald L. Thompson Group Vice President, Office Products	53	October 1993	1973-1974	Manager, Planning, Label Division
			1974-1975	Product Manager, Label Division
			1975-1976	Marketing Manager, Custom Products
			1976-1977	Unit General Manager, Business Systems East
			1977-1978	General Manager, Business Systems East
			1978-1981	General Manager, Stock Products, Base Materials
			1981-1982	Director, Operations, Soabar
			1982-1983	V.P. and General Manager, Apparel Systems Division, Soabar
			1983-1984	V.P., Director, Operations-Converting
			1984-1986	V.P. and General Manager, 20th Century Plastics
			1986-1988	V.P. and General Manager, Consumer Products Division
			1988-1993	V.P. and General Manager, Commercial Products Division
			1993	V.P., Sales and Customer Operations, North America

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NAME	AGE	SERVED AS OFFICER SINCE		FORMER POSITIONS AND OFFICES WITH REGISTRANT
Geoffrey T. Martin	39	January 1994	1986-1988	Managing Director, Label Systems
Group Vice President, Converting and Office Products Europe			1988-1992	V.P. and General Manager, Label Systems UK and Ireland
			1992-1993	V.P., Office Products Group Europe
James E. Shaw	62	February 1994	1986-1991	V.P. and General Manager, Graphic Systems Division
Group Vice President, Automotive and Graphic Systems			1991-1994	V.P. and General Manager, Automotive and Graphic Systems Divisions
Robert D. Fletcher	58	March 1976	1967-1970	Director of Marketing, Avery Label
Group Vice President, Asia Pacific			1970-1976	V.P. and General Manager, Avery Label (North America)
			1976-1988	Group Vice President, Label Group
			1988-1993	Group Vice President, International Converting Group
Bent Lindner Group Vice President, Materials Europe	50	December 1991	1981-1989	General Manager, Label Systems, Denmark
			1989-1991	V.P., General Manager, Label Systems (France)
Teresa E. McCaslin Vice President, Human Resources	44	August 1989	**1984-1989	Vice President--Human Resources and Administration, Grow Group, Inc.
Wayne H. Smith Vice President and Treasurer	52	June 1979		None
Gary A. McCue	57	November 1987	1987-1994	Vice President and Controller
Vice President, Corporate Value Planning and Development				
Robert G. van Schoonenberg Vice President, General Counsel and Secretary	47	December 1981		None
Diane B. Dixon Vice President, Corporate Communications	42	December 1985	1982-1985	Director of Communications

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*All officers are elected to serve a one year term and until their successors are elected and qualify.
**Business experience prior to service with Registrant.

EXECUTIVE OFFICERS OF THE REGISTRANT* (CONTINUED)

NAME	AGE	SERVED AS OFFICER SINCE		FORMER POSITIONS AND OFFICES WITH REGISTRANT
Thomas E. Miller Vice President and Controller	46	March 1994	1973-1977	Division Accountant, Graphic Arts Division
			1977	Finance Manager, Graphic Arts Division
			1977-1979	Product Manager, Film & Specialty, Fasson
			1979-1980	Manager, Marketing Development, Materials Group
			1980-1982	Financial Manager, Specialty Division
			1982-1984	Manager, Financial Planning & Analysis
			1984-1987	Director, Financial Planning & Analysis
			1987-1989	Group Finance Director, Avery Label Group
			1989-1990	Assistant Controller, Business Operations
			1990-1993	Assistant Controller
			1993-1994	V.P. and Assistant Controller
James L. Fletcher	52	June 1993	1988-1991	Senior Manufacturing Systems Consultant
Vice President, Customer Service and Logistics			1991-1993	V.P., Customer Logistics
Paul B. Germeraad Vice President and Director, Corporate Research	46	May 1991	**1989-1991	Director, Flexible Packaging Technical Group, James River Corporation
Johan J. Goemans Vice President, Management	50	October 1992	1975-1978	Systems Development Manager, Fasson Europe
Information Systems			1978-1981	Manager, Factory Information Systems, Fasson Europe
			1981-1984	Director of MIS, Fasson Europe
			1984-1990	Director of MIS, Materials Group U.S.
			1991-1992	Director of Distribution and Logistics, Fasson Roll Division U.S.

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**Business experience 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 56 of Registrant's 1993 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 30 and 31 of Registrant's 1993 Annual Report and is incorporated herein by reference.

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

RESULTS OF OPERATIONS

Sales decreased less than 1 percent in 1993 to $2.61 billion from $2.62 billion in 1992; sales during 1992 reflected a 3 percent increase from l991 sales of $2.55 billion. Excluding the impact of changes in foreign currency, 1993 sales increased 2 percent over 1992 and 1992 sales increased 2 percent over l991. However, the foreign currency effect in 1992 was offset by the impact of divestitures and discontinued products. The Company's 1993 and 1992 fiscal years had 52 weeks compared to 53 weeks in 1991.

Gross profit margins for the years ended 1993, 1992 and 1991 were 31.4 percent, 32.0 percent and 31.3 percent, respectively. During 1993, gross margins were negatively affected by lower average selling prices, increased promotional spending and incentives for U.S. office products, lower benefits from the reduction of LIFO inventories and negative currency effects within Europe. The improvement in 1992 over 1991 was primarily the result of improved profit margins in the pressure-sensitive adhesives and materials businesses.

Marketing, general and administrative expense as a percent of sales was 24.6 percent in 1993, 25.4 percent in 1992 and 25.7 percent in 1991. The decrease in 1993 was primarily due to cost reduction efforts throughout the Company. The decrease in 1992 from 1991 was primarily due to cost reduction efforts by our European businesses and lower marketing expense as a percent of sales.

As a result of the above, operating profit as a percent of sales during 1993 increased to 6.7 percent compared to 6.6 percent and 5.6 percent in 1992 and 1991, respectively. Interest expense as a percent of sales was 1.7 percent in 1993, 1.6 percent in 1992 and 1.5 percent in 1991. The increase in interest expense during 1993 compared to 1992 was entirely due to higher interest rates in Brazil. During 1992, interest expense increased over 1991 due to higher interest rates in Brazil and lower capitalized interest due to decreased capital spending.

The effective tax rate was 37 percent in 1993, 38.5 percent in 1992 and 39.9 percent in 1991. The lower effective tax rates during 1993 and 1992 were primarily due to the composition of net foreign taxable income. Income before taxes as a percent of sales was 5.1 percent in 1993, 5.0 percent in 1992 and 4.1 percent in 1991.

During the first quarter of 1993, the Company adopted three accounting standards issued by the Financial Accounting Standards Board; the result was to increase net income by $1.1 million, or $.02 per share. The implementation of Statement of Financial Accounting Standard ("SFAS") No. 109 relating to accounting for income taxes resulted in a one-time cumulative increase in net income of $16.3 million, or $.28 per share. However, this increase was offset by the adoption of SFAS No. 106, accounting for postretirement benefits, and SFAS No. 112, accounting for postemployment benefits. The implementation of SFAS No. 106 resulted in a cumulative charge of $23 million ($14.2 million, net of tax, or $.24 per share), and the implementation of SFAS No. 112 resulted in a cumulative charge of $1.5 million ($1 million, net of tax, or $.02 per share).

Net income was $84.4 million, or $1.46 per share, in 1993. Excluding the cumulative effects of changes in accounting principles, net income was $83.3 million, or $1.44 per share, compared to $80.1 million, or $1.33 per share, in 1992. Net income was $63 million, or $1.02 per share, in 1991. The improvement in earnings per share for 1993 was primarily the result of lower operating expenses, a lower tax rate, and fewer shares outstanding. Net income as a percent of sales was 3.2 percent in 1993, 3.1 percent in 1992 and 2.5 percent in 1991 .

The return on average shareholders' equity was 11.0 percent in 1993, 9.7 percent in 1992 and 7.7 percent in 1991. The return on average total capital for those three years was 9.3 percent, 8.3 percent and 6.7 percent, respectively.

During 1993, the pressure-sensitive adhesives and materials segment reported solid profitability improvement on a modest increase in sales. The U.S. operations reported significant sales and profitability growth for the year. The growth was attributable to successful new product introductions, increased market share and effective cost reduction programs. Improvements at the U.S. operations were partially offset by declines at the European materials and automotive businesses. The negative effects of foreign currency, pricing pressures and the recessionary European economies adversely impacted the sales and profitability of the European operations. Sales and profitability for the pressure-sensitive adhesives and materials segment improved during 1992 over 1991. Primary contributors to the sales and profitability growth for 1992 were the U.S. and European roll paper and films businesses and specialty tape businesses, as well as the U.S. marking film business. Additionally, new product introductions, improved customer service and the bankruptcy of a major competitor of the European roll business contributed to improved sales during 1992. Profitability increased primarily due to increased worldwide sales and aggressive cost reduction efforts by the European businesses.

The office products segment reported flat sales and a significant decline in profitability for 1993 when compared to 1992. In the U.S., increased sales from market share gains for K&M-brand binders and Avery-brand products were partially offset by declines at the other U.S. businesses. Profitability in the U.S. was negatively affected by increased promotional spending and incentives and lower benefits from the reduction of LIFO inventories. LIFO benefits are expected to continue to decline in future years. European sales and profitability declined significantly, particularly in France, due to the recessionary European economies and the negative effects of foreign currency translation. During 1992, the office products segment reported increased profits on slightly increased sales compared to 1991. Increased sales and profits in the U.S. businesses were offset by lower sales and profits in Europe and Canada. Our Avery-brand business showed significant improvements in sales and profitability in 1992 primarily due to increased sales of new products. Profitability of the Avery and Dennison businesses was also positively affected by the reduction of LIFO inventories. A fire at the Avery Guidex plant in England curtailed operations for several weeks during 1992 but did not have a significant impact on the overall performance of the office products segment.

In 1993, the product identification and control systems segment showed significant profitability improvement on decreased sales. The elimination of unprofitable lines of business decreased combined sales for the Soabar tag and ticketing businesses, while effective cost control measures resulted in significant combined profitability improvements. The international converting businesses reported a significant decline in sales due to the recessionary European economies and the negative effects of foreign currency translation. However, profitability improved significantly due to effective cost reduction programs despite the negative effects of foreign currency translation. The North American label businesses reported flat sales and decreased profitability for the year. Segment profitability was positively affected in 1993 by a greater reduction of LIFO inventories than in 1992. However, the benefits from such reductions are expected to be lower in future years. During 1992, the product identification and control systems segment reported lower profitability on slightly decreased sales compared to 1991. A continued weakness in the domestic apparel and retail markets in 1992 resulted in sales and profitability declines at the U.S. Soabar businesses despite aggressive downsizing efforts. These declines were partially offset by solid sales and profitability growth from our overseas service bureau in

Hong Kong. In addition, the positive impact on profitability from the reduction of LIFO inventories was greater in 1991 than 1992. The label businesses in North America experienced a slight sales increase and significantly improved profitability in 1992 along with the fastener business, which also reported increased sales and profits. The international converting businesses were negatively affected by the depressed European economies during 1992.

FINANCIAL CONDITION

Average working capital, excluding short-term debt, as a percent of sales was 12.3 percent in 1993, 15.2 percent in 1992 and 16.9 percent in 1991; 1991 excludes the net impact of restructuring costs. The average number of days sales in receivables was 57 in 1993 and 59 in 1992 and 1991. The average inventory turnover rate was 8.7 in 1993, compared with 7.5 in 1992 and 6.4 in 1991.

Net cash flow from operating activities was $239.2 million in 1993 and $167.8 million in 1992. The increase in net cash flow was attributable to a continued reduction in inventory levels and an increase in other accrued liabilities and net tax liabilities.

Total debt decreased $30 million from year end 1992 even though 2.9 million shares of treasury stock was purchased for $82.9 million during 1993. During 1993, the Company issued $100 million in principal amount of medium-term notes which have an average interest rate of 6.6% and maturities ranging from May 2000 through May 2005. Long-term debt as a percent of total long-term capital increased to 30.2 percent at year end 1993, compared to 29.4 percent at year end 1992. Total debt to total capital was 35.6 percent at year end 1993 compared to 34.8 percent at year end 1992.

Shareholders' equity decreased to $719.1 million in 1993 from $802.6 million in 1992 due primarily to the effects of foreign currency translation and the repurchase of treasury stock as previously discussed.

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 ("PRP") for past and future cleanup costs at hazardous waste sites. The Company has received requests for information, notices and/or claims with respect to 17 waste sites in which the Company has no ownership interest. 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 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.

LIQUIDITY AND CAPITAL RESOURCES

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

Capital expenditures increased to $100.6 million in 1993 from $87.8 million in 1992. Capital expenditures for 1994 are currently expected to be approximately $125 million.

Annual dividends per share increased to $.90 in 1993 from $.82 in 1992 and $.76 in 1991.

The Company believes that whereas costs and expenses rise with inflation, the effects will be offset by productivity improvements and by increases in prices, which generally are sufficient to absorb the impact of inflation.

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 36 through 51 and page 53 of Registrant's 1993 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 1994 Proxy Statement which is to be 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 pages 14 and 15 of the 1994 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 22 (up to the caption "The 1990 Stock Option and Incentive Plan for Key Employees (Proxy Item 2)") of the 1994 Proxy Statement which is to be 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) No reports on Form 8-K were filed by Registrant during the fourth quarter of 1993.

(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 1993 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

/s/ R. Gregory Jenkins
By_________________________________
R. Gregory Jenkins
Senior Vice President, Finance
Chief Financial Officer

Dated: March 18, 1994

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/ Charles D. Miller Charles D. Miller	Chairman and Chief Executive Officer; Director	March 18, 1994
/s/ Philip M. Neal Philip M. Neal	President and Chief Operating Officer; Director	March 18, 1994
/s/ R. Gregory Jenkins R. Gregory Jenkins	Senior Vice President, Finance (Principal Financial Officer)	March 18, 1994
/s/ Thomas E. Miller Thomas E. Miller	Vice President and Controller (Principal Accounting Officer)	March 18, 1994
/s/ R. Stanton Avery R. Stanton Avery	Founder and Chairman Emeritus; Director	March 18, 1994
/s/ H. Russell Smith H. Russell Smith	Chairman of the Executive Committee; Director	March 18, 1994

SIGNATURE	TITLE	DATE
/s/ Dwight L. Allison, Jr. Dwight L. Allison, Jr.	Director	March 18, 1994
/s/ John C. Argue John C. Argue	Director	March 18, 1994
/s/ Joan T. Bok Joan T. Bok	Director	March 18, 1994
/s/ Frank V. Cahouet Frank V. Cahouet	Director	March 18, 1994
/s/ Richard M. Ferry Richard M. Ferry	Director	March 18, 1994
/s/ F. Daniel Frost F. Daniel Frost	Director	March 18, 1994
/s/ Peter W. Mullin Peter W. Mullin	Director	March 18, 1994
/s/ Sidney R. Petersen Sidney R. Petersen	Director	March 18, 1994
/s/ John B. Slaughter John B. Slaughter	Director	March 18, 1994
/s/ Lawrence R. Tollenaere Lawrence R. Tollenaere	Director	March 18, 1994

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 the information referred to in Items 1, 5, 6 and 7, all of which is included in the 1993 Annual Report and incorporated herein by reference, the 1993 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 CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders
of Avery Dennison Corporation

Our report on the consolidated financial statements of Avery Dennison Corporation and subsidiaries has been incorporated by reference in this Form 10-K from page 53 of the 1993 Annual Report to Shareholders of Avery Dennison Corporation. In connection with our audits of such financial statements, we have also audited the related financial statement schedules listed in the index on page S-1 of this Form 10-K.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND

Los Angeles, California
January 31, 1994

AVERY DENNISON CORPORATION AND SUBSIDIARIES

SCHEDULE V--PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS)

	BALANCE AT BEGINNING OF YEAR	ADDITIONS AT COST	RETIREMENTS	OTHER(A)	BALANCE AT END OF YEAR
1993					
Land	$ 33.3	$ .5	$ 3.0	$ (2.1)	$ 28.7
Buildings	351.6	22.4	8.9	(4.2)	360.9
Machinery and equipment	948.5	69.9	27.8	(36.8)	953.8
Construction in progress	65.8	7.8	.8	(3.5)	69.3
Totals	$1,399.2	$100.6	$ 40.5	$(46.6)	$1,412.7
1992					
Land	$ 37.1	$ --	$ 3.6	$ (.2)	$ 33.3
Buildings	356.7	10.9	15.5	(.5)	351.6
Machinery and equipment	951.3	86.6	84.0	(5.4)	948.5
Construction in progress	75.6	(9.7)	--	(.1)	65.8
Totals	$1,420.7	$ 87.8	$103.1	$ (6.2)	$1,399.2
1991					
Land	$ 31.0	$ 6.6	$ .4	$ (.1)	$ 37.1
Buildings	325.1	46.2	6.0	(8.6)	356.7
Machinery and equipment	913.9	115.9	67.6	(10.9)	951.3
Construction in progress	125.7	(46.2)	.7	(3.2)	75.6
Totals	$1,395.7	$122.5	$ 74.7	$(22.8)	$1,420.7

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(A) Primarily represents the impact of changes in foreign currency exchange rates on the reported balances.

AVERY DENNISON CORPORATION AND SUBSIDIARIES

SCHEDULE VI--ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS)

	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO COSTS AND EXPENSES	RETIREMENTS	OTHER(A)	BALANCE AT END OF YEAR
1993					
Buildings	$112.0	$24.6	$ 7.2	$ (2.2)	$127.2
Machinery and equipment	507.3	59.5	19.8	(20.0)	527.0
Totals	$619.3	$84.1	$27.0	$(22.2)	$654.2
1992					
Buildings	$109.2	$12.7	$ 9.8	$ (.1)	$112.0
Machinery and equipment	497.3	71.1	57.6	(3.5)	507.3
Totals	$606.5	$83.8	$67.4	$ (3.6)	$619.3
1991					
Buildings	$103.0	$12.1	$ 4.9	$ (1.0)	$109.2
Machinery and equipment	471.0	71.0	34.1	(10.6)	497.3
Totals	$574.0	$83.1	$39.0	$(11.6)	$606.5

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(A) Primarily represents the impact of changes in foreign currency exchange rates on the reported balances.

SCHEDULE VIII--VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(IN MILLIONS)

	BALANCE AT BEGINNING OF YEAR	ADDITIONS: CHARGED TO COSTS AND EXPENSES	ADDITIONS: FROM ACQUISITIONS	DEDUCTIONS--UNCOLLECTIBLE ACCOUNTS WRITTEN OFF	BALANCE AT END OF YEAR
1993					
Allowance for doubtful accounts	$18.4	$ 7.7	$--	$9.4	$16.7
1992					
Allowance for doubtful accounts	$18.4	$ 8.3	$--	$8.3	$18.4
1991					
Allowance for doubtful accounts	$14.8	$10.5	$--	$6.9	$18.4

AVERY DENNISON CORPORATION AND SUBSIDIARIES

SCHEDULE IX--SHORT-TERM BORROWINGS

(IN MILLIONS)

	BALANCE AT END OF YEAR	WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTANDING DURING THE YEAR	AVERAGE AMOUNT OUTSTANDING DURING THE YEAR(A)	WEIGHTED AVERAGE INTEREST RATE DURING THE YEAR(A)
1993					
Short-term borrowings from banks	$53.6	7.0%	$ 91.1	$61.8	8.7%
1992					
Short-term borrowings from banks	$77.4	11.1%	$103.7	$84.5	10.5%
1991					
Short-term borrowings from banks	$77.1	10.9%	$139.0	$87.3	10.0%

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(A) The average amount of short-term debt outstanding and weighted average interest rate during the year are based on the average of month-end balances.

SCHEDULE X--SUPPLEMENTARY INCOME STATEMENT INFORMATION

(IN MILLIONS)

	1993	1992	1991
Charged to Costs and Expenses:			
Maintenance and Repairs	$46.8	$45.4	$44.0

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Avery Dennison Corporation on Form S-8 (File Nos. 2-47617, 2-60937, 2-82207, 33-1132, 33-3645, 33-3637, 33-27275, 33-35995-01, 33-41238 and 33-45376) of our report, which includes an explanatory paragraph regarding the Company's adoption of the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", SFAS No. 109, "Accounting for Income Taxes" and SFAS No. 112, "Employers' Accounting for Postemployment Benefits" during 1993, dated January 31, 1994, which appears on page 53 of the 1993 Annual Report to Shareholders and is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the financial statement schedules listed in the index on page S-1.

COOPERS & LYBRAND

Los Angeles, California
March 17, 1994

AVERY DENNISON CORPORATION

EXHIBIT INDEX

FOR THE YEAR ENDED JANUARY 1, 1994

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	3.1	Current Report on Form 8-K filed October 31, 1990
(3.2)	Bylaws, as amended	3.2	1992 Annual Report on Form 10-K
(4.1)	Rights Agreement dated as of June 30, 1988	1	Current Report on Form 8-K filed July 9, 1988
(4.2)	Indenture, dated as of March 15, 1991, between Registrant and Security Pacific National Bank, as Trustee (the "Indenture")	4	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	28.1	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")	4.2	Registration Statement on Form S-3 (File No. 33-59642)

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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).

EXHIBIT NO.	ITEM	ORIGINALLY FILED AS EXHIBIT NO.	DOCUMENT
(4.5)	Officers' Certificate establishing a series of Securities entitled "Medium-Term Notes" under the Indenture, as amended by the Supplemental Indenture.......	4.1	Current Report on Form 8-K filed April 7, 1993
(10.1)	*Amended 1973 Stock Option and Stock Appreciation Rights Plan for Key Employees of Avery International Corporation ("1973 Plan").....	10.1	1987 Annual Report on Form 10-K
(10.1.3)	*Form of Incentive Stock Option Agreement for use under 1973 Plan....	10.1.3	1984 Annual Report on Form 10-K
(10.1.4)	*Form of Non-Qualified Stock Option Agreement for use under 1973 Plan...................	10.1.4	1987 Annual Report on Form 10-K
(10.1.5)	*Form of coupled Stock Appreciation Right Agreement for use under 1973 Plan.............	10.1.5	1985 Annual Report on Form 10-K
(10.1.6)	1985 U.K. Stock Option Scheme.................	10.1.7	1985 Annual Report on Form 10-K
(10.1.7)	Form of Incentive Stock Option Agreement for use under U.K. Stock Option Scheme..........	10.1.8	1985 Annual Report on Form 10-K
(10.1.8)	Form of Stock Option Agreement for use under U.K. Stock Option Scheme.................	10.1.9	1985 Annual Report on Form 10-K
(10.2)	*1988 Stock Option and Stock Appreciation Rights Plan for Key Employees of Avery International Corporation ("1988 Plan").........	10.2	1987 Annual Report on Form 10-K
(10.2.1)	*Form of Non-Qualified Stock Option Agreement for use under 1988 Plan...................	10.2.1	1990 Annual Report on Form 10-K
(10.2.2)	*Form of Incentive Stock Option Agreement for use under 1988 Plan....	10.2.2	1991 Annual Report on Form 10-K
(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
(10.7.1)	*Executive Employment Security Policy dated February 1, 1983.......	10.7.1	1982 Annual Report on Form 10-K
(10.7.2)	*Executive Employment Security Policy dated February 1, 1985.......	10.13	1984 Annual Report on Form 10-K
(10.8.1)	*Agreement dated October 24, 1990 with Charles D. Miller.............	10.8.1	1990 Annual Report on Form 10-K
(10.8.2)	*Agreement dated October 23, 1990 with Philip M. Neal...................	10.8.2	1990 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).

EXHIBIT NO.	ITEM	ORIGINALLY FILED AS EXHIBIT NO.	DOCUMENT
(10.9)	*Executive Group Life Insurance Plan.........	10.9	1982 Annual Report on Form 10-K
(10.10)	*Form of Indemnity Agreements between Registrant and certain directors and officers...	10.10	1986 Annual Report on Form 10-K
(10.11)	*Supplemental Executive Retirement Plan........	10.11	1983 Annual Report on Form 10-K
(10.11.2)	*Amended Letter of Grant to C.D. Miller under Supplemental Executive Retirement Plan........	10.11.2	1992 Annual Report on Form 10-K
(10.12)	*Executive Deferred Compensation Plan.........	10.12	1984 Annual Report on Form 10-K
(10.12.1)	*Amendment No. 1 to Executive Deferred Compensation Plan.........	10.13.1	1985 Annual Report on Form 10-K
(10.12.2)	*Amendment No. 2 to Executive Deferred Compensation Plan.........	10.12.2	1988 Annual Report on Form 10-K
(10.12.3)	*Form of Enrollment Agreement for use under Executive Deferred Compensa-tion Plan.....	10.13.2	1985 Annual Report on Form 10-K
(10.13.2)	*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)	*Form of Non-Qualified Stock Option Agreement for use under Director Plan...................	10.15.1	1987 Annual Report on Form 10-K
(10.16)	*Executive Variable Deferred Compensa-tion Plan ("EVDCP").........	10.16	1988 Annual Report on Form 10-K
(10.16.1)	*Amendment No. 1 to EVDCP..................	10.16.1	1988 Annual Report on Form 10-K
(10.16.2)	*Form of Enrollment Agreement for use under EVDCP..................	10.16.1	1987 Annual Report on Form 10-K
(10.17)	*Amended and Restated Directors Deferred Compensation Plan.........	10.17	1986 Annual Report on Form 10-K
(10.17.1)	*Amendment No. 1 to Directors Deferred Compensation Plan.........	10.17.1	1988 Annual Report on Form 10-K
(10.17.2)	*Form of Enrollment Agreement for use under Directors Deferred Compensation Plan.........	10.17.2	1985 Annual Report on Form 10-K
(10.18)	*Directors Variable Deferred Compensation Plan ("DVDCP").........	10.18	1989 Annual Report on Form 10-K
(10.18.1)	*Form of Enrollment Agreement for use under DVDCP..................	10.18.1	1989 Annual Report on Form 10-K
(10.19)	*1990 Stock Option and Incentive Plan for Key Employees of Avery International Corporation ("1990 Plan")..........	10.19	1989 Annual Report on Form 10-K
(10.19.1)	*Form of Non-Qualified Stock Option Agreement for use under 1990 Plan...................	10.19.1	1991 Annual Report on Form 10-K
(10.19.2)	*Form of Incentive Stock Option Agreement for use under 1990 Plan....	10.19.2	1991 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).

EXHIBIT NO.	ITEM	ORIGINALLY FILED AS EXHIBIT NO.	DOCUMENT
(10.20.1)	*1982 Incentive Stock Option Plan of Dennison Manufacturing Company..	4.3	Registration Statement on Form S-8 (File No. 33-35995-01)
(10.20.2)	*1985 Incentive Stock Option Plan of Dennison Manufacturing Company..	4.4	Registration Statement on Form S-8 (File No. 33-35995-01)
(10.20.3)	*1988 Stock Option Plan of Dennison Manufacturing Company............	4.5	Registration Statement on Form S-8 (File No. 33-35995-01)
(10.20.4)	*Amendments effective as of October 16, 1990 to the 1982 Incentive Stock Option Plan, 1985 Incentive Stock Option Plan and 1988 Stock Option Plan of Dennison Manufacturing Company..	4.6	Registration Statement on Form S-8 (File No. 33-35995-01)
(10.27)	*Key Executive Long-Term Incentive Plan.........	10.27	1991 Annual Report on Form 10-K
(10.28)	*Executive Deferred Retirement Plan ("EDRP").	10.28	1992 Annual Report on Form 10-K
(10.28.1)	*Form of Enrollment Agreement for use under EDRP...................	10.28.1	1992 Anual 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
10.7.3	*	Executive Employment Security Policy dated November 19, 1987
10.10.1	*	Form of Indemnity Agreement between Registrant and certain directors and officers
10.16.3	*	Amendment No. 2 to Executive Variable Deferred Compensation Plan
10.19.3	*	Amendment No. 1 to 1990 Stock Option and Incentive Plan for Key Employees of Avery Dennison Corporation
10.27.1	*	Amended and Restated Key Executive Long-Term Incentive Plan
10.28.2	*	Amendment No. 1 to Executive Deferred Retirement Plan
10.29	*	Executive Incentive Compensation Plan
10.30	*	Senior Executive Incentive Compensation Plan
11		Statement re Computation of Net Income Per Share Amounts.
13		Portion of Annual Report to Shareholders for fiscal year ended January 1, 1994.
22		List of Subsidiaries.
23		Consent of Independent Accountants (see page S-6).

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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.

[LOGO OF AVERY DENNISON]

AVERY DENNISON CORPORATION

EXECUTIVE EMPLOYMENT SECURITY POLICY

The following Policy shall be applicable to such officers of the Company as shall be selected by the Compensation Committee of the Company's Board and notified thereof as hereinafter provided. This Policy shall not apply to any officer of the Company who is a party to a separate employment agreement with the Company or a subsidiary thereof, unless such employment agreement expressly provides that this Policy shall be applicable to said Officer, and said Agreement has been approved by the Compensation Committee, and he is provided with notice hereunder.

This Policy shall be operative only for a period of three (3) years after a Change of Control. This Policy shall not be applicable, and no payments shall be made pursuant to it, unless a Change of Control occurs.

1. DEFINITIONS.

For purposes of this Policy the following terms shall have the meaning set forth in this Paragraph 1:

A. "Board" shall mean the Board of Directors of the Company.

B. "Cause" shall mean (i) willful refusal by Participant to follow a lawful written order of the Board, (ii) willful misconduct, dishonesty or reckless disregard of his duties by Participant, or (iii) the conviction of Participant of any felony involving moral turpitude.

C. "Change of Control" shall mean a change in control of the Company of a nature that would be required to be reported in response to Item 5(f) of Schedule 14A, Regulation 240.14a-101, promulgated under the Securities Exchange Act of 1934 as in effect on the date of this Policy or, if Item 5(f) is no longer in effect, any regulation issued by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 which serves similar purposes; provided that, without limitation, a Change of Control shall be deemed to have occurred if and when (a) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) is or becomes a beneficial owner, directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities or (b) individuals who were members of the Board immediately prior to a meeting of the shareholders of the Company involving a contest for the election of directors shall not constitute a majority of the Board following such election.

D. "Company" shall mean Avery Dennison Corporation.

E. "Compensation Committee" shall mean the Compensation Committee of the Board.

F. "Conflict of Interest" is defined in Paragraph 9 hereof.

G. "Participant" shall mean an officer of the Company who has been selected by the Compensation Committee to participate under this Policy, who has been so notified by the Compensation Committee, and who has acknowledged such notification pursuant to Paragraph 13 hereof. Participants shall mean all officers of the Company so selected and notified, and who have so acknowledged notification.

H. "Period of Employment" shall mean the number of months of employment of a Participant by the Company. "Period of Employment" is used to ascertain the number of months for which Termination Indemnity payments will be paid pursuant to the terms hereof. Prior service may be included within the Period of Employment at the discretion of the Compensation Committee if a termination allowance was not paid at the time prior service ended. Period of Employment shall include disability and military leaves of absence but exclude other leaves of absence unless such leaves of absence are for the convenience of the Company and are approved by the Compensation Committee. Earned but accrued vacation credits shall not be included within "Period of Employment".

I. "Termination Indemnity Payments" shall mean those Termination Indemnity Payments provided by the terms of this Agreement.

J. "Total Compensation" shall mean the amount per annum equal to the highest annual compensation (salary plus bonus) paid to Participant by Company during any of Company's three (3) fiscal years immediately preceding termination of employment. "Monthly Total Compensation" shall mean one twelfth (1/12) of Total Compensation.

2. TERMINATION OF EMPLOYMENT BY THE COMPANY.

Within three years after a Change of Control of Company, in the event of termination by the Company of the active employment of any Participant (except where the basis for such termination is Cause, death, disability or normal retirement at age sixty-five [65]), such Participant shall be entitled to receive and the Company shall be obligated to pay as Termination Indemnity Payments an amount equal to the Participant's Monthly Total Compensation for the number of months following such termination indicated in Paragraph 6 below, less one half (1/2) of all salary, bonus, other remuneration and the fair market value to Participant of fringe benefits, the Participant may receive from new employment during the period he is entitled to Termination Indemnity Payments.

3. TERMINATION OF EMPLOYMENT BY THE PARTICIPANT.

During the three (3) years after a Change of Control of Company, if the Board fails to reelect a Participant to his then existing or reasonably comparable office, or if a change not acceptable to a Participant is made that affects a substantial reduction in his compensation or benefits (except for (i) a general reduction of compensation or benefits affecting all Participants and resulting from a severe economic down-turn in the financial position of the Company, or (ii) for normal retirement at age sixty-five [65] of such Participant) such Participant shall have the right by written notice to the Company to terminate his active employment as of the last day of the month in which such written notice is delivered to the Company, and such Participant shall be entitled to receive and the Company shall be obligated to pay as Termination Indemnity Payments an amount equal to the Participant's Monthly Total

Compensation for the number of months following such termination indicated in Paragraph 6 below, less one half (1/2) of all salary, bonus, other remuneration and the fair market value to Participant of fringe benefits, the Participant may receive from new employment during the period he is entitled to Termination Indemnity Payments. Except as provided above in this paragraph, no Termination Indemnity Payments will be paid pursuant to the terms of this Policy to any Participant whose employment at Company is terminated by voluntary resignation (unless otherwise determined by the Compensation Committee).

4. DEATH/DISABILITY/RETIREMENT:
CONTINUATION OF BENEFITS IN CASE OF DEATH.

Participant shall not receive payments under this Policy on account of termination of employment because of death or disability or upon normal retirement at age sixty-five (65) or thereafter. Should a Participant covered by this Policy die after commencement of payments to him of the Termination Indemnity Payments but before such Termination Indemnity Payments are paid in full, the balance the Participant would have received had he lived shall be paid in installments as designated in writing by such Participant; or if there is not effective written designation then to his spouse; or if there is neither an effective written designation nor a surviving spouse, then to his estate. Designation of a beneficiary or beneficiaries to receive the balance of any Termination Indemnity Payments hereunder shall be made by written notice to the Company and the Participant may revoke or change any such designation of beneficiary at any time by a later written notice to the Company.

5. CAUSE.

In the event the Participant's employment is terminated for Cause, Participant shall not receive any payments under this Policy.

6. TERMINATION INDEMNITY PAYMENTS.

Termination Indemnity Payments shall be computed and paid in accordance with the following schedule:

Period of Employment	Termination Indemnity Payments (Amount equal to 100% of Monthly Total Compensation for the number of months set forth below)
Less than one year	12 months
One year or more	24 months
Three years or more	36 months

The maximum period of Termination Indemnity Payments shall be thirty-six (36) months or age sixty-five (65), whichever comes first.

Payments of the Monthly Termination Indemnity Payments hereunder shall be made at the regular pay period of the Company or in such other manner as may be agreed upon by the Participant entitled to receive such payments and the Compensation Committee. Payments made to a Participant hereunder as Termination Indemnity Payments shall be deemed to be compensation for services rendered for all purposes and shall be subject to applicable Federal, State and local tax withholding and deduction requirements.

If during the period a Participant is receiving Termination Indemnity Payments under this Policy such Participant makes false statements or conducts himself in a fraudulent or dishonest manner which materially and adversely affects the Company, the Board may terminate all payments hereunder.

7. OTHER COMPANY EMPLOYMENT BENEFITS.

Participants entitled to receive Termination Indemnity Payments under this Policy shall be entitled to participate in certain employee insurance plans (as described below) during the period the Termination Indemnity Payments provided for herein are being paid. During the period a Participant is receiving payments hereunder, he shall be treated as a continuing employee for purposes of participation in and accrual of rights and benefits under all of the Company's life, accident, medical and dental insurance plans of Participant and his spouse; however, he shall not be entitled to medical or dental coverages for himself or his spouse if such medical or dental coverages are provided under any other group plan or by another employer. In the event that such participation in one or more of such Plans is not possible, Company shall arrange to provide Participant with benefits substantially similar to those which Participant would have been entitled to receive under such Plans if he had continued as an employee at the Total Compensation level; however, he shall not be entitled to medical or dental coverages for himself or his spouse if such medical or dental coverages are provided under any other group plan or by another employer. Benefits of continued participation in the Company Retirement Plan and any retirement plans hereafter adopted in which Participant was entitled to participate prior to date of termination (hereinafter referred to as the "Plans") shall continue, provided, however, that if Participant's continued participation is not possible under the general terms and provisions of the Plans, Company shall arrange to provide Participant with benefits substantially similar to those which Participant would have been entitled to receive under the Plans if he had continued as an employee for the full term provided in Paragraph 6 above at the Participant's Total Compensation level. This paragraph is not intended to limit Participant's vested rights under any of Company's retirement plans to a period of three (3) years or until age sixty-five (65); rather, such rights shall continue pursuant to the terms of said Plans. Participants receiving Termination Indemnity Payments hereunder shall not be entitled to continued participation in or accrual of benefits under any Company stock option or restricted stock plan. No stock option shall be granted to such Participant under any Company stock option plan after the termination of active employment; however, such Participant shall have the benefits of the rights vested as of the date of termination of active employment pursuant to the terms of said plans. Such Participant shall not be entitled to continued participation in the Company Savings Plan.

A Participant receiving Termination Indemnity Payments under this Policy shall be entitled to purchase at depreciated book value the automobile (if any) which Company was providing for the use of such Participant. Also, such Participant shall have the option to have assigned to him any assignable insurance policy owned by Company which relates specifically to such Participant. Company shall have no obligation to pay off any loans against such insurance policies and such former Participant shall reimburse the Company for the cash value of such insurance policies (if any).

8. OTHER EMPLOYMENT.

After ceasing active employment with the Company or a subsidiary of the Company, and during the period the Participant is eligible to receive any Termination Indemnity Payments hereunder, such

Participant has an obligation to use his best efforts to seek other employment, and shall have the right to accept other employment or engage in other business activities subject to the restriction set forth in Paragraph 9 below (relating to Conflict of Interest). One half (1/2) of all salary, bonus, other remuneration and the fair market value to Participant of fringe benefits from any such new employment shall be deducted from or set off against Termination Indemnity Payments and other benefits provided in this Policy.

9. CONFLICT OF INTEREST.

During the period a Participant is entitled to receive Termination Indemnity Payments hereunder, such Participant shall not, without the prior written consent of the Company, engage directly or indirectly (including, by way of example only, as a principal, partner, venturer, employee or agent), nor have any direct or indirect interest, in any business which competes with the Company or any of its subsidiaries in any area of the world in which the Company or such subsidiary engages in business at the time of termination of the Participant's active employment with the Company. Included within the meaning of an indirect interest for purposes of this Policy would be, by way of example only, an interest in any such business held through a nominee, agent, option or other device. The foregoing clause does not apply to an investment by any Participant in the stock of a publicly held corporation if the market value of such investment at the time the Participant acknowledges this Policy and the provisions hereof (if then owned) or when acquired by such Participant (if acquired after the date of such acknowledgment) does not exceed One Hundred Thousand Dollars ($100,000) or to any investment by such Participant in a mutual fund.

If Participant directly or indirectly discloses to any third person any confidential records or information, trade secrets or customer list relating to Company's business, Participants's right to Termina-tion Indemnity Payments hereunder shall terminate immediately (in addition to any other remedies that Company may have).

10. CONSULTATION FOR COMPANY.

During the period Participant is entitled to receive Termination Indemnity Payments hereunder, he shall be available at reasonable times and upon reasonable notice to consult with and advise other officers and executives of the Company regarding the business and affairs of the Company; provided, however, that such consultation and advice shall be scheduled and arranged so that it does not interfere unreasonably with any other employment or business activities of Participant.

11. AMENDMENT OR TERMINATION OF POLICY.

The Company reserves the right to alter, amend or revoke this Policy prospectively at any time prior to a Change of Control, by notice to the Participants, but no such alteration, amendment or revocation shall be made after a Change of Control except with the express prior written consent and agreement of such Participant. Nothing herein shall entitle any Participant to continued employment with the Company or to continued tenure in any specific office or position.

12. TERMINATION OF TERMINATION INDEMNITY PAYMENTS.

The Termination Indemnity Payments and all other benefits to which any Participant is entitled hereunder shall terminate immediately if following termination of active employment such person (1) breaches the Conflict of Interest provisions in Paragraph 9 hereof, or (2) fails or refuses to consult with and advise officers and other executives of the Company in accordance with Paragraph 10 hereof, or (3) makes false statements or conducts himself in a manner that in the reasonable discretion of the Board materially and adversely affects the Company per Paragraph 6 hereof, or (4) reaches his sixty-fifth (65th) birthday.

13. ACKNOWLEDGEMENT BY COMPANY OFFICERS.

Each officer of the Company to whom this Policy is to be applicable shall be informed thereof by letter substantially in the form attached as Exhibit "A" hereto and, as a condition to entitlement by each such officer to payments hereunder, such officer shall acknowledge in writing substantially similar to the form of letter attached as Exhibit "B" hereto that the Participant understands and agrees to be bound by the provisions of this Policy. A list of the Participants shall be maintained by the Secretary of the Company.

14. OTHER PROVISIONS.

This Policy shall become effective as of November 19, 1987. The Termination Indemnity Payments provided hereby supersede and replace any and all other termination compensation to which any Participant is or might become entitled under any other policies or practices of the Company, except termination compensation covered by an agreement in effect on the effective date hereof which has separately been approved by the Compensation Committee. The rights and obligations of the Company under this Policy shall inure to the benefit of and shall be binding upon the Company's successors and assigns. References in this Policy to the male gender shall include the female gender. In any action at law or in equity to enforce any of the provisions or rights under this Policy, the unsuccessful party to such litigation as determined by the court in a final judgment or decree shall pay the successful party or parties all costs, expenses and reasonable attorneys fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals) and if such successful party shall recover judgment or any such action or proceedings, such costs, expenses and attorneys fees shall be included as part of such judgment. Paragraphs or other headings contained in this Policy are for reference purposes only and shall not affect in any way the meaning or interpretation of this Policy. To the full extent controllable by stipulation of the parties, this Policy shall be interpreted and enforced under California law.

Note: This Policy is intended to remain outside the provisions of Section 67 of the Tax Reform Act of 1984, as originally enacted (adding Sections 280G and 4999 and amending Sections 275(a) and 3121(v) of the Internal Revenue Code) (the "1984 Act"). Notwithstanding any other term or provision contained in this Policy, no Termination Indemnity Payment shall be made to any Participant in an amount which would subject any portion of such Termination Indemnity Payment, or any such Termination Indemnity Payment theretofore received by the Participant, to the excise tax provided in Section 67 of the 1984 Act.

Exhibit "A"

PERSONAL AND CONFIDENTIAL
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(Date)

(Addressee)

Re: Avery Dennison Corporation
Executive Employment Security Policy

Dear ______________________:

You have been designated as one of the officers of Avery Dennison Corporation (the "Company") covered by the above referenced Executive Employment Security Policy (the "Policy"), a copy of which is enclosed. This letter constitutes the notice to you required by Paragraph 13 of the Policy.

Under Paragraph 13 of the Policy, your entitlement to any benefits which you may eventually qualify to receive under the Policy is subject to the written acknowledgment of your understanding of and agreement to the terms and conditions of the Policy. Enclosed for this purpose are two copies of a form letter for use. Please complete, date and sign both copies of that letter and return one signed copy to the Secretary of the Company while retaining the other copy for your personal records.

Very truly yours,

(Secretary)

Encl.

Exhibit "B"

PERSONAL AND CONFIDENTIAL
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Date: ______________________________

Avery Dennison Corporation
150 North Orange Grove Boulevard
Pasadena, California 91103
Attn: Secretary

Re: Avery Dennison Corporation
    Executive Employment Security Policy

Gentlemen:

This will acknowledge receipt of the Avery Dennison Corporation Executive Employment Security Policy which was enclosed in your letter of ____________________________________.

I have read this Policy and understand and agree to all of its terms and conditions.

I hereby designate ____ as my beneficiary(ies) to receive the balance of any Termination Indemnity Payments to which I am entitled under the Policy but which remain unpaid at the date of my death. I understand that I may revoke or change this designation of beneficiary(ies) at any time by a later written notice to the Company.

Very truly yours,

(Name of Participant)

INDEMNITY AGREEMENT

This Agreement is made as of the [day] day of [month], [year], by and between AVERY DENNISON CORPORATION, a Delaware corporation ("Avery Dennison"), and the undersigned [Director and Officer/Director/Officer] of Avery Dennison (the "Indemnitee"), with reference to the following facts:

The Indemnitee is currently serving as [a Director and an Officer/ a Director/ an Officer] of Avery Dennison and Avery Dennison wishes the Indemnitee to continue in such capacity. The [Director and Officer/ Director/ Officer] is willing, under certain circumstances, to continue serving as [a Director and an Officer/ a Director/ an Officer] of Avery Dennison.

In addition to the indemnification to which the Indemnitee is entitled pursuant to the Bylaws of Avery Dennison, and as additional consideration for the Indemnitee's service, Avery Dennison has, in the past, furnished at its expense director's and officer's liability insurance protecting the Indemnitee and Avery Dennison's other officers and directors from personal liability in connection with their service. Effective for Avery Dennison's 1986 fiscal year, such insurance coverage was modified to provide significantly lower policy limits, higher deductibles and additional exclusions.

The Indemnitee has indicated that he or she does not regard the indemnities available under Avery Dennison's Bylaws and the insurance remaining in effect as adequate to protect the Indemnitee against the risks associated with Indemnitee's service to Avery Dennison. Avery Dennison and Indemnitee now agree to this Indemnity Agreement in order to provide greater protection to Indemnitee against such risks of service to Avery Dennison.

Section 145 of the General Corporation Law of the State of Delaware, under which Law Avery Dennison is organized, empowers corporations to indemnify a person serving as a director, officer, employee or agent of the corporation and a person who serves at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, and said Section 145 and the Bylaws of Avery Dennison specify that the indemnification set forth in said Section 145 and in the Bylaws, respectively, shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

In order to induce the Indemnitee to continue to serve as [a Director and an Officer/ a Director/ an Officer] of Avery Dennison and in consideration of Indemnitee's continued service, Avery Dennison hereby agrees to indemnify the Indemnitee as follows:

1. <u>Indemnity</u>. Avery Dennison will indemnify the Indemnitee, the Indemnitee's executors, administrators or assigns, for any Expenses (as defined below) which the Indemnitee is or becomes legally obligated to pay in connection with any Proceeding to the fullest extent permitted by law. As used in this Agreement the term "Proceeding" shall include any threatened, pending or completed claim, action, suit or proceeding, whether brought by or in the right of Avery Dennison or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee may be or may have been involved as a party or otherwise, by reason of the fact that Indemnitee is or was a director or officer of Avery Dennison, by reason of any actual or alleged error or misstatement or misleading statement made or suffered by Indemnitee, by reason of any action taken by the Indemnitee or of any inaction on Indemnitee's part while acting as such director or

officer, or by reason of the fact that Indemnitee was serving at the request of Avery Dennison as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise; provided, that in each such case Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of Avery Dennison and, in the case of a criminal proceeding, in addition had no reasonable cause to believe that his or her conduct was unlawful. As used in this Agreement, the term "other enterprise" shall include (without limitation) employee benefit plans and administrative committees thereof, and the term "fines" shall include (without limitation) any excise tax assessed with respect to any employee benefit plan.

2. Expenses. As used in this Agreement the term "Expenses" shall include, without limitation, damages, judgments, fines, penalties, settlements and costs, attorneys' fees and disbursements and costs of attachment or similar bonds, investigations, and any expenses of establishing a right to indemnification under this Agreement.

3. Enforcement. If a claim or request under this Agreement is not paid by Avery Dennison, or on its behalf, within thirty days after a written claim or request has been received by Avery Dennison, the Indemnitee may at any time thereafter bring suit against Avery Dennison to recover the unpaid amount of the claim or request and if successful in whole or in part, the Indemnitee shall be entitled to be paid also the Expenses of prosecuting such suit. Avery Dennison shall have the right to recoup from Indemnitee the amount of any item or items of Expenses theretofore paid by Avery Dennison pursuant to this Agreement, to the extent such Expenses are not reasonable in nature or amounts; provided, however, that Avery Dennison shall have the burden of proving such Expenses to be unreasonable. The burden of proving that the Indemnitee is not entitled to indemnification for any other reason shall be upon Avery Dennison.

4. Subrogation. In the event of payment under this Agreement, Avery Dennison shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable Avery Dennison effectively to bring suit to enforce such rights.

5. Exclusions.

(a) Avery Dennison shall be liable to the Indemnitee under this Agreement in connection with any Proceeding (or part thereof) instituted by the Indemnitee only if the initiation of such Proceeding was authorized in advance by the Board of Directors of Avery Dennison.

(b) Avery Dennison shall not be liable under this Agreement to pay any Expenses in connection with any claim made against the Indemnitee:

(i) to the extent that payment is actually made to the Indemnitee under a valid, enforceable and collectible insurance policy;

(ii) to the extent that the Indemnitee is indemnified and actually paid otherwise than pursuant to this Agreement;

(iii) in connection with a Proceeding by or in the right of Avery Dennison in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable for negligence or misconduct in the performance of Indemnitee's duty to Avery Dennison unless and only to the extent that any court in which such action was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses as such court shall deem proper;

(iv) if it is proved by final judgment in a court of law or other adjudication to have been based upon or attributable to the Indemnitee's in fact having gained any personal profit or advantage to which Indemnitee was not legally entitled;

(v) for a disgorgement of profits made from the purchase and sale by the Indemnitee of securities pursuant to Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any state statutory law or common law;

(vi) brought about or contributed to by the dishonesty of the Indemnitee seeking payment hereunder; however, notwithstanding the foregoing, the Indemnitee shall be protected under this Agreement as to any claims upon which suit may be brought against Indemnitee by reason of any alleged dishonesty on Indemnitee's part, unless a judgment or other final adjudication thereof adverse to the Indemnitee shall establish that Indemnitee committed (A) acts of active and deliberate dishonesty, (B) with actual dishonest purpose and intent, (C) which acts were material to the cause of action so adjudicated; or

(vii) for any judgment, fine or penalty which Avery Dennison is prohibited by applicable law from paying as indemnity or for any other reason.

6. Indemnification of Expenses of Successful Party. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any Proceeding or in defense of any claim, issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against any and all Expenses incurred in connection therewith.

7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by Avery Dennison for some or a portion of Expenses of any nature, judgments, fines or penalties incurred by the Indemnitee in the investigation, defense, appeal or settlement of any Proceeding but not, however, for the total amount thereof, Avery Dennison shall nevertheless indemnify Indemnitee for the portion of such Expenses, judgments, fines or penalties to which Indemnitee is entitled.

8. Advances of Expenses. Expenses incurred by the Indemnitee in connection with any Proceeding, except the amount of any settlement, shall be paid by Avery Dennison in advance upon request of the Indemnitee that Avery Dennison pay such expenses. Written notice of any proposed settlement of a claim for which Indemnitee intends to request payment by Avery Dennison hereunder must be delivered to Avery Dennison as promptly as practicable, and such claim shall be paid by Avery Dennison not later than two weeks after its receipt thereof. Indemnitee hereby undertakes to repay to Avery Dennison the amount of any Expenses theretofore paid by Avery Dennison to the extent that it is ultimately determined that such Expenses were not reasonable or that Indemnitee is not entitled to indemnification.

9. Notice of Claim. The Indemnitee, as a condition precedent to his or her right to be indemnified or have Expenses advanced under this Agreement, shall give to Avery Dennison notice in writing as soon as practicable of any claim made against the Indemnitee for which indemnity

or advancement of Expenses will or could be sought under this Agreement. Notice to Avery Dennison shall be given at its principal office and shall be directed to the Corporate Secretary (or such other address as Avery Dennison shall designate in writing to the Indemnitee); notice shall be deemed received if sent by prepaid mail properly addressed, the date of such notice being the date postmarked. In addition, the Indemnitee shall give Avery Dennison such information and cooperation as it may reasonably require and as shall be within the Indemnitee's power.

10. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one instrument.

11. Indemnification Hereunder Not Exclusive. Nothing herein shall be deemed to diminish or otherwise restrict the Indemnitee's right to indemnification and advancement of Expenses under any provision of the Certificate of Incorporation or Bylaws of Avery Dennison and amendments thereto or under law.

12. Governing Law. This Agreement shall be governed by and construed in accordance with Delaware law.

13. Saving Clause. Wherever there is a conflict between any provision of this Agreement and any applicable present or future statute, law or regulation contrary to which Avery Dennison and the Indemnitee have no legal right to contract, the latter shall prevail, but in such event the affected provisions of this Agreement shall be curtailed and restricted only to the extent necessary to bring them within applicable legal requirements.

14. Coverage. The provisions of this Agreement shall apply with respect to Indemnitee's service as [a Director and an Officer/ a Director/ an Officer] of Avery Dennison prior to the date of this Agreement and with respect to all periods of such service after the date of this Agreement, even though Indemnitee may have ceased to be [a Director or an Officer/ a Director/ an Officer] of Avery Dennison.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and signed as of the day and year first above written.

AVERY DENNISON CORPORATION

By ____
Robert G. van Schoonenberg
Vice President, General Counsel & Secretary

____
[Name of Director/Officer]

AMENDMENT NO. 2
AVERY DENNISON CORPORATION
EXECUTIVE VARIABLE DEFERRED
COMPENSATION PLAN

WHEREAS, it has been determined that it is advisable to amend the Avery Dennison Executive Variable Deferred Compensation Plan (the "Plan") to permit smaller allocations to investment funds under Option B, and

WHEREAS, it has also been determined that it is advisable to amend the Plan to provide for the possibility of more frequent payment of Retirement Benefits than is currently permitted,

NOW, THEREFORE, the Plan is hereby amended as of the start of the 1993 Plan Year in the following respects:

1. The first sentence of Article 4, Section 4.3(a)(ii) found on page 7 of the Plan document is replaced by the following sentence:

   "(ii) Option B. Under Option B, a Participant may elect (a) one of four Declared Rates (as defined in Article 2) to be credited on 100% of his Deferral Account balance; (b) two of the four Declared Rates (as defined in Article 2) with each to be credited on 50% of his Deferral Account balance; (c) three of the four Declared Rates (as defined in Article 2) to be credited with 50% on one Deferral Account balance and 25% on each of two other accounts; or (d) four of the four Declared Rates (as defined in Article 2) with each to be credited on 25% of his Deferral Account balance."

2. Article 5, entitled "Benefits," is amended to provide that (i) whenever benefits are to be paid in installments, the provisions of the Plan which call for quarterly payments are replaced by a requirement that

installment payments be made in such intervals as may be determined by the Committee, provided that such intervals shall not be less frequently than quarterly; and (ii) all installment payments will be calculated on an annual basis but paid in such intervals as may be determined by the Committee provided that such intervals shall not be less frequently than quarterly."

Approved: /s/ CHARLES D. MILLER

Charles D. Miller
Chairman and Chief Executive Officer
Avery Dennison Corporation

AMENDMENT NO. 1
TO THE 1990 STOCK OPTION AND INCENTIVE PLAN
FOR KEY EMPLOYEES OF AVERY DENNISON CORPORATION

WHEREAS, Section 11.2 of the 1990 Stock Option and Incentive Plan for Key Employees of Avery Dennison Corporation (the "Plan") provides that the Plan may be amended by the Board of Directors of Avery Dennison Corporation (the "Company"), subject to shareholder approval in certain circumstances; and

WHEREAS, the Board of Directors of the Company has determined that it is advisable to amend the Plan in certain respects and to submit this amendment to the Company's shareholders for approval.

NOW, THEREFORE, the Plan is hereby amended effective as of January 1, 1994 in the following respects:

1. The first sentence of Section 2.1 is hereby deleted in its entirety and the following is inserted in lieu thereof:

   "The shares of stock subject to Options, Stock Appreciation Rights, Restricted Stock Awards, Performance Awards, Dividend Equivalents or Stock Payments shall be Common Stock, initially shares of the Company's common stock, par value $1.00 per share, as presently constituted, and the aggregate number of such shares which may be issued upon exercise of such options or rights or upon any such awards shall not exceed 7,950,000."

2. The following language is hereby added at the end of Section 3.3(a)(ii):

   "; provided, however, that in no event shall the Committee grant Options to any individual Employee during any calendar year covering in excess of 200,000 shares."

Approved: /s/ CHARLES D. MILLER

____

Charles D. Miller
Chairman and Chief Executive Officer
Avery Dennison Corporation

AVERY DENNISON CORPORATION

AMENDED AND RESTATED

KEY EXECUTIVE LONG-TERM INCENTIVE PLAN

Effective as of January 3, 1993

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AMENDED AND RESTATED
KEY EXECUTIVE LONG-TERM INCENTIVE PLAN

I. PURPOSE

The purpose of the Amended and Restated Key Executive Long-Term Incentive Plan (the "Plan") is to focus key executives of Avery Dennison Corporation (the "Company") on factors that influence the Company's long-term growth and success. The Plan provides a means whereby Participants are given an opportunity to share financially in the future value they help to create for the Company and its stockholders.

II. PARTICIPATION

Participation in the Plan is limited to key executives of the Company who, in the opinion of the Compensation Committee of the Board of Directors, have the responsibility to materially influence the Company's long-range performance, and who have been recommended for participation by the Chief Executive Officer of the Company and designated as Participants by the Compensation Committee.

III. DEFINITIONS

"ACHIEVEMENT FACTOR" means the percentage to be used in determining a Participants's deferred cash incentive Award for achieving a specified percentage of the pre-established Performance Objectives.

"AFTER-TAX INTEREST EXPENSE" means total interest expense as disclosed in the Company's annual reports to shareholders and Peer Group companies' annual reports to shareholders and quarterly reports on Form 10-Q, if applicable, multiplied by one (1) minus the Tax Rate.

"AVERAGE CAPITAL" means the numerical average for a given year of ending Capital for the five most recently completed fiscal quarters, including the last quarter of that year.

"AVERAGE SHAREHOLDERS' EQUITY" means the numerical average for a given year of ending Shareholders' Equity for the five most recently completed fiscal quarters, including the last quarter of that year.

"AWARD" refers to either (a) a Stock Option granted under the 1990 Plan evidenced by an Option Agreement which generally incorporates the terms and provisions of the Plan relating to Stock Options, or (b) a deferred cash incentive earned by a Participant based on the achievement of Company and, in some cases, Business Unit financial objectives.

"BASE SALARY" means the annual base salary rate in effect for a Participant as of the end of a Performance Cycle.

"BUSINESS UNIT" or "UNIT" refers to a group, division or subsidiary of the Company.

"BUSINESS UNIT NET INCOME" means net income of a Business Unit as reported in the Company's internally prepared Summary of Operations.

"BUSINESS UNIT ROTC" means the return on total capital of a Business Unit as reported in the Company's internally prepared Summary of Operations.

"CAPITAL" refers to the sum of Shareholders' Equity and Long-Term Debt.

"CASH FLOW FROM OPERATIONS" means net cash provided by operating activities as disclosed in the Company's annual reports to shareholders and quarterly reports on Form 10-Q.

"CAUSE" means (i) continued failure by a Participant to perform his or her duties (except as a direct result of the Participant's incapacity due to physical or mental illness) after receiving notification by the Chief Executive Officer or an individual designated by the Chief Executive Officer (or the Board of Directors in the case of the Chief Executive Officer) identifying the manner in which the Participant has failed to perform his or her duties, (ii) engaging in conduct, which, in the opinion of a majority of the Board of Directors, is materially injurious to the Company, or (iii) conviction of the Participant of any felony involving moral turpitude.

"CHANGE OF CONTROL" shall mean a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A, Regulation 240.14a-101, promulgated under the Securities Exchange Act of 1934 as now in effect or, if Item 6(e) is no longer in effect, any regulations issued by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 which serve similar purposes; provided that, without limitation, a Change of Control shall be deemed to have occurred if and when (a) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) is or becomes a beneficial owner, directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities, or (b) individuals who were members of the Board of Directors of the Company immediately prior to a meeting of the stockholders of the Company involving a contest for the election of directors shall not constitute a majority of the Board of Directors following such election.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMPANY ROTC" means the return on total capital of the Company as reported in the Company's internally prepared Summary of Operations.

"COMPENSATION COMMITTEE" or "COMMITTEE" refers to the Compensation Committee of the Board of Directors of the Company.

"DISABILITY" refers to a physical or mental condition that prevents a Participant from performing his or her normal duties of employment. If a Participant makes application for disability benefits under the Company's long-term disability program and qualifies for such benefits, the Participant shall be presumed to qualify as totally and permanently disabled under the Plan.

"DISCRETIONARY POOL" or "POOL" refers to the sum of cash payments made available by the Compensation Committee to Participants who have achieved exceptional performance and to other Company employees who have made significant contributions to the achievement of Performance Objectives.

"EARNINGS PER SHARE" or "EPS" means earnings per share, including extraordinary gains and losses, divested operations and changes in accounting principles as disclosed in the Company's annual reports to shareholders.

"ECONOMIC VALUE ADDED" means operating profit after taxes on income minus a capital charge based upon the Company's weighted average cost of capital.

"EFFECTIVE DATE" means January 3, 1993, which is the first day of the initial Performance Cycle.

"FAIR MARKET VALUE" means the average of the high and low trading price of the Company's common stock on a given day, as reported on the New York Stock Exchange Composite Tape.

"GAAP" means generally accepted accounting principles.

"LONG-TERM DEBT" means long-term debt as disclosed in the Company's annual reports to shareholders and Peer Group companies' annual reports to shareholders and quarterly reports on Form 10-Q, if applicable.

"NET INCOME" refers to after-tax net income, including extraordinary items, discontinued operations and changes in accounting principles, as disclosed in the Company's annual reports to shareholders and Peer Group companies' annual reports to shareholders and quarterly reports on Form 10-Q, if applicable.

"NET SALES" means net sales as disclosed in the Company's annual reports to shareholders and quarterly reports on Form 10-Q.

"1990 PLAN" refers to the 1990 Stock Option and Incentive Plan for Key Employees of Avery Dennison Corporation (formerly named Avery International Corporation), or a successor plan.

"OPTION AGREEMENT" means a written stock option agreement evidencing options granted under the 1990 Plan which generally incorporates the terms and provisions of the Plan relating to Stock Options.

"PARTICIPANT" means an executive of the Company designated by the Compensation Committee to participate in the Plan.

"PEER GROUP" refers to a specified group of companies approved by the Compensation Committee against which the financial performance of the Company will be compared for purposes of the Plan.

"PERFORMANCE CYCLE" or "CYCLE" refers to the three-year period over which performance is measured for purposes of determining cash Awards under the Plan. The initial Performance Cycle will cover the Company's 1993 through 1995 fiscal years.

"PERFORMANCE OBJECTIVE" means one of four pre-established Performance Objectives: Company ROTC, EPS, Business Unit ROTC and Business Unit Net Income.

"RETIREMENT" means a termination of service in accordance with the retirement provisions of either (a) the Company sponsored tax qualified defined benefit retirement plan in which a Participant is participating immediately prior to the date of such termination of service, or (b) the Company-sponsored Supplemental Retirement Plan (SERP) in which the Participant is participating immediately prior to the date of such termination of service. If the Participant does not participate in either of the above retirement plans, then Retirement means a termination of service in accordance with the retirement provisions of the Company's tax-qualified defined contribution retirement plan in which the Participant then participates.

"ROE" means the percentage determined by dividing "Net Income" by "Average Shareholders' Equity."

"ROS" means the percentage determined by dividing Net Income by Net Sales.

"ROTC" means the percentage determined by dividing (a) the sum of Net Income plus After-Tax Interest Expense by (b) Average Capital.

"SERVICE" means continuous and substantially full-time employment with the Company.

"SHAREHOLDERS' EQUITY" means total shareholders' equity, as disclosed in the Company's annual reports to shareholders and Peer Group companies' annual reports to shareholders and quarterly reports on Form 10-Q, if applicable.

"STOCK OPTION" or "OPTION" refers to an option to purchase common stock of the Company at a fixed price for a specified period granted pursuant to the 1990 Plan and evidenced by an Option Agreement which generally incorporates the terms and provisions of the Plan relating to Stock Options.

"TARGET AWARD" refers to the deferred cash incentive Award earned for achieving 100% of the targeted financial objectives established for a Performance Cycle.

"TAX RATE" refers to taxes on income divided by income before taxes on income, each as disclosed in the Company's annual reports to shareholders and Peer Group companies' annual reports to shareholders and quarterly reports on Form 10-Q, if applicable, subject to adjustments to exclude the effect of unusual, non-recurring items, as described in the Company's annual reports to shareholders and Peer Group companies' annual reports to shareholders and quarterly reports on Form 10-Q, if applicable.

"TERMINATION OF SERVICE" means a termination of Service from the Company for any reason, whether voluntary or involuntary, including death, Retirement and Disability.

"TOTAL SHAREHOLDER RETURN" means the cumulative shareholder return on a company's common stock, including the reinvestment of dividends, as measured by dividing (i) the sum of (A) the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and (B) the difference between the company's closing stock price at the end and the beginning of the measurement period, by (ii) the closing stock price at the beginning of the measurement period.

"TOTAL SHAREHOLDER RETURN FACTOR" means the additional deferred cash incentive Award opportunity for Participants classified as Senior Executive Officers which is based on the Company's Total Shareholder Return versus the Total Shareholder Return of the Peer Group for a Performance Cycle.

"TRANSFER" means the appointment of a Participant to a new position within the Company which may either be within the same position classification under the Plan or in a different position classification under the Plan.

"WEIGHTING FACTOR" means the percentage of a Participant's Target Award which will be calculated based on the achievement of a particular Performance Objective.

IV. GENERAL PLAN DESCRIPTION

A. OVERVIEW

Commencing as of the Effective Date, the Plan provides for each Participant (a) the opportunity to receive an annual grant of Stock Options, and (b) the opportunity to earn a deferred cash incentive Award based on the financial performance of the Company and, in some cases, its Business Units.

B. STOCK OPTIONS

(1) SIZE OF GRANT

Annual Stock Option grants will be determined by the Committee.

(2) EXERCISE PRICE AND EXERCISE PERIOD

The exercise price for Options will equal 100% of the Fair Market Value of the Company's common stock as of the date of grant. Options will have a maximum exercise period ("Term") of ten (10) years from the date of grant.

(3) VESTING PROVISIONS

Options will vest (become available for exercise) nine years and nine months from their date of grant.

However, if certain conditions are met, Options will become eligible for accelerated or early vesting three years from their date of grant. Such early vesting will occur provided that the Company ROTC for the Company's most recently completed fiscal year equals or exceeds the ROTC of the median company among the Peer Group for that year, except that for Options granted under this Plan in 1993, such early vesting will occur provided that the Company ROTC for its most recently completed fiscal year equals or exceeds the ROTC of the bottom 40th percentile company among the Peer Group for that year (e.g., the performance test for accelerated vesting for Options granted in 1993 will be based on ROTC for the 1995 fiscal year).

If the Company meets the performance test described above, all prior non-vested Options eligible for early vesting will become available for exercise as soon as possible following certification of the Company's performance and the performance of the median company, or the bottom 40th percentile company, as the case may be, among the Peer Group by the Committee.

If the Company fails to meet the performance test described above, all prior non-vested Options eligible for early vesting will be subject to a similar performance test following the end of the next fiscal year. The test for early vesting of Options will continue to "roll" in the manner described above until the Company passes the performance test or nine years and nine months have elapsed from the date of grant.

(4) OTHER PROVISIONS

All Options granted as contemplated by the Plan will be granted under the 1990 Plan. Each Option granted under the 1990 Plan will be evidenced by an Option Agreement specifying the terms and conditions of the Option. In the event of any inconsistency between the Plan and an Option Agreement, the terms and conditions of the Option Agreement shall control.

C. DEFERRED CASH INCENTIVE AWARDS

In addition to the opportunity for annual Option grants described in Section IV.B. above, each Participant will be provided with the opportunity to earn a deferred cash incentive Award after the end of a three-year Performance Cycle.

(1) PERFORMANCE CYCLE

The initial Performance Cycle will cover the period beginning with the Company's 1993 fiscal year and ending with the Company's 1995 fiscal year. Subsequent three-year Performance Cycles will begin every two years, starting with the Company's 1995 fiscal year.

(2) RANGE OF AWARD OPPORTUNITY

The deferred cash incentive Award opportunity for each Participant during each Performance Cycle ranges from 0% to one of 80%, 60% or 30% of Base Salary depending upon position classification as illustrated in Table 1 below. In addition, the deferred cash incentive Award opportunity for Participants classified in Category 1 may be increased by the Total Shareholder Return Factor described in Section IV.C.(4) below. Classification of Participants into the categories listed in Table 1 will be recommended by the Chief Executive Officer of the Company and approved by the Compensation Committee.

The Target Award for each Participant (the deferred cash incentive Award earned for achieving the targeted performance goals) equals the maximum Award opportunity.

TABLE 1
DEFERRED CASH INCENTIVE AWARD RANGE
BY POSITION CLASSIFICATION

CATEGORY	POSITION CLASSIFICATION	AWARD RANGE AS % OF BASE SALARY	TARGET AWARD AS % OF BASE SALARY
1	Senior Executive Officers	0% - 80%	80%
2	Group and Sub-Group VP's	0% - 60%	60%
3	Division VP/GM's and Officers	0% - 30%	30%
4	Corporate & Staff Officers	0% - 30%	30%

The actual deferred cash incentive Award earned within this range will depend upon the level of achievement versus specific performance goals established under the Plan for each Performance Cycle.

(3) PERFORMANCE MEASUREMENT AND CALCULATION OF AWARDS

(a) CALCULATION FORMULA

Deferred cash incentive Awards will be determined based upon the Company's, and in some cases, Business Unit's achievement versus pre-established Performance Objectives. The total Award will equal the sum of the Awards for each Performance Objective. The Award for each Performance Objective will be determined by (i) multiplying the Target Award by the Weighting Factor (set forth in (b) and (c) below) for each Performance Objective and (ii) multiplying the product of clause (i) by the Achievement Factor (set forth in (d) below) for that Performance Objective. In addition, for Participants classified in Categories 2, 3 and 4 only, the Compensation Committee may, in its discretion, provide for deferred cash compensation Awards in excess of the Awards which would be made based on the foregoing formula.

The foregoing formula can be expressed as the following mathematical equation:

Total Award = [Target Award (Base Salary x Target Award as % of Base Salary) x Weighting Factor x Achievement Factor for first Performance Objective] + [Target Award (Base Salary x Target Award as % of Base Salary) x Weighting Factor x Achievement Factor for second Performance Objective] + [Target Award (Base Salary x Target Award as % of Base Salary) x Weighting Factor x Achievement Factor for third Performance Objective, if any] + [Target Award (Base Salary x Target Award as % of Base Salary) x Weighting Factor x Achievement Factor for fourth Performance Objective, if any].

(b) WEIGHTING FACTORS - CATEGORIES 1 AND 4

For Participants classified in Categories 1 and 4, deferred cash incentive Awards will be determined based upon the Company's achievement versus pre-established Company ROTC and EPS Performance Objectives.

For the initial Performance Cycle, the Company and Business Unit performance factors will be weighted as follows in determining the deferred cash incentive Award:

PERFORMANCE OBJECTIVE	WEIGHTING FACTOR
Company ROTC	50%
EPS	50%

In subsequent Performance Cycles, the Compensation Committee may select different measures (including, without limitation, ROS, ROE, Net Income, Net Sales, Cash Flow from Operations and Economic Value Added) and weightings to determine such Awards.

(c) WEIGHTING FACTORS - CATEGORIES 2 AND 3

For Participants classified in Categories 2 and 3, deferred cash incentive Awards will be determined based upon (i) the Company's achievement versus pre-established Company ROTC and EPS Performance Objectives, and (ii) the performance of the Participant's Business Unit against pre-established Business Unit ROTC and Business Unit Net Income objectives for the Unit.

For the initial Performance Cycle, the Company and Business Unit performance factors will have the following Weighting Factors:

PERFORMANCE OBJECTIVE	WEIGHTING FACTOR
Company ROTC	10%
EPS	10%
Business Unit ROTC	40%
Business Unit Net Income	40%

In subsequent Performance Cycles, the Compensation Committee may select different measures (including, without limitation, ROS, ROE, Net Income, Net Sales, Cash Flow from Operations and Economic Value Added) and weightings to determine such Awards.

(d) ACHIEVEMENT FACTOR

The Achievement Factor for each Performance Objective will be between a threshold Achievement Factor of 70% (for achieving 80% of the Performance Objective) and a maximum Achievement Factor of 100% (for achieving the Performance Objective) as illustrated in the table below. The Achievement Factors for performance between the threshold and maximum Achievement Factors will be linearly interpolated.

% ACHIEVEMENT OF PERFORMANCE OBJECTIVE	ACHIEVEMENT FACTOR
Less than 80%	0
80%	70%
85%	77.5%
90%	85.0%
95%	92.5%
100%	100%

(e) MEASUREMENT PROCESS

For the initial Performance Cycle, the measurement of Company ROTC, EPS, Business Unit ROTC and Business Unit Net Income will be based upon performance during the final year of the Cycle (1995). For subsequent Performance Cycles, performance measurement may be based upon different criteria (e.g., average performance over the Cycle) at the discretion of the Compensation Committee.

(4) TOTAL SHAREHOLDER RETURN FACTOR

Participants classified in Category 1 will have an opportunity to increase their deferred cash incentive Award by the Total Shareholder Return Factor, but only if the Company's Total Shareholder Return exceeds the median Total Shareholder Return for the Peer Group for a Performance Cycle. However, the Compensation Committee, in its discretion, may determine that the Total Shareholder Return Factor shall not be payable if neither of the Company's EPS or ROTC threshold Performance Objectives (i.e., 80% of the targeted Performance Objective) for the Performance Cycle has been met.

The Total Shareholder Return Factor will equal (i) 5% of the Participant's Base Salary for each percentage point (up to five percentage points) by which the compound annual growth of the Company's Total Shareholder Return exceeds the median compound annual growth of the Total Shareholder Return for the Peer Group (calculated on a comparable basis), plus

(ii) 10% of the Participant's Base Salary for each percentage point (in excess of five percentage points) by which the Company's Total Shareholder Return exceeds the median Total Shareholder Return for the Peer Group. The maximum Total Shareholder Return Factor will be 100% of the Participant's Base Salary. If the Company's Total Shareholder Return in excess of the median Total Shareholder Return for the Peer Group is not a whole number, the Total Shareholder Return Factor will be linearly interpolated.

(5) DISCRETIONARY POOL PARTICIPATION

A Discretionary Pool will be available for each Performance Cycle to provide the opportunity for Participants (other than Category I Participants) who have achieved exceptional performance to earn more than the Target Award, or for individuals who are not selected to be Participants in the Plan but who have made significant contributions to the achievement of Performance Objectives to earn cash payments. A "target" Discretionary Pool will be determined by the Compensation Committee prior to the beginning of each Performance Cycle. The actual Discretionary Pool made available will be determined by the Committee at the end of the Performance Cycle and may exceed or fall below the "target" Pool based upon the Committee's assessment of (i) overall Company performance during the Cycle and (ii) the performance of the individual Business Units.

The actual Discretionary Pool approved by the Compensation Committee will be allocated among individuals recommended by the Chief Executive Officer and approved by the Compensation Committee; provided, however, that Category I Participants will not be eligible for participation in the Discretionary Pool.

No payments will be made from the Discretionary Pool unless at least one of the Company's EPS or ROTC threshold Performance Objectives (i.e., 80% of the targeted Performance Objective) for the Performance Cycle has been met.

V. PEER GROUP PERFORMANCE MEASUREMENT

In order to facilitate the Peer Group performance comparison needed to determine the accelerated Option vesting, the Peer Group ROTC figures for the individual years used to determine accelerated Option vesting will be based upon the twelve months performance for each company in the Peer Group closest to the Company's fiscal year end, based on the most recent publicly available financial information for such company. In order to facilitate the Peer Group performance comparison needed to determine the Total Shareholder Return Factor, the Peer Group Total Shareholder Return figures for the Performance Cycle will be based upon the performance for each company in the Peer Group for the year ended December 31. Peer Group performance calculations will be made from information obtained from the Peer Group companies' annual reports to shareholders and publicly available stock price information.

VI. NEW PARTICIPANTS

New Participants may be added to the Plan at any time at the discretion of the Compensation Committee. The timing and performance test for determining accelerated vesting for the grant will be identical to the test and timing associated with the regular Option grant made to other Participants for that fiscal year. If an executive becomes a Participant, he or she will be eligible to receive an Option grant at the time of the next regular Option grant.

For the deferred cash incentive portion of the Plan, the Award opportunity of a new Participant will be prorated for each Performance Cycle based on the number of months of participation in the Plan divided by 36. Notwithstanding the above, an individual must participate in the Plan for at least 12 months during any Performance Cycle to be eligible to receive a deferred cash incentive Award for that Cycle.

VII. TERMINATION OF SERVICE

A. STOCK OPTIONS

Options may be exercised following a Termination of Service in the manner and to the extent provided for in the Option Agreement which governs the grant.

B. DEFERRED CASH INCENTIVE AWARDS

If a Participant terminates Service with the Company prior to the end of a Performance Cycle due to voluntary termination or termination for Cause, the Participant will not receive any deferred cash incentive Award for that Performance Cycle.

Upon a Termination of Service during a Performance Cycle due to death or Disability, a Participant's deferred cash incentive Award opportunity for that Cycle will be prorated by dividing the number of full months of participation in the Cycle by thirty-six (36).

If a Participant's Service is terminated involuntarily without Cause prior to the completion of a Performance Cycle, the Participant will be entitled to receive the following percentage of his or her earned deferred cash incentive Award for the Cycle:

IF TERMINATION OCCURS BETWEEN X MONTHS FROM START OF CYCLE	% OF EARNED AWARD TO BE PAID
0 - 27 Months	0%
27 - 36 Months	33 1/3%

Upon a Termination of Service due to Retirement prior to the completion of a Performance Cycle, the Participant will be entitled to receive the following percentage of his or her earned deferred cash incentive Award for the Cycle:

IF TERMINATION OCCURS BETWEEN X MONTHS FROM START OF CYCLE	% OF EARNED AWARD TO BE PAID
0 - 3 Months	0%
3 - 12 Months	33 1/3%
12 - 15 Months	50%
15 - 24 Months	66 2/3%
24 - 27 Months	Prorate to 100%
27 - 36 Months	100%

VIII. PAYMENT OF EARNED DEFERRED CASH INCENTIVE

Earned Awards under the deferred cash incentive portion of the Plan (net of any applicable taxes) will be paid in cash as soon as possible following the determination of Company, Business Unit and Peer Group performance for the Performance Cycle. Upon the death of a Participant, the Compensation Committee may elect to provide early payment in order to facilitate the settlement of the Participant's estate.

IX. TRANSFERS

Upon a Transfer prior to the completion of a Performance Cycle, the Participant will earn his or her deferred cash incentive Award for the Cycle based on his or her old and/or new positions, as follows:

IF TRANSFER OCCURS BETWEEN X MONTHS FROM START OF CYCLE	AWARD EARNED IN OLD/NEW POSITION
0 - 6 Months	100% in new position
6 - 30 Months	Prorated between old and new positions
30 - 36 Months	100% in old position

X. PLAN ADMINISTRATION

A. GENERAL ADMINISTRATION

The Compensation Committee will administer the Plan, and will interpret the provisions of the Plan. The interpretation and application of these terms by the Compensation Committee shall be binding and conclusive. The Committee's authority will include, but is not limited to:

- The selection of Participants;
- The establishment and modification of performance measures, Performance Objectives and weighting of objectives;
- The determination of performance results and Awards;
- Exceptions to the provisions of the Plan made in good faith and for the benefit of the Company.

B. ADJUSTMENTS FOR EXTRAORDINARY EVENTS

If an event occurs during a Performance Cycle that materially influences Company ROTC, EPS, Business Unit ROTC or Business Unit Net Income and is deemed by the Compensation Committee to be extraordinary and out of the control of management, the Committee may, in its sole discretion, increase or decrease Company ROTC, EPS, Business Unit ROTC, or Business Unit Net Income figure used to determine deferred cash incentive Awards or Option vesting. Events warranting such action may include, but are not limited to, changes in accounting, tax or regulatory rulings and significant changes in economic conditions resulting in "windfall" gains or losses.

C. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

The Committee may amend, suspend or terminate the Plan, whole or in part, at any time, if, in the sole judgment of the Committee, such action is in the best interests of the Company. Notwithstanding the above, any such amendment, suspension or termination must be prospective in that it may not deprive Participants of that which they otherwise would have received under the Plan for the current Performance Cycle had the Plan not been amended, suspended or terminated.

D. DESIGNATION OF BENEFICIARIES

Each Participant shall have the right at any time to designate any person or persons as beneficiary(ies) to whom any cash payments earned under the Plan shall be made in the event of the Participant's death prior to the distribution of all benefits due the Participant under the Plan. Each beneficiary designation shall be effective only when filed in writing with the Company during the Participant's lifetime, on a Beneficiary Designation Form approved by the Compensation Committee.

The filing of a new Beneficiary Designation Form will cancel all designations previously filed. Any finalized divorce or marriage (other than a common law marriage) of a Participant subsequent to the date of filing of a Beneficiary Designation Form shall revoke such designation unless:

- In the case of divorce, the previous spouse was not designated as beneficiary, and

- In the case of marriage, the Participant's new spouse had previously been designated as beneficiary.

The spouse of a married Participant shall join in any designation of a beneficiary other than the spouse on a form prescribed by the Compensation Committee.

If a Participant fails to designate a beneficiary as provided for above, or if the beneficiary designation is revoked by marriage, divorce or otherwise without execution of a new designation, then the Compensation Committee shall direct the distribution of Plan benefits to the Participant's estate.

XI. CHANGE OF CONTROL

A. Subject to paragraphs (C) through (E) of this Section XI, upon a Change of Control: (i) each Participant shall receive a cash payment equal to his or her Target Award under the deferred cash incentive portion of the Plan for each Performance Cycle that begins on or before the date of the Change of Control and ends after the date of the Change of Control, based on the Participant's annual base salary rate in effect at the time of the Change of Control; and (ii) treatment of Options upon a Change of Control will be governed by the provisions of the relevant Option Agreement.

B. Following a Change of Control, each Participant shall continue to be entitled to receive payments under the deferred cash incentive portion of the Plan for each Performance Cycle that begins on or before the date of the Change of Control and ends after the date of the Change of Control, as earned in accordance with the terms of the Plan, to the extent such Participant has not already received such payment for that Performance Cycle pursuant to paragraph (A) of this Section XI.

C. Notwithstanding the foregoing, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of a Participant (whether paid or payable or distributed or distributable pursuant to the terms of the Plan or otherwise) (a "Payment") would be nondeductible by the Company for Federal income tax purposes because of Section 280G of the Code, then the aggregate present value of amounts payable or distributable to or for the benefit of the Participant pursuant to the Plan (such payments or distributions pursuant to the Plan are hereinafter referred to as "Plan Payments") shall be reduced (but not below zero) to the Reduced Amount. The "Reduced Amount" shall be an amount expressed in present value that maximizes the aggregate present value of Plan Payments without causing any Payment to be nondeductible by the Company because of Section 280G of the Code. For purposes of this Section XI, present value shall be determined in accordance with Section 280(d)(4) of the Code.

D. All determinations required to be made under paragraphs (C) through (E) of this Section XI shall be made by Coopers & Lybrand (the "Accounting Firm"), which shall provide detailed supporting calculations to both the Company and the Participant within 30 business days of the date of the Change of Control or such earlier time as is requested by the Company. Any such determination by the Accounting Firm shall be binding upon the Company and the Participant. The Participant shall determine which and how much of the Plan Payments (or, at the election of the Participant, other Payments) shall be eliminated or reduced consistent with the requirements of paragraph (C) of this Section XI, provided that, if the Participant does not make such determination within ten business days of the receipt of the calculations made by the Accounting Firm, the Company shall elect which and how much of the Plan Payments shall be eliminated or reduced consistent with the requirements of paragraph (C) of this Section XI and shall notify the Participant promptly of such election. Within five business days thereafter, the Company shall pay to or distribute to or for the benefit of the Participant such amounts as are then due to the Participant under the Plan.

E. As a result of the uncertainty in the application of Section 280G of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Plan Payments will have been made by the Company that should not have been made ("Overpayment") or that additional Plan Payments that will not have been made by the Company could have been made ("Underpayment"), in each case, consistent with the calculations required to be made hereunder. In the event that the Accounting Firm determines that an Overpayment has been made, any such Overpayment shall be treated for all purposes as a loan to the Participant, which the Participant shall repay to the Company together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no amount shall be payable by the Participant to the Company (or if paid by the Participant to the Company shall be returned to the Participant) if and to the extent such payment would not reduce the amount which is subject to taxation under Section 4999 of the Code. In the event that the Accounting Firm determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code.

XII. PRIOR PLAN

The Company's Key Executive Long-Term Incentive Plan, effective as of January 1, 1991 (the "Prior Plan"), shall remain in effect as to all Participants therein for the balance of the initial Performance Cycle thereunder (1991 to 1993) and for Options granted thereunder. Nothing contained in this Plan shall affect the calculation or payment of benefits under the Prior Plan as to such initial Performance Cycle, or the vesting of Options granted under the Prior Plan.

XIII. MISCELLANEOUS PROVISIONS

A. UNSECURED STATUS OF CLAIM

Participants and their beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any specific property or assets of the Company. No assets of the Company shall be held under any trust for the benefit of Participants, their beneficiaries, heirs, successors or assigns, or held in any way as collateral security for the fulfillment of the Company's obligations under the Plan.

Any and all of the Company's assets shall be, and shall remain, the general unpledged and unrestricted assets of the Company. The Company's obligations under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay benefits in the future.

B. EMPLOYMENT NOT GUARANTEED

Nothing contained in the Plan nor any action taken in the administration of the Plan shall be construed as a contract of employment or as giving a Participant any right to be retained in the Service of the Company.

C. RIGHT OF OFFSET

If a Participant becomes entitled to a payment under the deferred cash incentive portion of the Plan, and if at such time the Participant has outstanding any debt, obligation or other liability representing any amount owing to the Company, then the Company may offset such amount against the amount of the payment otherwise due the Participant under the Plan.

D. NONASSIGNABILITY

No person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, hypothecate or convey, in advance of actual receipt, the benefits, if any, payable under the Plan, or any part thereof, or any interest therein, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No portion of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, lien or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of the Participant's or any other person's bankruptcy or insolvency. Any such transfer or attempted transfer in violation of the preceding provisions shall be null and void.

E. VALIDITY

In the event that any provision of the Plan is held to be invalid, void or unenforceable, the same shall not effect, in any respect whatsoever, the validity of any other provision of the Plan.

F. WITHHOLDING-TAX

The Company shall withhold from all benefits due under the Plan an amount sufficient to satisfy any federal, state and local tax withholding requirements.

G. APPLICABLE LAW

The Plan shall be governed in accordance with the laws of the State of Delaware.

H. INUREMENT OF RIGHTS AND OBLIGATIONS

The rights and obligations under the Plan shall inure to the benefit of, and shall be binding upon the Company, its successors and assigns, and the Participants and their beneficiaries.

AMENDMENT NO. 1
AVERY DENNISON CORPORATION
EXECUTIVE DEFERRED RETIREMENT PLAN

WHEREAS, it has been determined that it is advisable to add a Savings Plan Alternative Contribution under the Avery Dennison Corporation Executive Deferred Retirement Plan (the "Plan") commencing with the 1993 Plan Year,

Now, THEREFORE, the Plan is hereby amended effective as of the start of the 1993 Plan Year in the following respects:

1. Article 2, entitled "Definitions And Certain Provisions", is amended so as to add the following paragraph:

   Savings Plan Alternative Contribution. "Savings Plan Alternative Contribution" means an Employer contribution to a Deferral Account required by Section 4.6 hereof.

2. Article 4, entitled "Participation", is amended by the addition of the following new Section 4.6, as follows:

   4.6 Savings Plan Alternative Contributions

   If a corporate officer of the Company so elects in any Authorization Form in which the corporate officer has also designated a Cumulative Deferral Amount equal to or in excess of forty-two percent (42%) of the corporate officer's non-deferred Direct Cash Compensation as of the first day of the Benefit Deferral Period, the Employer shall contribute to the Deferral Account for the Benefit Unit under such Authorization Form for each of the Plan Years in the Benefit Deferral Period an amount equal to three percent (3%) of the corporate officer's non-deferred Direct Cash Compensation for such Plan Year ("Savings Plan Alternative Contributions"), provided, however, that:

(i) no election may be made under this Section 4.6 for any Benefit Deferral Period which will begin prior to the last Plan Year of any Benefit Deferral Period as to which a prior election under this Section 4.6 has been made, and

(ii) the Employer's obligation to make any further Savings Plan Alternative Contributions shall cease upon the corporate officer's termination of employment with the Company for any reason or upon the corporate officer's termination pursuant to Section 5.3 (b) of the Benefit Unit with respect to which the election under this Section 4.6 was made.

The Savings Plan Alternative Contributions shall be credited to the Deferral Account for the Benefit Unit for each of the Plan Years in the Benefit Deferral Period at the same time as Employer matching contributions for such Plan Year are made to the Savings Plan. The Employer shall make no Employer matching contributions to the Savings Plan on behalf of the corporate officer for any Plan Year for which any of the corporate officer's Deferral Accounts is credited with any Savings Plan Alternative Contribution.

Approved: /s/ CHARLES D. MILLER

Charles D. Miller
Chairman and Chief Executive Officer
Avery Dennison Corporation

AVERY DENNISON CORPORATION

EXECUTIVE INCENTIVE COMPENSATION PLAN

EFFECTIVE AS OF JANUARY 1, 1992

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EXECUTIVE INCENTIVE COMPENSATION PLAN

I. PURPOSE

The purposes of the Executive Incentive Compensation Plan for Avery Dennison Corporation are as follows:

(1) To attract and retain the best possible executive talent.

(2) To permit executives of the Company to share in its profits.

(3) To stimulate and maintain a sense of responsibility and cooperative effort among the participants and a sincere interest on their part in the progress and success of the Company.

(4) To closely link executive rewards to individual and Company performance.

II. STATEMENT OF POLICY

It is the intention of the Company to pay bonuses each year from the profits of the Company, if any, after making provision for a fair and reasonable return on the shareholders' equity of the Company. Notwithstanding anything contained in this Plan, however, the decision as to what bonus, if any, shall be paid to any or all of the eligible executives shall be made annually by the Board of Directors of the Company and the definitions and formulae hereafter set forth are intended merely as statements of the present intention of the Company as to the awards which the Board may make.

III. DEFINITIONS

Bonus Maximum. "Bonus Maximum" means 10% of the excess of (i) the Company's Pre-Tax Return on Shareholders' Equity over (ii) the Minimum Threshold.

Bonus Pool. "Bonus Pool" means an integrated profit center which is identified as either a group, division, plant, or corporate office staff.

Business Unit. "Business Unit" means a group, division or subsidiary of the Company.

Committee. "Committee" means the Compensation Committee of the Company's Board of Directors.

Company. "Company" means Avery Dennison Corporation.

MBO. "MBO" means the individual pre-established objectives.
- ---

Minimum Threshold. "Minimum Threshold" means a 12% Pre-tax Return on
- -----------------
Shareholders' Equity.

Plan. "Plan" means the Executive Incentive Compensation Plan for Avery Dennison
- ----
Corporation.

Plan Administrator. "Plan Administrator" means the Vice President, Human
- ------------------
Resources for Avery Dennison Corporation.

Plan Participant. "Plan Participant" means any employee of the Company or any of
- ----------------
its subsidiaries who has been approved as a participant in the Plan in accordance with Article IV.

Plan Year. "Plan Year" means the fiscal year of the Company.
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Pre-Tax Return On Shareholder's Equity. "Pre-Tax Return On Shareholder's Equity"
- --------------------------------------
means the percentage determined by dividing "Income Before Taxes On Income" by "Average Shareholders' Equity". "Income Before Taxes On Income" shall be obtained from the Consolidated Statement of Income included in the Company's Annual Report to Shareholders. "Average Shareholders' Equity" shall be calculated by dividing (a) the sum of Total Shareholders' Equity at the end of (i) the current fiscal year (obtained from the Consolidated Balance Sheet included in the Company's Annual Report to Shareholders), (ii) each of the first, second and third quarters of the current fiscal year (obtained from the Condensed Consolidated Balance Sheet included in the Company's Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission) and (iii) the prior fiscal year (obtained from the Consolidated Balance Sheet included in the Company's Annual Report to Shareholders), by (b) five.

ROS. "ROS" means the percentage determined by dividing Net Income, as disclosed
- ---
on the Consolidated Statement of Income included in the Company's Annual Report to Shareholders, by Net Sales, as disclosed on the Consolidated Statement of Income included in the Company's Annual Report to Shareholders.

Target Bonus. "Target Bonus" means with respect to a Plan Participant for any
- ------------
Plan Year the bonus opportunity for the Plan Participant in such Plan Year on account of services rendered to the Company during the immediately preceding Plan Year. The Target Bonus is expressed as a percentage of the Plan Participant's base salary.

IV. PLAN ELIGIBILITY

1. APPROVAL AUTHORITY

Each participant in this Plan must be approved by one of the following: the Chief Executive Officer; President and Chief Operating Officer; Vice President, Human Resources; or Vice President, Compensation & Benefits.

2. ELIGIBILITY GUIDELINES

A. Plan guidelines apply to both domestic and international profit centers.

B. For DOMESTIC (U.S.) POSITIONS, Plan eligibility is based on the following:

Division Employees - Non-officer Division General Managers, non-officer Division VP/GMs, and employees reporting directly to an officer Division VP/GM are eligible to participate in the Plan. Eligibility does not guarantee participation in the Plan.

Employees reporting to an officer Division VP/GM are recommended by the officer Division VP/GM. Non-officer Division General Managers and non-officer Division VP/GMs are recommended by the Group V.P. or Subgroup V.P. All recommended employees must be approved by an authorized officer (as stated in Section IV.1.).

Group Employees - All group staff reporting directly to a Group V.P. or Subgroup V.P. are eligible to participate in the Plan. Eligibility does not guarantee participation in the Plan.

Employees are recommended by a Group V.P. or Subgroup V.P. and approved by an authorized officer (as stated in Section IV.1.).

Officers - All Corporate Officers, Division Officers, and Staff Officers are automatically included in the Plan.

C. For INTERNATIONAL POSITIONS, Plan eligibility is based on the following:

Division Employees - All Division Officers (VP/GM's) are eligible to participate in the Plan. In addition, the Committee may determine that other non-officer Division General Managers and non-officer VP/GMs are eligible to participate in the Plan. Eligibility does not guarantee participation in the Plan.

Employees are recommended by a Group V.P. or Subgroup V.P. and approved by an authorized officer (as stated in Section IV.1.).

Group Employees - All group staff reporting directly to a Group V.P. or Subgroup

V.P. are eligible to participate in the Plan. Eligibility does not guarantee participation in the Plan.

Employees are recommended by a Group V.P. or Subgroup V.P. and approved by an authorized officer (as stated in Section IV.1.).

3. NO GUARANTEE OF FUTURE PARTICIPATION

Eligibility or participation in the Plan in any Plan Year is no guarantee of participation or eligibility in subsequent/future years.

4. PARTICIPANT NOTIFICATION

Plan Participants may be notified of eligibility in the Plan only after formal approval by an authorized officer (as stated in Section IV.1.) and the Plan Administrator has been notified.

V. ANNUAL BASE SALARY

1. ANNUAL SALARY REVIEW

A. Each year, all Plan Participants will have their annual base salaries reviewed.

B. Salary recommendations are submitted in compliance with Company policy and must be approved by the appropriate authorized personnel (see Exhibit A for Avery Dennison Salary Approval Authority).

C. Annual merit increases are granted based on a number of factors, including: Company and, where appropriate, Business Unit performance; corporate merit increase guidelines; market salary data; the employee's penetration in the range of market salary data; new and additional responsibilities; and other non-financial individual performance measures.

D. Increases are effective May 1 of each Plan Year.

E. The Chairman and Chief Executive Officer may elect to postpone or cancel annual increases for any reason(s) deemed necessary.

F. Participation in this Plan does not guarantee a salary increase in any Plan Year.

2. MID-YEAR SALARY CHANGES

Occasionally, salary changes may be made during the course of the year to reflect new job responsibilities or changes in market conditions. All mid-year salary increases must be approved by the appropriate authorized personnel (see Exhibit A for Avery Dennison Salary Approval Authority). Also, the Vice President, Human Resources must approve all mid-year salary increases.

VI. ANNUAL BONUS OPPORTUNITY

All Plan Participants will have the opportunity to earn additional compensation in the form of an annual variable bonus.

1. TARGET BONUS

A. Target Bonuses are assigned to each Participant based on analysis by the Corporate Compensation Department. The factors used in determining the Target Bonus include competitive market practice, size of the Business Unit, and internal peer comparison.

B. Target Bonuses are authorized for a period of one year (subject to adjustment under certain circumstances as described in Section VI.8. below) and are reauthorized each subsequent year.

2. BONUS PAYOUT

A. A Plan Participant's annual bonus payout is based on Bonus Pool performance and MBOs, subject to adjustment in certain circumstances by the Compensation Committee based upon recommendations of the Chairman and Chief Executive Officer (see 2.F below).

B. At the beginning of each Plan Year, financial and other performance targets are established for each Bonus Pool. Specific measures will vary based on the specific business strategy of the Business Unit or the Company, as appropriate, and may include such measures as:

* Profitability
* Return on capital investment
* Sales growth
* Return on shareholder investment

C. MBOs are a combination of financial and non-financial goals, which are quantified where possible. These goals may include such measures as:

* Accounts Receivables/Days Sales Outstanding
* Inventory Turns
* Developmental Goals for Subordinates
* Special Projects

D. Financial measures/goals determine the Bonus Pool performance component of each Plan Participant's annual bonus payout based on the following schedule:

PLAN ACHIEVEMENT	BONUS PAYOUT (% of Target Bonus)
0 - 49%	0%
50 - 69%	25%
70 - 100%	Equal To Plan Achievement (e.g. 90% Plan = 90% Payout)
101 - 120%	Two-for-One over 100% (if ROS is greater than 3%) (e.g. 104% Plan = 108% Payout) One-for-One over 100% (if ROS is less than 3%) (e.g. 104% Plan = 104% Payout)

E. Individual MBOs are used to modify the Bonus Pool payout. This modifier is MULTIPLIED by the Bonus Pool payout calculated in Section D (above) to determine the Plan Participant's bonus payout. The MBO modifier is a function of the MBO rating of the individual and is computed using the following schedule:

MBO RATING	MBO MODIFIER
98 - 100%	105%
95 - 97%	100%
90 - 94%	95%
85 - 89%	90%
Below 85%	0 - 80%

F. The Committee shall solicit and obtain the recommendations of the Chairman and Chief Executive Officer as to the amounts of bonuses to be paid to the Plan Participants. The Committee shall consider the Chairman and Chief Executive Officer's recommendations and shall report to the Board its recommendation as to the amounts of bonus, if any, to be paid, and the Plan Participants to whom such bonuses should be paid, taking into account any contractual obligations affecting the compensation of such Plan Participants.

G. No bonuses for a Plan Year shall be paid to the Chairman and Chief Executive Officer, the President and Chief Operating Officer and the Chief Financial Officer unless the Minimum Threshold for such Plan Year is met. In addition, the total of the bonuses for a given Plan Year for these three individuals shall not exceed the Bonus Maximum for such Plan Year.

3. CHAIRMAN/CEO AND PRESIDENT/COO BONUS AWARDS

Bonus awards for the Chairman and Chief Executive Officer and the President and Chief Operating Officer are determined at the discretion of the Board of Directors. Neither is a Plan Participant. However, these bonuses are determined using the same criteria as are used to determine the bonuses of the officers in the corporate Bonus Pool, and the bonuses are subject to the Minimum Threshold and Bonus Maximum.

4. BONUS DETERMINATION IN CASES OF NEW HIRES

A. Employees hired within the first three (3) months of the Plan Year will be eligible for a full bonus payout under this Plan.

B. Employees hired after the third month of the Plan Year but before the beginning of the tenth month of the Plan Year will be eligible under this Plan on a prorated basis, in whole month increments (i.e., 1st to 15th day of the month to 1st of the month; 16th day to end of the month to 1st of the following month).

C. Employees hired during the last three (3) months of the Plan Year will not be eligible for a bonus payout under this Plan.

5. BONUS DETERMINATION IN CASES OF TRANSFERS AND PROMOTIONS

A. Plan Participants who are eligible to receive a bonus in a Bonus Pool and are transferred/promoted to a bonus eligible position in another Bonus Pool will receive a bonus under this Plan determined as follows:

* If employed at least nine months of the Plan Year by one Bonus Pool, then as a full year participant of that Bonus Pool only, using the year-end salary in the new position and the Target Bonus for the position in the Bonus Pool in which the bonus is determined.

* If employed less than nine months of the Plan Year by either Bonus Pool, then on a prorated basis in each Bonus Pool, using the Target Bonus in effect in each Bonus Pool and the year-end salary in the new position for both bonus pools.

B. Plan Participants who are eligible to receive a bonus in a Bonus Pool and are transferred/promoted to a different position within the same Bonus Pool will receive a bonus under this Plan using the salary and Target Bonus for the new position in effect at the end of the Plan Year.

C. Plan Participants who are eligible to receive a bonus under this Plan and are transferred/promoted to a non-bonus eligible position will receive a bonus under this Plan determined as follows:

* If in the bonus eligible position more than nine months of the Plan Year, then as a full year participant of that Bonus Pool only, using the year-end salary in the new position and the Target Bonus for the position in the Bonus Pool in which the bonus is determined.

* If in the bonus eligible position for more than three months but up to nine months of the Plan Year, then on a prorated basis, using the year-end salary and the Target Bonus for the new bonus eligible position.

* If in the bonus eligible position for up to three months of the Plan Year, then no bonus will be paid out for that Plan Year.

D. Employees who are not eligible to receive a bonus under this Plan at the beginning of a Plan Year and are transferred/promoted to a bonus eligible position during the Plan Year will receive a bonus under this Plan determined as follows:

* If in the bonus eligible position more than nine months of the Plan Year, then as a full year participant of that Bonus Pool only, using the year-end salary in the new position and the Target Bonus for the position in the Bonus Pool in which the bonus is determined.

* If in the bonus eligible position for more than three months but up to nine months of the Plan Year, then on a prorated basis, using the year-end salary and the Target Bonus for the new bonus eligible position.

* If in the bonus eligible position for up to three months of the Plan Year, then no bonus will be paid out for that Plan Year.

6. BONUS DETERMINATION IN CASES OF LEAVE OF ABSENCE

If a Plan Participant is on an approved leave of absence (including, without limitation, leaves caused by short-term disability) for more than one month during the Plan Year, then the employee will participate on a prorated basis for that Plan Year.

7. BONUS DETERMINATION IN CASES OF TERMINATION

A. Employees who terminate prior to the end of the Plan Year for any reasons other than death, disability, or retirement are not eligible to receive awards under this Plan.

B. Employees who terminate after the end of the Plan Year, but before payment of the award, are eligible to receive the awards under this Plan.

8. OTHER BONUS PROGRAMS

A. No Plan Participant may participate in any other Company bonus plan.

B. Middle management bonus plans are administered separately from the Plan.

VII. TIMING OF PAYMENT OF BONUSES

1. CURRENT PAYMENT

Except as provided in Section VII.2., the bonus allocated by the Board of Directors to each Participant shall be paid in cash and in full as soon as may be conveniently possible after such allocation by the Board but not later than ninety days from the last day of the Plan Year to which such bonus relates.

2. DEFERRAL OF BONUS

Any Plan Participant may elect to defer receipt of all or any part of such bonus in accordance with established deferred compensation plans offered by the Company.

VIII. PLAN ADMINISTRATION

1. GENERAL ADMINISTRATION

The Committee will administer the Plan, and will interpret the provisions of the Plan. The interpretation and application of these terms by the Committee shall be binding and conclusive. The Committee's authority will include, but is not limited to:

* The eligibility of Plan Participants

* The determination of performance results and bonus awards

* Exceptions to the provisions of the Plan made in good faith and for the benefit of the Company

2. ADJUSTMENTS FOR EXTRAORDINARY EVENTS

If an event occurs during a Plan Year that materially influences the performance measures of the Company or a Business Unit, and is deemed by the Committee to be extraordinary and out of the control of management, the Committee may, in its sole discretion, increase or decrease the performance targets used to determine the annual bonus payout. Events warranting such action may include, but are not limited to, changes in accounting, tax or regulatory rulings and significant changes in economic conditions resulting in windfall gains or losses.

3. AMENDMENT, SUSPENSION, OR TERMINATION OF THE PLAN

The Chairman and Chief Executive Officer or the Committee may amend, suspend or terminate the Plan, whole or in part, at any time, if, in the sole judgment of the Chairman and Chief Executive Officer or the Committee, such action is in the best interests of the Company. Notwithstanding the above, any such amendment, suspension or termination must be prospective in that it may not deprive Plan Participants of that which they otherwise would have received under the Plan for the Plan Year had the Plan not been amended, suspended or terminated.

IX. MISCELLANEOUS PROVISIONS

1. TITLES

Section and Article titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

2. EMPLOYMENT NOT GUARANTEED

Nothing contained in the Plan nor any action taken in the administration of the Plan shall be construed as a contract of employment or as giving a Plan Participant any right to be retained in the service of the Company.

3. VALIDITY

In the event that any provision of the Plan is held to be invalid, void or unenforceable, the same shall not effect, in any respect whatsoever, the validity of any other provision of the Plan.

4. WITHHOLDING-TAX

The Company shall withhold from all benefits due under the Plan an amount sufficient to satisfy any federal, state and local tax withholding requirements.

5. APPLICABLE LAW

The Plan shall be governed in accordance with the laws of the State of California.

AVERY DENNISON CORPORATION

SENIOR EXECUTIVE INCENTIVE COMPENSATION PLAN

EFFECTIVE AS OF JANUARY 1, 1994

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SENIOR EXECUTIVE INCENTIVE COMPENSATION PLAN

I. PURPOSE

The purposes of the Senior Executive Incentive Compensation Plan for Avery Dennison Corporation (the "Company") are as follows:

(1) To attract and retain the best possible executive talent.

(2) To permit executives of the Company to share in its profits.

(3) To promote the success of the Company.

(4) To closely link executive rewards to individual and Company performance.

II. DEFINITIONS

Average Shareholders' Equity. "Average Shareholders' Equity" means the numerical average for a given year of ending Shareholders' Equity for the five most recently completed fiscal quarters, including the last quarter of that year.

Bonus Maximum. "Bonus Maximum" means 10% of the excess of (i) the Company's Pre-Tax Return on Shareholders' Equity over (ii) the Minimum Threshold.

Cash Flow from Operations. "Cash Flow from Operations" means net cash provided by operating activities as disclosed in the Company's annual reports to shareholders and quarterly reports on Form 10-Q.

Change of Control. "Change of Control" means a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A, Regulation 240.14a-101, promulgated under the Securities Exchange Act of 1934 as now in effect or, if Item 6(e) is no longer in effect, any regulations issued by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 which serve similar purposes; provided that, without limitation, a Change of Control shall be deemed to have occurred if and when (a) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) is or becomes a beneficial owner, directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities, or (b) individuals who were members of the Board of Directors of the Company immediately prior to a meeting of the stockholders of the Company involving a contest for the election of directors shall not constitute a majority of the Board of Directors following such election.

Code. "Code" means the Internal Revenue Code of 1986, as amended.
- ----

Committee. "Committee" means the Compensation Committee of the Company's Board
- ---------
of Directors.

Company. "Company" means Avery Dennison Corporation.
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Economic Value Added. "Economic Value Added" means operating profit after taxes
- --------------------
on income minus a capital charge based upon the Company's weighted average cost
of capital.

EICP. "EICP" means the Executive Incentive Compensation Plan of the Company.
- ----

EPS. "EPS" means earnings per share, including extraordinary gains and losses,
- ---
divested operations and changes in accounting principles as disclosed in the
Company's annual reports to shareholders.

Income Before Taxes on Income. "Income Before Taxes on Income" means the income
- -----------------------------
before income taxes as reported in the Company's annual reports to shareholders.

Minimum Threshold. "Minimum Threshold" means a 12% Pre-tax Return on
- -----------------
Shareholders' Equity.

Net Income. "Net Income" means after-tax net income, including extraordinary
- ----------
items, discontinued operations and changes in accounting principles, as
disclosed in the Company's annual reports to shareholders.

Net Sales. "Net Sales" means net sales as disclosed in the Company's annual
- ---------
reports to shareholders and quarterly reports on Form 10-Q.

Performance Objectives. "Performance Objectives" means one or more pre-
- ----------------------
established performance objectives, including: ROS, ROTC, ROE, EPS, Net Income,
Net Sales, Cash Flow from Operations, Economic Value Added and Total Shareholder
Return.

Plan. "Plan" means the Senior Executive Incentive Compensation Plan for Avery
- ----
Dennison Corporation.

Plan Participant. "Plan Participant" means any employee of the Company or any of
- ----------------
its subsidiaries who has been designated as a participant in the Plan in
accordance with Article III.

Plan Year. "Plan Year" means the fiscal year of the Company.
- ---------

Pre-Tax Return On Shareholder's Equity. "Pre-Tax Return On Shareholder's Equity"
- --------------------------------------
means the percentage determined by dividing "Income Before Taxes On Income" by
"Average Shareholders' Equity".

ROE. "ROE" means the percentage determined by dividing "Net Income" by "Average Shareholders' Equity".

ROS. "ROS" means the percentage determined by dividing Net Income by Net Sales.

ROTC. "ROTC" means the return on total capital of the Company as reported in the Company's internally prepared Summary of Operations.

Shareholders' Equity. "Shareholders' Equity" means total shareholders' equity as disclosed in the Company's annual reports to shareholders and quarterly reports on Form 10-Q.

Target Bonus. "Target Bonus" means with respect to a Plan Participant for any Plan Year the bonus opportunity for the Plan Participant in such Plan Year on account of services rendered to the Company during the immediately preceding Plan Year. The Target Bonus is expressed as a percentage of the Plan Participant's base salary in effect at the end of the Plan Year.

Total Shareholder Return. "Total Shareholder Return" means the cumulative shareholder return on the Company's common stock, including the reinvestment of dividends, as measured by dividing (i) the sum of (A) the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and (B) the difference between the Company's closing stock price at the end and the beginning of the measurement period, by (ii) the closing stock price at the beginning of the measurement period.

III. PARTICIPATION

Participation in the Plan is limited to key executives of the Company who have been designated as Plan Participants by the Committee.

IV. ANNUAL BONUS OPPORTUNITY

All Plan Participants will have the opportunity to earn an annual variable bonus.

1. TARGET BONUS

The Target Bonus for each Plan Participant is 100% of Base Salary.

2. BONUS PAYOUT

A. A Plan Participant's annual bonus payout is based on the Company's achievement versus pre-established Performance Objectives, subject to adjustment in certain circumstances by the Committee (see 2.D below).

B. At or prior to the beginning of each Plan Year, the Committee will establish Performance Objectives for each Plan Participant. Specific Performance Objectives will vary based on the specific business strategy of the Company, and may include such measures as:

* ROS
* ROTC
* ROE
* EPS
* Net Income
* Cash Flow From Operations
* Net Sales
* Total Shareholder Return
* Economic Value Added

C. Bonus payouts will be determined based on the following schedule:

PLAN ACHIEVEMENT	BONUS PAYOUT (% of Target Bonus)
0 - 49%	0%
50 - 69%	25%
70 - 100%	Equal To Plan Achievement (e.g. 90% Plan = 90% Payout)
101 - 120%	Two-for-One over 100% (e.g. 104% Plan = 108% Payout)

D. The Committee may, in its sole discretion, decrease bonus amounts which would otherwise be payable under the Plan.

E. No bonuses for a Plan Year shall be paid to the Chairman and Chief Executive Officer, the President and Chief Operating Officer and the Chief Financial Officer unless the Minimum Threshold for such Plan Year is met. In addition, the total of the bonuses for a given Plan Year for these three individuals shall not exceed the Bonus Maximum for such Plan Year.

3. BONUS DETERMINATION IN CASES OF PRIOR PARTICIPATION IN EICP

Plan Participants who are eligible to receive a bonus under the EICP during part of the Plan Year and are later designated as Plan Participants under this Plan may, in the Committee's discretion, receive a bonus under this Plan on a prorated basis.

4. BONUS DETERMINATION IN CASES OF LEAVE OF ABSENCE

If a Plan Participant is on an approved leave of absence (including, without limitation, leaves caused by short-term disability) for more than one month during the Plan Year, then the employee will continue to participate for that Plan Year;

provided that the Committee may, in its sole discretion, decrease the bonus otherwise payable under the Plan on a prorated basis.

5. BONUS DETERMINATION IN CASES OF TERMINATION

A. Employees who terminate prior to the end of the Plan Year for any reasons other than death, disability, or retirement are not eligible to receive awards under this Plan.

B. Employees who terminate after the end of the Plan Year, but before payment of the award, are eligible to receive the awards under this Plan.

6. OTHER BONUS PROGRAMS

No Plan Participant may participate in any other annual Company bonus plan.

V. TIMING OF PAYMENT OF BONUSES

1. CURRENT PAYMENT

Except as provided in Section V.2., the bonus allocated by the Board of Directors to each Plan Participant shall be paid in cash and in full as soon as may be conveniently possible after such allocation by the Board and certification by the Committee of the Company's achievement of the relevant Performance Objectives, but not later than two and one-half months from the last day of the Plan Year to which such bonus relates.

2. DEFERRAL OF BONUS

Any Plan Participant may elect to defer receipt of all or any part of such bonus in accordance with established deferred compensation plans offered by the Company.

VI. PLAN ADMINISTRATION

1. GENERAL ADMINISTRATION

The Committee will administer the Plan, and will interpret the provisions of the Plan. The interpretation and application of these terms by the Committee shall be binding and conclusive. The Committee's authority will include, but is not limited to:

* The selection of Plan Participants

* The establishment and modification of performance measures, Performance Objectives and weighting of objectives

* The determination of performance results and bonus awards

* Exceptions to the provisions of the Plan made in good faith and for the benefit of the Company

2. ADJUSTMENTS FOR EXTRAORDINARY EVENTS

If an event occurs during a Plan Year that materially influences the performance measures of the Company and is deemed by the Committee to be extraordinary and out of the control of management, the Committee may, in its sole discretion, increase or decrease the Performance Objectives used to determine the annual bonus payout. Events warranting such action may include, but are not limited to, changes in accounting, tax or regulatory rulings and significant changes in economic conditions resulting in windfall gains or losses.

3. AMENDMENT, SUSPENSION, OR TERMINATION OF THE PLAN

The Committee may amend, suspend or terminate the Plan, whole or in part, at any time, if, in the sole judgment of the Committee, such action is in the best interests of the Company. Notwithstanding the above, any such amendment, suspension or termination must be prospective in that it may not deprive Plan Participants of that which they otherwise would have received under the Plan for the Plan Year had the Plan not been amended, suspended or terminated.

VII. CHANGE OF CONTROL

1. Subject to paragraphs (2) through (4) of this Section VII, upon a Change of Control: (i) each Plan Participant shall receive a cash payment equal to his or her Target Bonus under this Plan for any Plan Year that begins on or before the date of the Change of Control and ends after the date of the Change of Control, based on the Plan Participant's annual base salary rate in effect at the time of the Change of Control.

2. Notwithstanding the foregoing, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of a Plan Participant (whether paid or payable or distributed or distributable pursuant to the terms of the Plan or otherwise) (a "Payment") would be nondeductible by the Company for Federal income tax purposes because of Section 280G of the Code, then the aggregate present value of amounts payable or distributable to or for the benefit of the Plan Participant pursuant to the Plan (such payments or distributions pursuant to the Plan are hereinafter referred to as "Plan Payments") shall be reduced (but not below zero) to the Reduced Amount. The "Reduced Amount" shall be an amount expressed in present value that maximizes the aggregate present value of Plan Payments without causing any Payment to

be nondeductible by the Company because of Section 280G of the Code. For purposes of this Section VII, present value shall be determined in accordance with Section 280(d)(4) of the Code.

3. All determinations required to be made under paragraphs (2) through (4) of this Section VII shall be made by Coopers & Lybrand (the "Accounting Firm"), which shall provide detailed supporting calculations to both the Company and the Plan Participant within 30 business days of the date of the Change of Control or such earlier time as is requested by the Company. Any such determination by the Accounting Firm shall be binding upon the Company and the Plan Participant. The Plan Participant shall determine which and how much of the Plan Payments (or, at the election of the Plan Participant, other Payments) shall be eliminated or reduced consistent with the requirements of paragraph (2) of this Section VII, provided that, if the Plan Participant does not make such determination within ten business days of the receipt of the calculations made by the Accounting Firm, the Company shall elect which and how much of the Plan Payments shall be eliminated or reduced consistent with the requirements of paragraph (2) of this Section VII and shall notify the Plan Participant promptly of such election. Within five business days thereafter, the Company shall pay to or distribute to or for the benefit of the Plan Participant such amounts as are then due to the Plan Participant under the Plan.

4. As a result of the uncertainty in the application of Section 280G of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Plan Payments will have been made by the Company that should not have been made ("Overpayment") or that additional Plan Payments that will not have been made by the Company could have been made ("Underpayment"), in each case, consistent with the calculations required to be made hereunder. In the event that the Accounting Firm determines that an Overpayment has been made, any such Overpayment shall be treated for all purposes as a loan to the Plan Participant, which the Plan Participant shall repay to the Company together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no amount shall be payable by the Plan Participant to the Company (or if paid by the Plan Participant to the Company shall be returned to the Plan Participant) if and to the extent such payment would not reduce the amount which is subject to taxation under Section 4999 of the Code. In the event that the Accounting Firm determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Plan Participant together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code.

VIII. MISCELLANEOUS PROVISIONS

1. TITLES

Section and Article titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

2. EMPLOYMENT NOT GUARANTEED

Nothing contained in the Plan nor any action taken in the administration of the Plan shall be construed as a contract of employment or as giving a Plan Participant any right to be retained in the service of the Company.

3. VALIDITY

In the event that any provision of the Plan is held to be invalid, void or unenforceable, the same shall not effect, in any respect whatsoever, the validity of any other provision of the Plan.

4. WITHHOLDING-TAX

The Company shall withhold from all benefits due under the Plan an amount sufficient to satisfy any federal, state and local tax withholding requirements.

5. APPLICABLE LAW

The Plan shall be governed in accordance with the laws of the State of California.

EXHIBIT 11

AVERY DENNISON CORPORATION AND SUBSIDIARIES

COMPUTATION OF NET INCOME PER SHARE AMOUNTS

	1993	1992	1991
(A) Weighted average number of common shares outstanding.....................	57,953,287	60,425,531	61,949,235
Additional common shares issuable under employee stock options using the treasury stock method.............................	776,241	549,674	313,505
(B) Weighted average number of common shares outstanding assuming the exercise of stock options..............	58,729,528	60,975,205	62,262,740
(C) Net income applicable to common stock..	$84,400,000	$80,100,000	$63,000,000
Net income per share as reported (C / A)...	$1.46	$1.33	$1.02
Net income per share giving effect to the exercise of outstanding stock options (C / B)..	$1.44	$1.31	$1.01

ELEVEN-YEAR SUMMARY

AVERY DENNISON CORPORATION

(Dollars and shares in millions)	Compound Growth Rate 5 Year	10 Year
FOR THE YEAR		
Net sales	2.6	6.2
Gross profit	1.0	5.4
Marketing, general and administrative expense (2),(4),(5)	3.0	6.4
Operating profit	(4.9)	2.5
Interest expense	4.0	6.8
Income before taxes	(7.0)	1.4
Taxes on income	(7.7)	(.2)
Net income(1)	(6.3)	2.6
Research and development expense	(.8)	3.7
Depreciation	5.7	8.7
Average shares outstanding	(1.2)	.7
PER SHARE INFORMATION		
Net income(1)	(5.1)	1.9
Dividends(3)	14.1	14.1
Book value at year end	.5	4.5
Market price at year end	6.0	8.0
Market price range		
AT YEAR END		
Working capital		
Property, plant and equipment, net		
Total assets		
Long-term debt		
Total debt		
Shareholders' equity		
Number of employees		
STATISTICS		
Gross profit margin (percent)		
Marketing, general and administrative expense as a percent of sales		
Operating profit margin (percent)		
Pretax profit margin (percent)		
Net profit margin (percent)		
Effective tax rate (percent)		
Research and development expense as a percent of sales		
Long-term debt as a percent of total long-term capital		
Total debt as a percent of total capital		
Return on average shareholders' equity (percent)		
Return on average total capital (percent)		

(1) Includes income of $1.1 million, or $.02 per share, related to the cumulative effect of accounting changes recorded during the first quarter of 1993.

(2) Includes pretax charges of $85.2 million in connection with a 1990 restructuring 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 $1.16 per share.

(3) Dividends per share in 1988 exclude a $.05 per share payment for redemption of share purchase rights.

(4) Includes pretax charges of $25.2 million in connection with a 1987 restructuring, which reduced net income by $25 million, or $.41 per share.

(5) Includes pretax charges of $23.5 million in connection with a 1985 restructuring and a provision for a legal action filed against the Company, which reduced net income by $13.9 million, or $.24 per share.

1993(1)	1992	1991	1990(2)	1989	1988(3)	1987(4)	1986	1985(5)	1984	1983
$2,608.7	$2,622.9	$2,545.1	$2,590.2	$2,490.9	$2,291.4	$2,165.1	$1,828.4	$1,590.5	$1,593.1	$1,430.3
818.1	838.2	796.2	808.3	806.7	780.2	734.6	620.1	533.9	546.7	482.2
642.7	665.7	653.9	752.7	591.0	554.7	571.2	460.6	428.9	388.4	344.6
175.4	172.5	142.3	55.6	215.7	225.5	163.4	159.5	105.0	158.3	137.6
43.2	42.3	37.5	40.0	35.1	35.5	32.4	26.6	21.6	19.0	22.3
132.2	130.2	104.8	15.6	180.6	190.0	131.0	132.9	83.4	139.3	115.3
48.9	50.1	41.8	9.7	66.4	73.0	60.8	61.0	35.1	56.9	49.7
84.4	80.1	63.0	5.9	114.2	117.0	70.2	71.9	48.3	82.4	65.6
45.5	46.7	48.7	53.7	51.0	47.4	41.5	37.3	37.1	32.4	31.7
84.1	83.8	83.1	80.8	71.5	63.8	58.8	49.9	43.3	38.8	36.6
58.0	60.4	61.9	62.0	62.1	61.7	60.3	57.3	57.0	56.5	54.3
1.46	1.33	1.02	.10	1.84	1.90	1.16	1.25	.85	1.46	1.21
.90	.82	.76	.64	.54	.465	.41	.35	.31	.27	.24
12.80	13.63	13.47	13.65	13.06	12.48	11.48	10.25	9.43	8.96	8.21
29.38	28.75	25.38	21.50	31.88	22.00	18.63	18.69	18.00	15.13	13.57
25.50 to	23.25 to	19.38 to	15.63 to	21.00 to	17.13 to	16.00 to	17.25 to	14.13 to	11.50 to	8.63 to
31.13	28.88	25.50	33.00	31.88	26.00	29.13	23.75	19.69	15.82	13.63
141.6	222.6	226.0	298.8	323.9	314.3	325.8	319.8	299.3	263.1	257.7
758.5	779.9	814.2	821.7	714.1	667.3	574.2	512.8	433.6	373.6	326.2
1,639.0	1,684.0	1,740.4	1,890.3	1,715.9	1,652.2	1,558.5	1,352.4	1,089.8	936.6	861.0
311.0	334.8	329.5	376.0	317.8	298.8	301.0	320.3	195.0	126.4	119.6
397.5	427.5	424.0	510.4	418.9	411.3	393.2	384.3	255.5	161.0	153.7
719.1	802.6	825.0	846.3	811.3	769.6	705.9	585.8	534.2	502.4	456.2
15,750	16,550	17,095	18,816	19,215	19,114	19,360	19,156	17,650	16,874	16,326
31.4	32.0	31.3	31.2	32.4	34.0	33.9	33.9	33.6	34.3	33.7
24.6	25.4	25.7	25.2	23.7	24.2	26.4	25.2	27.0	24.4	24.1
6.7	6.6	5.6	2.1	8.7	9.8	7.5	8.7	6.6	9.9	9.6
5.1	5.0	4.1	.6	7.3	8.3	6.1	7.3	5.2	8.7	8.1
3.2	3.1	2.5	.2	4.6	5.1	3.2	3.9	3.0	5.2	4.6
37.0	38.5	39.9	62.2	36.8	38.4	46.4	45.9	42.1	40.8	43.1
1.7	1.8	1.9	2.1	2.0	2.1	1.9	2.0	2.3	2.0	2.2
30.2	29.4	28.5	30.8	28.1	28.0	29.9	35.3	26.7	20.1	20.8
35.6	34.8	33.9	37.6	34.1	34.8	35.8	39.6	32.4	24.3	25.2
11.0	9.7	7.7	.7	14.7	16.0	10.5	12.8	9.4	17.3	15.9
9.3	8.3	6.7	1.5	12.0	12.7	8.3	10.6	8.5	14.9	13.3

CONSOLIDATED BALANCE SHEET

AVERY DENNISON CORPORATION

(Dollars in millions)	1993	1992
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5.8	$ 3.9
Trade accounts receivable, less allowance for doubtful accounts of $16.7 and $18.4 for 1993 and 1992, respectively	356.7	364.3
Inventories	184.1	225.1
Other receivables	32.6	25.5
Prepaid expenses	13.5	16.9
Deferred taxes	21.9	25.6
Total current assets	614.6	661.3
Property, plant and equipment, at cost:		
Land	28.7	33.3
Buildings	360.9	351.6
Machinery and equipment	953.8	948.5
Construction-in-progress	69.3	65.8
	1,412.7	1,399.2
Accumulated depreciation	654.2	619.3
	758.5	779.9
Intangibles resulting from business acquisitions, net	129.2	137.9
Non-current deferred taxes	23.9	--
Other assets	112.8	104.9
	$1,639.0	$1,684.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term and current portion of long-term debt	$ 86.5	$ 92.7
Accounts payable	140.8	157.0
Accrued payroll and employee benefits	91.0	92.9
Other accrued liabilities	124.7	90.4
Income taxes payable	26.4	5.7
Deferred taxes	3.6	--
Total current liabilities	473.0	438.7
Long-term debt	311.0	334.8
Non-current deferred taxes	44.8	67.6
Other long-term liabilities	91.1	40.3
Shareholders' equity:		
Common stock, $1 par value; authorized - 200,000,000 shares; issued - 62,063,312 shares at year end 1993 and 1992	62.1	62.1
Capital in excess of par value	194.4	196.8
Retained earnings	698.9	666.6
Cumulative foreign currency translation adjustment	(10.1)	29.6
Cost of unallocated ESOP shares	(53.2)	(64.9)
Minimum pension liability	(8.9)	--
Treasury stock at cost, 5,869,683 shares and 3,188,813 shares at year end 1993 and 1992, respectively	(164.1)	(87.6)
Total shareholders' equity	719.1	802.6
	$1,639.0	$1,684.0

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME

AVERY DENNISON CORPORATION

(Dollars and shares in millions)	1993	1992	1991
Net sales	$2,608.7	$2,622.9	$2,545.1
Cost of products sold	1,790.6	1,784.7	1,748.9
Gross profit	818.1	838.2	796.2
Marketing, general and administrative expense	642.7	665.7	653.9
Operating profit	175.4	172.5	142.3
Interest expense	43.2	42.3	37.5
Income before taxes on income and cumulative effect of changes in accounting principles	132.2	130.2	104.8
Taxes on income	48.9	50.1	41.8
Income before cumulative effect of changes in accounting principles	83.3	80.1	63.0
Cumulative effect of changes in accounting principles	1.1	--	--
Net income	$ 84.4	$ 80.1	$ 63.0
PER COMMON SHARE AMOUNTS			
Income before cumulative effect of changes in accounting principles	$ 1.44	$ 1.33	$ 1.02
Cumulative effect of changes in accounting principles	.02	--	--
Net income	$ 1.46	$ 1.33	$ 1.02
Average shares outstanding	58.0	60.4	61.9
Shares outstanding at year end	56.2	58.9	61.3

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

AVERY DENNISON CORPORATION

(Dollars in millions)	Common stock $1 par value	Capital in excess of par value	Retained earnings	Cumulative foreign currency translation adjustment	Cost of unallocated ESOP shares	Minimum pension liability	Treasury stock
Fiscal year ended 1990	$62.0	$192.3	$620.2	$ 62.1	$(90.3)	--	--
Repurchase of 980,180 shares for treasury							$ (20.8)
Stock issued under option plans	.1	.4					2.0
Tax benefit arising from stock option transactions and dividends paid on stock held by leveraged ESOPs		2.3					
Net income			63.0				
Dividends: $.76 per share			(47.1)				
Translation adjustments				(32.9)			
Income taxes allocated to translation adjustments				(.4)			
ESOP transactions, net					12.1		
Fiscal year ended 1991	62.1	195.0	636.1	28.8	(78.2)	--	(18.8)
Repurchase of 2,765,919 shares for treasury							(74.0)
Stock issued under option plans		(.3)					5.2
Tax benefit arising from stock option transactions and dividends paid on stock held by leveraged ESOPs		2.1					
Net income			80.1				
Dividends: $.82 per share			(49.6)				
Translation adjustments				1.8			
Income taxes allocated to translation adjustments				(1.0)			
ESOP transactions, net					13.3		
Fiscal year ended 1992	62.1	196.8	666.6	29.6	(64.9)	--	(87.6)
Repurchase of 2,902,695 shares for treasury							(82.9)
Stock issued under option plans		(3.2)					6.4
Tax benefit arising from stock option transactions and dividends paid on stock held by leveraged ESOPs		.8					
Net income			84.4				
Dividends: $.90 per share			(52.1)				
Translation adjustments				(39.9)			
Income taxes allocated to translation adjustments				.2			
ESOP transactions, net					11.7		
Minimum pension liability						$(8.9)	
Fiscal year ended 1993	$62.1	$194.4	$698.9	$(10.1)	$(53.2)	$(8.9)	$(164.1)

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

AVERY DENNISON CORPORATION

(In millions)	1993	1992	1991
OPERATING ACTIVITIES			
Net income	$ 84.4	$ 80.1	$ 63.0
Depreciation	84.1	83.8	83.1
Amortization	11.3	10.1	9.2
Non-current deferred taxes	(22.8)	(13.3)	(6.6)
Cumulative effect of changes in accounting principles	(1.1)	--	--
(Increase) decrease in assets and increase (decrease) in liabilities net of the effect of foreign currency translation and business divestitures:			
Trade accounts receivable, net	(8.6)	(4.4)	(5.4)
Inventories	32.4	24.6	45.9
Other receivables	(5.0)	8.0	3.3
Prepaid expenses	2.8	1.4	3.9
Accounts payable and accrued liabilities	32.0	(28.5)	.4
Taxes on income and deferred taxes	29.7	6.0	33.7
Net cash provided by operating activities	239.2	167.8	230.5
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(100.6)	(87.8)	(122.5)
Proceeds from sale of assets and business divestitures	4.9	26.5	12.9
Other	5.6	7.0	7.6
Net cash used in investing activities	(90.1)	(54.3)	(102.0)
FINANCING ACTIVITIES			
Additions to long-term debt	101.0	70.6	116.8
Reductions in long-term debt	(111.9)	(60.0)	(148.9)
Net decrease in short-term debt	(1.0)	(1.9)	(29.3)
Dividends paid	(52.1)	(49.6)	(47.1)
Purchase of treasury stock	(82.9)	(74.0)	(20.8)
Net cash used in financing activities	(146.9)	(114.9)	(129.3)
Effect of foreign currency translation on cash balances	(.3)	--	(.4)
Increase (decrease) in cash and cash equivalents	1.9	(1.4)	(1.2)
Cash and cash equivalents, beginning of period	3.9	5.3	6.5
Cash and cash equivalents, end of period	$ 5.8	$ 3.9	$ 5.3

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AVERY DENNISON CORPORATION

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries. Investments in certain affiliates (20% to 50% ownership) are accounted for on the equity method of accounting.

FISCAL YEAR

The Company's financial reporting calendar for fiscal years 1993 and 1992 reflected a 52-week period ending January 1, 1994 and January 2, 1993, respectively. Fiscal year 1991 reflected a 53-week period ending January 4, 1992. Normally each fiscal year consists of 52 weeks, but every fifth or sixth fiscal year consists of 53 weeks.

CHANGES IN ACCOUNTING PRINCIPLES

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

(In millions, except per share amounts)	Income (expense) Total	Per share
Accounting for income taxes (SFAS No. 109)	$ 16.3	$ .28
Accounting for postretirement benefits, net of tax (SFAS No. 106)	(14.2)	(.24)
Accounting for postemployment benefits, net of tax (SFAS No. 112)	(1.0)	(.02)
Increase in net income	$ 1.1	$ .02

The effects of the new accounting standards are described in Notes 5 and 8. The adoption of the accounting standards had no effect on cash flow. Prior year financial statements have not been restated.

REVENUE RECOGNITION

Sales, provisions for estimated sales returns and the cost of products sold are recorded at the time of shipment.

CASH AND CASH EQUIVALENTS

The Company considers cash on hand, deposits in banks and short-term investments, with maturities of three months or less when purchased, as cash and cash equivalents. 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)	1993	1992	1991
Interest, net of capitalized amounts	$39.8	$42.1	$37.4
Income taxes, net of refunds	42.0	57.4	12.4

PROPERTY, PLANT AND EQUIPMENT

Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets. 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 income. The Company has pledged property with a net book value of approximately $25 million as collateral for certain other long-term liabilities.

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 assets acquired, and are generally amortized over 40 years using the straight-line method. The Company evaluates the carrying value of its goodwill on an ongoing basis relying on a number of operating factors and nonfinancial data. Accumulated amortization at year end 1993 and 1992 was $30.4 million and $27.9 million, respectively.

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 38 percent, 39 percent and 45 percent of inventories before LIFO adjustment at year end 1993, 1992 and 1991, respectively.

During 1993, 1992 and 1991, certain inventories were reduced resulting in the liquidation of LIFO inventory carried at lower costs prevailing in prior years as compared with current costs. The effect was to reduce costs of products sold by $11.4 million, $17.8 million and $13.8 million during 1993, 1992 and 1991, respectively.

Inventories at year end were as follows:

(In millions)	1993	1992	1991
Raw materials	$ 75.7	$ 91.1	$107.4
Work in process	43.2	51.5	56.6
Finished goods	101.9	129.8	148.7
LIFO adjustment	(36.7)	(47.3)	(59.6)
	$184.1	$225.1	$253.1

ENVIRONMENTAL EXPENDITURES

Environmental expenditures that do not contribute to current or future revenue generation are expensed. Expenditures for newly acquired assets and those that 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. Where a minimum cost or a reasonable estimate of the cost of compliance or remediation has been established, 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.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions and financial statements of foreign subsidiaries are translated into U.S. dollars at prevailing or current rates respectively, except for revenue, costs and expenses which are translated at average current rates during each reporting period. Gains and losses resulting from foreign currency transactions, other than transactions used to hedge the value of investments in certain foreign subsidiaries, are included in income currently. Gains and losses resulting from hedging transactions and from translation of financial statements are excluded from the statement of income and are credited or charged directly to a separate component of shareholders' equity. Translation gains and losses of subsidiaries operating in hyperinflationary economies are included in net income currently.

Transaction and translation (losses) gains (decreased) increased net income in 1993, 1992 and 1991, by ($3.4) million, ($4.2) million and $.4 million, respectively.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred. Research and development expense for 1993, 1992 and 1991 was $45.5 million, $46.7 million and $48.7 million, respectively.

NOTE 2. DEBT

Long-term debt at year end was as follows:

(In millions)	1993	1992
Domestic variable-rate short-term borrowings to be refinanced on a long-term basis (3.3% at year end)	$ 23.6	$103.0
Medium-term notes (6.1% to 8.6%)	200.0	100.0
Leveraged ESOP borrowings (2.9% to 8.4% at year end)	57.1	68.1
Industrial Revenue Bonds (3.1% to 9.9% at year end)	22.0	22.1
Other long-term debt, principally foreign (7.0% to 12.2% at year end)	41.2	56.9
	343.9	350.1
Less: Amount classified as current	(32.9)	(15.3)
	$311.0	$334.8

The Company has a revolving credit agreement with four domestic banks to provide $150 million in borrowings through July 1, 1996. The maturity date of the agreement is automatically extended an additional year on each anniversary date unless a bank elects not to renew its commitment, in which case upon written notice, the amount of credit available under the agreement will be reduced on a straight-line basis over a four-year period following the maturity date. The financing available under this revolving credit agreement will be used, as needed, to retire short-term and currently maturing long-term debt, and to finance other corporate requirements.

During 1991 and 1993, the Company issued an aggregate of $200 million of medium-term notes to the public, in increments of $1 million to $15 million, with maturities from April 1994 through May 2005. The fair value of these notes was approximately $207 million at year end.

Two of the Company's Employee Stock Ownership Plans (ESOPs) have revolving credit agreements with two domestic banks to provide an aggregate of $90 million in borrowings through July 1, 1995; $42.4 million was outstanding at the end of 1993. These loans are repayable on a scheduled basis through 2003. The obligations of these plans to repay the borrowings are guaranteed by the Company. At the end of 1993, the Company had an additional $14.7 million in loans outstanding on behalf of another ESOP. These loans are repayable on a scheduled basis through 1997. The fair value of the Company's ESOP borrowings was approximately $58 million at year end.

The amount of long-term debt outstanding at the end of 1993, which matures during 1994 through 1998, is $32.9 million, $33.9 million, $80.3 million, $30.3 million and $15.0 million, respectively. Included in these amounts are ESOP borrowings of $2.7 million, $4.1 million, $4.7 million, $7.0 million and $3.8 million, respectively.

The terms of the various loan agreements in effect at year end require maintenance of specified amounts of consolidated tangible net worth and specific ratios of total liabilities to tangible net worth and consolidated earnings before interest and taxes to consolidated interest. Under the most restrictive provisions, $68.6 million of retained earnings was not restricted at the end of 1993.

The Company had short-term lines of credit available aggregating $445.7 million at the end of 1993, of which $53.6 million was utilized at variable interest rates ranging from 5.5 to 16.1 percent.

The fair value of the Company's debt is estimated based on quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. The carrying amount of all short-term and variable interest rate borrowings approximates fair value.

The Company incurred total interest cost in 1993, 1992 and 1991 of $45.5 million, $44.9 million and $42.6 million, respectively, of which $2.3 million, $2.6 million and $5.1 million, respectively, was capitalized as part of the cost of assets constructed for the Company's use. Included in interest expense was $8.5 million for 1993, $4.7 million for 1992 and $2.4 million for 1991 relating to the Company's operations in Brazil. These amounts reflect extraordinarily high nominal rates of interest resulting from hyperinflationary conditions in that country.

NOTE 3. FINANCIAL INSTRUMENTS

The Company enters into forward exchange contracts to reduce 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 1993 and 1992, the Company had forward exchange contracts with a notional value of $143.2 million and $166.2 million, respectively, substantially all of which were denominated in European currencies. In general, the maturities of the contracts coincide with the underlying exposure positions they are intended to hedge. Of the total contracts outstanding, 91 percent have maturities within 12 months. The remainder have maturities ranging from one to four years. The fair value, based on quoted market prices of comparable instruments, was a net liability of approximately $2 million at the end of 1993.

The Company enters into interest rate swap agreements and collars to reduce the impact of changes in interest rates on its short- and long-term variable rate borrowings. Interest paid or received on interest rate swap agreements is recognized as an adjustment to interest expense.

During 1993, the Company entered into five 2-year interest rate swap agreements for an aggregate of $100 million under which it will pay interest based on LIBOR (the weighted average rate at year end was 3.4 percent). The Company will receive interest at a weighted average rate of 4.1 percent.

During 1992, the Company entered into two 3-year interest rate swap agreements for an aggregate of $50 million under which it will pay interest based on LIBOR (the weighted average rate at year end was 3.4 percent). The Company will receive interest at a weighted average rate of 6.4 percent. The Company also entered into a $50 million 3-year interest rate swap agreement under which it will pay interest at a rate of 9.4 percent. The Company will receive interest based on LIBOR (the weighted average rate at year end was 3.4 percent).

During 1990, the Company entered into four 5-year interest rate swap agreements for an aggregate of $100 million under which it will pay a weighted average rate of 9.0 percent. The Company will receive interest based on LIBOR (the weighted average rate at year end was 3.5 percent). The fair value of all interest rate swap agreements at the end of 1993 was estimated by obtaining dealer quotes and was a net liability of approximately $13 million.

During 1989, the Company entered into two agreements with a domestic bank which effectively set interest rate limits on $35 million of the Company's short-term borrowings. The interest rate collars, which were effective June 1989, limit the interest rate to a range of 7 to 11 percent through June 1994. The fair value of these agreements at the end of 1993 was estimated based on dealer quotes and was a net liability of approximately $1 million.

The counterparties to forward exchange contracts, interest rate swaps and interest rate collars 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 losses.

At the end of 1993, the Company had letters of credit outstanding totaling $23 million which guaranteed various trade activities. The aggregate contract amount of all outstanding letters of credit approximates fair value.

During 1989, the Company entered into an agreement with a bank whereby it has the right to sell certain accounts receivable, up to a maximum of $100 million, subject to limited recourse provisions. The Company has retained the servicing responsibility for these receivables. At the end of 1993 and 1992, $30 million of trade receivables had been sold and not yet collected under the agreement.

NOTE 4. LEASE COMMITMENTS

Minimum annual rentals on operating leases for the years 1994 to 1998 are $31.4 million, $24.3 million, $17.3 million, $11.5 million and $8.8 million, respectively.

Rent expense for 1993, 1992 and 1991 was $41.6 million, $42.2 million and $42.4 million, respectively. Rent expense for 1993 by category of property consisted of buildings (primarily office and warehouse facilities), $18.3 million; transportation equipment, $9 million; EDP and office equipment, $11.9 million; and other property, $2.4 million.

NOTE 5. TAXES BASED ON INCOME

Taxes based on income were as follows:

(In millions)	1993	1992	1991
Currently payable:			
U.S. Federal tax	$ 36.2	$40.6	$ 1.8
State taxes	6.2	6.4	3.9
Foreign taxes	18.9	6.6	(1.5)
	61.3	53.6	4.2
Deferred:			
Domestic taxes	(7.1)	(3.1)	28.7
Foreign taxes	(5.3)	(.4)	8.9
	(12.4)	(3.5)	37.6
	$ 48.9	$50.1	$41.8

The deferred tax expense in 1992 resulted primarily from pension and restructuring costs, net of depreciation. The deferred tax expense in 1991 was primarily attributable to restructuring costs, accrued expenses not currently deductible and depreciation.

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)	1993	1992	1991
Computed tax at 35% for 1993 and 34% for 1992 and 1991 of income before taxes	$ 46.3	$ 44.3	$ 35.6
Increase (decrease) in taxes resulting from:			
State taxes, net of federal tax benefits	4.0	4.2	2.6
Other items, net	(1.4)	1.6	3.6
	$ 48.9	$ 50.1	$ 41.8

Consolidated income before taxes for domestic and foreign operations was as follows:

(In millions)	1993	1992	1991
Domestic	$ 88.0	$ 90.5	$ 89.8
Foreign	44.2	39.7	15.0
	$132.2	$130.2	$104.8

U.S. income taxes have not been provided on retained earnings of foreign subsidiaries ($235 million at year end 1993) because such earnings are considered to be reinvested indefinitely or because U.S. income taxes on dividends received would not be significant, as they would be substantially offset by foreign tax credits.

Operating loss carryforwards for foreign subsidiaries aggregating $59.8 million are available to reduce income taxes payable for tax purposes, of which $35.5 million will expire over the period from 1994 through 2001, while $24.3 million can be carried forward indefinitely.

Statement of Financial Accounting Standard ("SFAS") No. 109 was adopted as of the beginning of 1993 and supersedes the Company's previous practice of accounting for income taxes under APB No. 11. In accordance with SFAS No. 109, deferred income taxes for 1993 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. SFAS No. 109 requires the use of the statutory tax rates in effect for the year in which the differences are expected to reverse and allows the establishment of certain deferred tax assets not previously recognized.

The one-time cumulative effect of adopting SFAS No. 109 increased net income in the first quarter of 1993 by $16.3 million. The primary components of the temporary differences which give rise to the Company's deferred tax assets and liabilities, at year end 1993 and as restated effective the beginning of fiscal year 1993, are as follows:

(In millions)	January 1, 1994	January 3, 1993
Accrued expenses not currently deductible	$ 34.9	$ 37.8
Net operating loss	21.4	15.3
Postretirement and postemployment benefits	9.1	8.6
Pension costs	4.7	5.7
Restructuring costs	2.7	4.0
Valuation allowance	(14.9)	(11.1)
Deferred tax assets	57.9	60.3
Depreciation	(60.4)	(74.8)
Other items, net	(.1)	(2.6)
Deferred tax liabilities	(60.5)	(77.4)
Total net deferred tax liabilities	$ (2.6)	$(17.1)

NOTE 6. SHAREHOLDER'S EQUITY

The Company's Certificate of Incorporation authorizes five million shares of $1 par value preferred stock, with respect to which the Board of Directors may fix the series and terms of issuance, and 200 million shares of $1 par value voting common stock.

The Board of Directors has authorized the repurchase of an aggregate 10.2 million shares of the Company's outstanding common stock. The acquired shares will be held as treasury stock and may be reissued under the Company's stock option and incentive plans. At year end 1993, approximately 6.7 million shares had been repurchased.

The Company maintains various stock option and incentive plans, including the 1988 Non-Employee Director Stock Option Plan and the 1990 Stock Option and Incentive Plan for Key Employees ("1990 Option Plan"). In addition, certain key executives are eligible to receive grants of stock options under the 1990 Option Plan pursuant to the Company's Key Executive Long-Term Incentive Plan. Under the plans, incentive stock options may be granted at not less than 100% of the fair market value of the Company's common stock on the date of the grant, whereas nonqualified options may be issued at prices no less than par value. Options that are not exercised expire ten years from the date of grant. Shares available for grant at the end of 1993 were 370,656. Compensation expense is recorded by the Company in an amount equal to the excess, if any, of the market value of the Company's common stock on the date of the grant over the exercise price of the option. The following table sets forth stock option information relative to all plans:

(In thousands, except per share amounts)	1993	1992	1991
Options outstanding, beginning of fiscal year	4,189.2	3,975.3	3,931.7
Options granted	614.9	727.9	629.0
Options exercised	(307.8)	(508.8)	(445.5)
Options cancelled/expired	(98.0)	(5.2)	(139.9)
Options outstanding, end of fiscal year	4,398.3	4,189.2	3,975.3
Options exercisable, end of fiscal year	2,750.4	2,490.2	2,366.8
Option prices per share:			
Exercised	$ 9.52 to $28.00	$5.80 to $24.78	$ .89 to $23.56
Outstanding	12.22 to 28.00	9.52 to 28.00	5.80 to 28.00
Exercisable	12.22 to 28.00	9.52 to 28.00	5.80 to 28.00

During 1988, the Company issued preferred stock purchase rights, declaring a dividend of one such right on each outstanding share of common stock. 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 $95.00 per one one-hundredth of a share until July 1998. 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 30 percent or more of the Company's common stock, except in one transaction raising the acquiror's interest to 85 percent or more pursuant to a cash-for-all-shares tender offer, each right entitles the holder to purchase the Company 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 and 30 percent thresholds may be reduced by the Company to as low as 15 percent at any time prior to a person's acquiring a percent of Company stock equal to the lowered threshold.

NOTE 7. LITIGATION

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

As of January 31, 1994, the Company had been designated by the U.S. Environmental Protection Agency ("EPA") and/or other responsible state agencies as a potentially responsible party ("PRP") at 17 waste disposal or waste recycling sites which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination. Litigation has been initiated by a governmental authority with respect to four 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 where it is probable that a loss will be incurred and the 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.

NOTE 8. EMPLOYEE RETIREMENT PLANS

DEFINED BENEFIT PLANS

The Company and its subsidiaries sponsor a number of defined benefit plans covering substantially all domestic employees, employees in certain foreign 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 such 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 Avery Dennison's domestic defined benefit plan are paid in part from an employee stock ownership plan. The net pension cost and the status of the defined benefit plans for 1993, 1992 and 1991 are summarized as follows:

Net Pension Cost	Domestic Plans			Foreign Plans		
(In millions)	1993	1992	1991	1993	1992	1991
Service cost	$ 6.2	$ 5.8	$ 6.6	$ 4.0	$ 3.5	$ 2.8
Interest cost	16.8	16.2	16.2	6.9	6.2	5.2
Return on plan assets	(30.4)	(21.1)	(45.6)	(15.2)	(9.3)	(9.5)
Net amortization and deferral	8.4	.1	26.1	5.6	(.4)	--
Net pension cost (income)	$ 1.0	$ 1.0	$ 3.3	$ 1.3	--	$ (1.5)
Assumptions used:						
Weighted average discount rate	7.2%	8.0%	8.0%	7.6%	8.6%	9.2%
Weighted average rate of increase in future compensation levels	5.1	5.5	5.5	5.5	5.1	5.1
Weighted average expected long-term rate of return on assets	10.5	10.5	10.5	9.1	9.1	9.1

Status of Fully Funded Pension Plans	Domestic Plans		Foreign Plans	
(In millions)	1993	1992	1993	1992
Actuarial present value of:				
Vested benefits	$108.0	$ 98.6	$ 64.2	$ 47.6
Non-vested benefits	.9	.2	--	--
Accumulated benefit obligation	108.9	98.8	64.2	47.6
Effect of projected future salary increases	--	19.0	24.3	23.5
Projected benefit obligation	108.9	117.8	88.5	71.1
Plan assets at fair value	149.0	137.5	104.5	96.0
Plan assets in excess of projected benefit obligation	40.1	19.7	16.0	24.9
Unrecognized net (gain) loss	(19.7)	(20.7)	20.5	1.3
Unrecognized prior service cost	(17.9)	2.0	1.1	.8
Unrecognized net asset at year end	(5.5)	(6.0)	(20.9)	(22.8)
(Accrued) prepaid pension cost	$ (3.0)	$ (5.0)	$ 16.7	$ 4.2

Status of Underfunded Pension Plans (In millions)	Domestic Plans 1993	Domestic Plans 1992	Foreign Plans 1993	Foreign Plans 1992
Actuarial present value of:				
Vested benefits	$115.9	$ 90.8	$ 5.1	$15.4
Non-vested benefits	.9	1.4	--	--
Accumulated benefit obligation	116.8	92.2	5.1	15.4
Effect of projected future salary increases	8.6	8.2	.8	2.4
Projected benefit obligation	125.4	100.4	5.9	17.8
Plan assets at fair value	89.8	84.2	5.3	15.4
Plan assets less than projected benefit obligation	(35.6)	(16.2)	(.6)	(2.4)
Unrecognized net loss	18.6	10.0	1.3	4.5
Unrecognized prior service cost	10.4	1.9	.4	1.1
Unrecognized net asset at year end	(2.1)	(2.3)	(.4)	(1.5)
Adjustment to recognize minimum liability	(18.2)	(2.7)	--	--
(Accrued) prepaid pension cost	$(26.9)	$ (9.3)	$ .7	$ 1.7

As a result of lowering the discount rates in 1993, the Company has recorded an additional liability of $18.2 million. This amount is offset by a charge to equity of $8.9 million and the recording of an intangible pension asset of $9.3 million. Consolidated pension expense for 1993, 1992 and 1991 was $4.8 million, $4.6 million and $5.7 million, respectively.

DEFINED CONTRIBUTION PLANS

The Company sponsors various defined contribution plans covering its domestic employees, including two 401(k) savings plans. With respect to the two 401(k) savings plans, the Company matches participant contributions based on formulas within the individual plans. The Avery Dennison Corporation Employee Savings Plan ("Savings Plan") has a leveraged employee stock ownership plan feature ("ESOP II") 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 ESOP II to participant accounts.

The Company also maintains a leveraged employee stock ownership plan ("ESOP I") for employees not covered by a collective bargaining agreement. ESOP I also borrowed funds to purchase shares of the Company's common stock at market prices.

ESOP expense is calculated using both the cost of shares allocated method and the cash flow method. The following table sets forth certain information relating to the Company's ESOPs on a combined basis.

(In millions)	1993	1992	1991
Interest expense	$ 3.1	$ 3.8	$ 6.0
Dividends on ESOP shares used for debt service	2.6	3.0	4.2
Total ESOP expense	5.8	5.9	10.0
Contributions to pay interest and principal on ESOP borrowings	5.1	3.6	8.6

Consolidated expense for all defined contribution plans, including total ESOP expense, for 1993, 1992 and 1991 was $10.4 million, $11.6 million and $12.5 million, respectively.

OTHER POSTRETIREMENT BENEFITS

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 domestic retirees over the age of 65. The Company adopted SFAS No. 106 Employers' Accounting for Postretirement Benefits Other Than Pensions as of the beginning of fiscal 1993. The accounting standard requires the accrual of the cost of providing certain postretirement benefits over the employees years of service, rather than accounting for such costs on a pay-as-you-go (cash) basis. The Company elected to immediately recognize the accumulated postretirement benefit obligation and recorded a one-time cumulative charge of $23 million ($14.2 million, net of tax) upon implementation of the accounting standard. The cumulative charge represents the benefits earned by active and retired employees prior to 1993.

The following table sets forth the Company's unfunded obligation and amount recognized in the consolidated balance sheet as of year end 1993:

(In millions)	1993
Actuarial present value of benefit obligation:	
Retirees	$ (7.7)
Fully eligible participants	(6.8)
Other active participants	(15.3)
Accumulated postretirement benefit obligation	(29.8)
Plan assets at fair value	--
Accumulated postretirement benefit obligation in excess of plan assets	(29.8)
Unrecognized net loss	3.7
Unrecognized prior service cost	1.5
Accrued postretirement benefit obligation	$(24.6)
Net periodic postretirement benefit expense for 1993 includes the following components:	
Service cost	$ .9
Interest cost	1.8
Net periodic postretirement benefit expense	$ 2.7

A health care cost trend rate of 14 percent was assumed for 1993 and will decline 1 percent annually to 6 percent by 2001 and remain at that level. The discount rate assumed was 7.25 percent. A 1 percent increase in the health care cost trend rate would cause the accumulated postretirement benefit obligation to increase by $3.9 million and service and interest cost to increase by $.4 million.

POSTEMPLOYMENT BENEFITS

The Company provides postemployment benefits to certain former and inactive employees. The Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits" as of the beginning of fiscal 1993. The accounting standard requires the accrual of the cost of postemployment benefits over the employees' years of service rather than accounting for such costs on a cash basis. A one-time cumulative adjustment of $1.5 million ($1 million, net of tax) was recognized as of the beginning of fiscal 1993. The incremental costs of adopting this statement are insignificant on an ongoing basis.

NOTE 9. SEGMENTS OF BUSINESS OPERATIONS

The Company operates in three principal industry segments: the production of pressure-sensitive adhesives and materials; the production of office products; and the production of product identification and control systems.

Intersegment sales are recorded at or near market prices and are eliminated in determining consolidated sales. Income from operations represents total revenue less operating expenses. General corporate expenses, interest expense and taxes on income are excluded from the computation of income from operations. During 1993, the Company adopted a revised allocation methodology which more fully allocates corporate administrative expenses to each segment. The effect of this revised methodology increased expenses allocated to the three segments by $40.4 million, $41.0 million and $39.7 million during 1993, 1992 and 1991, respectively. The Company also realigned certain operating units among segments during 1993. As a result, certain prior year amounts have been reclassified to conform with current year presentation.

Financial information by industry and geographic segment is set forth below:

(In millions)	1993	1992	1991
Sales:			
Pressure-sensitive adhesives and materials	$1,341.4	$1,328.3	$1,215.9
Office products	778.0	777.4	775.0
Product identification and control systems	580.4	612.7	618.1
Intersegment	(91.1)	(95.5)	(82.7)
Divested operations	--	--	18.8
Net sales	$2,608.7	$2,622.9	$2,545.1
Income from operations before taxes:			
Pressure-sensitive adhesives and materials	$ 122.9	$ 111.7	$ 79.0
Office products	53.4	77.9	70.6
Product identification and control systems	29.3	15.2	23.7
Divested operations	--	--	(1.1)
	205.6	204.8	172.2
Corporate administrative and research and development expenses	(30.2)	(32.3)	(29.9)
Interest expense	(43.2)	(42.3)	(37.5)
Income before taxes and accounting changes	$ 132.2	$ 130.2	$ 104.8
Identifiable assets by industry segment:			
Pressure-sensitive adhesives and materials	$ 760.5	$ 754.7	$ 748.9
Office products	450.4	473.8	490.1
Product identification and control systems	313.7	366.9	387.7
Intersegment	(37.2)	(32.9)	(26.6)
Divested operations	--	--	22.1
Corporate	151.6	121.5	118.2
Total assets	$1,639.0	$1,684.0	$1,740.4

(In millions)	1993	1992	1991
Sales:			
United States	$1,690.5	$1,599.7	$1,537.7
Foreign	954.7	1,056.0	1,012.3
Intersegment	(36.5)	(32.8)	(23.7)
Divested operations	--	--	18.8
Net sales	$2,608.7	$2,622.9	$2,545.1
Income from operations before taxes:			
United States	$ 160.5	$ 153.8	$ 133.6
Foreign	45.1	51.0	39.7
Divested operations	--	--	(1.1)
	205.6	204.8	172.2
Corporate administrative and research and development expenses	(30.2)	(32.3)	(29.9)
Interest expense	(43.2)	(42.3)	(37.5)
Income before taxes and accounting changes	$ 132.2	$ 130.2	$ 104.8
Identifiable assets by geographic segment:			
United States	$ 833.8	$ 836.6	$ 850.5
Foreign	672.4	736.2	761.3
Intersegment	(18.8)	(10.3)	(11.7)
Divested operations	--	--	22.1
Corporate	151.6	121.5	118.2
Total assets	$1,639.0	$1,684.0	$1,740.4

The Company's foreign operations, conducted primarily in continental Europe and the United Kingdom, are on the FIFO basis of inventory cost accounting. Domestic 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.

Identifiable assets are those assets of the Company which are identifiable with the operations in each industry or geographic segment. Corporate assets consist principally of Corporate property, plant and equipment, tax related asset accounts and other non-operating assets. Intersegment receivables are eliminated in determining consolidated identifiable assets. During 1993, the Company utilized a revised allocation methodology which more fully allocated Company assets to each segment. The revised methodology decreased assets allocated to the segments by $8.4 million in 1993 and 1992 and $7.5 million in 1991. In addition, the Company realigned certain operating units among segments during 1993.

Capital expenditures and depreciation expense by industry segment are set forth below:

(In millions)	1993	1992	1991
Capital expenditures:			
Pressure-sensitive adhesives and materials	$57.1	$42.9	$ 64.6
Office products	21.7	21.4	27.0
Product identification and control systems	16.8	20.4	22.7
Divested operations	--	--	1.6
	$95.6	$84.7	$115.9
Depreciation expense:			
Pressure-sensitive adhesives and materials	$37.2	$37.8	$ 33.1
Office products	19.1	17.2	20.7
Product identification and control systems	19.3	20.6	19.3
Divested operations	--	--	3.1
	$75.6	$75.6	$ 76.2

NOTE 10. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(In millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1993/(1)/				
Net sales	$666.5	$662.2	$638.1	$641.9
Gross profit	210.0	207.2	198.9	202.0
Income before cumulative effect of changes in accounting principles	22.2	22.8	19.0	19.3
Net income	23.3	22.8	19.0	19.3
Income per share before cumulative effect of changes in accounting principles	.38	.39	.33	.34
Net income per share	.40	.39	.33	.34
1992/(1)/				
Net sales	$669.8	$667.5	$655.9	$629.7
Gross profit	210.2	219.1	207.7	201.2
Net income	20.3	22.3	18.6	18.9
Net income per share	.33	.37	.31	.32
1991/(1)(2)/				
Net sales	$659.9	$626.6	$609.2	$649.4
Gross profit	204.4	197.0	186.4	208.4
Net income	17.1	15.6	12.6	17.7
Net income per share	.28	.25	.20	.29

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/(1)/ During the fourth quarters of 1993, 1992 and 1991, certain inventories were reduced, resulting in the liquidation of LIFO inventory. The effect was to reduce cost of products sold by $4.4 million, $12.8 million and $9.2 million during 1993, 1992 and 1991, respectively.

/(2)/ Due to the Company's reporting calendar, the fourth quarter of 1991 had one more week than the fourth quarters of 1993 and 1992.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

AVERY DENNISON CORPORATION

To the Board of Directors and Shareholders of Avery Dennison:

We have audited the accompanying consolidated balance sheet of Avery Dennison Corporation and subsidiaries as of January 1, 1994 and January 2, 1993, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended January 1, 1994. 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 in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above, which appear on pages 36 through 51 of this Annual Report, present fairly, in all material respects, the consolidated financial position of Avery Dennison Corporation and subsidiaries as of January 1, 1994 and January 2, 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 1, 1994, in conformity with generally accepted accounting principles.

As discussed in Notes 1, 5, and 8 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", SFAS No. 109, "Accounting for Income Taxes" and SFAS No.112, "Employers' Accounting for Postemployment Benefits" during 1993.

/s/ COOPERS & LYBRAND
Coopers & Lybrand
Los Angeles, California
January 31, 1994

CORPORATE INFORMATION

AVERY DENNISON CORPORATION

COUNSEL
Latham & Watkins
Los Angeles

INDEPENDENT ACCOUNTANTS
Coopers & Lybrand
Los Angeles

TRANSFER AGENT--REGISTRAR
First Interstate Bank
Corporate Trust Department
P.O. Box 54163
Terminal Annex
Los Angeles, CA 90054
(800) 522-6645

ANNUAL MEETING
The Annual Meeting of Shareholders will be held at 1:30 p.m., April 28, 1994, in the Conference Center of the Avery Dennison Corporate Center, 150 North Orange Grove Boulevard, Pasadena, California.

DIVIDEND REINVESTMENT PLAN
Shareholders of record may reinvest their cash dividends in additional shares of Avery Dennison common stock at market price without the payment of any brokerage commissions, service charges, or other expenses.

Shareholders can also invest optional cash payments of up to $3,000 per month in Avery Dennison common stock at market price.

Avery Dennison investors not yet participating in the plan, as well as brokers and custodians who hold Avery Dennison common stock for clients, may obtain a copy of the plan by writing to First Interstate Bank, Attn. Dividend Reinvestment Services. P.O. Box 60975, Los Angeles, CA 90060, (800) 522-6645. Avery Dennison absorbs all costs of operating the plan.

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
150 North Orange
Grove Boulevard
Pasadena, California 91103
(818) 304-2000
Mailing Address:
P.O. Box 7090
Pasadena, California
91109-7090
Fax: (818) 792-7312

INVESTOR RELATIONS CONTACT
Wayne H. Smith
(818) 304-2000

STOCK AND DIVIDEND DATA
Common shares of Avery Dennison are listed on the New York and Pacific stock exchanges. Ticker Symbol: AVY.

	1993		1992	
	High	Low	High	Low
MARKET PRICE				
First Quarter	29	25 1/2	27 3/8	23 1/4
Second Quarter	31 1/8	28 1/2	28 1/2	25 7/8
Third Quarter	29 3/4	25 3/4	28 1/2	25
Fourth Quarter	29 7/8	25 3/4	28 7/8	23 7/8

Prices shown represent closing prices on the NYSE.

	1993	1992
DIVIDENDS PER SHARE		
First Quarter	.22	.20
Second Quarter	.22	.20
Third Quarter	.22	.20
Fourth Quarter	.24	.22

Number of shareholders of record at year end 1993: 9,591

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

		JURISDICTION IN WHICH ORGANIZED	PERCENTAGE OF OWNERSHIP
1.	Avery Dennison Corporation (publicly-owned parent of consolidated group)	Delaware	
2.	Avery Corp.	Delaware	100% by 1
3.	Avery Pacific Corporation	California	100% by 1
4.	Avery International Holding GmbH	Germany	100% by 1
5.	Avery, Inc	California	100% by 1
6.	Avery Foreign Sales Corporation B.V	Netherlands	100% by 1
7.	Avery Coordination Center N.V	Belgium	100% by 45
8.	Avery International Overseas Finance N.V	Netherlands	100% by 2
9.	Avery Holding Limited	United Kingdom	44% by 1 56% by 63
10.	Cardinal Insurance Limited	Bermuda	100% by 1
11.	AEAC, Inc.	Delaware	100% by 1
12.	Avery Dennison Canada Inc	Canada	55% by 1 45% by 63
13.	Fasson Sverige AB	Sweden	100% by 1
14.	Avery Etiketsystemer A/S	Denmark	100% by 1
15.	Avery Etiketten B.V	Netherlands	100% by 28
16.	Avery International France S.A.	France	100% by 54
17.	Avery Etiketten N.V.	Belgium	100% by 45
18.	Avery Dennison U.K. Limited	United Kingdom	100% by 9
19.	Avery Maschinen GmbH	Germany	85% by 4
20.	Avery Label Limited	Ireland	100% by 1
21.	Retail Products Limited	Ireland	100% by 20
22.	Avery Dennison Office Products U.K. Ltd.	United Kingdom	100% by 9
23.	Avery Guidex Limited	United Kingdom	100% by 22
24.	A.V. Chemie A.G	Switzerland	100% by 34
25.	Dennison Sverige AB	Sweden	100% by 53
26.	Avery Etikettier-Logistik GmbH	Germany	100% by 4
27.	Soabar Systems (Hong Kong) Limited	Hong Kong	100% by 94
28.	Fasson Nederland B.V	Netherlands	86% by 1 13% by 2 1% by 63
29.	Avery Holding B.V	Netherlands	100% by 28
30.	Fasson Deutschland GmbH	Germany	100% by 4
31.	Fasson France S.a.r.l	France	100% by 54
32.	Fasson Italia S.p.A	Italy	95% by 1 5% by 2

		JURISDICTION IN WHICH ORGANIZED	PERCENTAGE OF OWNERSHIP
33.	Fasson de Mexico S.A.	Mexico	100% by 1
34.	Fasson Schweiz AG	Switzerland	100% by 1
35.	Fasson Scandinavia A/S	Denmark	100% by 53
36.	Fasson Products (Proprietary) Limited	South Africa	100% by 1
37.	Fasson Hemel Hempstead Limited	United Kingdom	100% by 9
38.	Fasson Norge A/S	Norway	100% by 1
39.	Fasson Osterreich GmbH	Austria	100% by 1
40.	Fasson Ireland Limited	Ireland	100% by 1
41.	Fasson Suomi OY	Finland	100% by 1
42.	Fasson Pty. Limited	Australia	100% by 1
43.	Avery Properties Pty. Limited	Australia	100% by 1
44.	Fasson Produtos Adesivos Limitada	Brazil	100% by 1
45.	Avery Specialty Tape Division N.V	Belgium	100% by 1
46.	Fasson Canada Inc	Canada	100% by 1
47.	Fasson U.K. Limited	United Kingdom	100% by 9
48.	Fasson Espana S.A.	Spain	100% by 1
49.	Avery Automotive Limited	United Kingdom	100% by 9
50.	Fasson Self-Adhesive Materials South East Asia (Pte) Ltd	Singapore	100% by 1
51.	Avery Myers Limited	United Kingdom	100% by 9
52.	Avery Graphic Systems, Inc.	Delaware	100% by 1
53.	Dennison Danmark A/S	Denmark	100% by 63
54.	Avery Holding S.A.	France	14% by 1
			86% by 63
55.	Avery de Mexico S.A. de C.V	Mexico	100% by 1
56.	Fasson Luxembourg S.A.	Luxembourg	100% by 29
57.	Guidex Limited	United Kingdom	100% by 22
58.	Swindon Letter File Company Limited	United Kingdom	100% by 22
59.	Novexx Modul Vertriebs GmbH	Germany	100% by 4
60.	Avery Etikettsystem Svenska AB	Sweden	100% by 14
61.	Fasson Belgie N.V.	Belgium	100% by 45
62.	Security Printing Division, Inc	Delaware	100% by 1
63.	Dennison Manufacturing Company	Nevada	100% by 1
64.	Dennison Far East (Hong Kong) Limited	Hong Kong	50% by 63
			50% by 70
65.	Avery Dennison Holdings Limited	Australia	100% by 63
66.	Avery Dennison Australia Limited	Australia	100% by 65
67.	Avery Dennison Retail Limited	Australia	100% by 65
68.	Dennison Limited	United Kingdom	100% by 9

		JURISDICTION IN WHICH ORGANIZED	PERCENTAGE OF OWNERSHIP
69.	Metallised Films & Papers Ltd........................	United Kingdom	100% by 9
70.	Dennison International Company.......................	Massachusetts	100% by 63
71.	Dennison de Mexico S.A. de C.V.	Mexico	87.5% by 70
72.	Dennison do Brasil Industria e Comercio Ltda.........	Brazil	90% by 70 5% by 80
73.	TIADECO Participacoes Ltda...........................	Brazil	100% by 70
74.	Indumarco Comercial Ltda.............................	Brazil	100% by 73
75.	Dennison International Holding B.V...................	Netherlands	82% by 77 18% by 63
76.	Avery Dennison Korea Limited.........................	Korea	100% by 12
77.	Dennison Manufacturing (Trading) Ltd.................	United Kingdom	100% by 63
78.	Dennison Monarch Systems, Inc.	Delaware	100% by 63
79.	Avery Dennison Office Products Company...............	Nevada	100% by 63
80.	Dennison Transoceanic Corporation....................	Massachusetts	100% by 63
81.	DMC Development Corporation..........................	Nevada	100% by 63
82.	Doret S.A..	France	100% by 54
83.	Establissements Chevalerias S.A......................	France	20% by 54 80% by 82
84.	Societe Civile Immobiliere Sarrail...................	France	100% by 82
85.	Monarch Industries, Inc..............................	New Jersey	100% by 63
86.	Avery Buroprodukte GmbH..............................	Germany	100% by 4
87.	Transformer Materials Company........................	Missouri	100% by 63
88.	National Blank Book Company, Corp.	Massachusetts	100% by 63
89.	Dennison Ireland Limited.............................	Ireland	88% by 75 11% by 82
90.	Avery Label (Northern Ireland) Limited...............	United Kingdom	100% by 9
91.	Dennison Office Products Limited.....................	Ireland	100% by 89
92.	Dennison Magnetic Media Limited......................	Ireland	100% by 89
93.	Etikettrykkeriet A/S.................................	Denmark	100% by 14
94.	Soabar Systems Hong Kong B.V.	Netherlands	100% by 28
95.	Avery Dennison, C.A.	Venezuela	100% by 1
96.	Avery Dennison Mexico S.A. de C.V.	Mexico	100% by 1
97.	Fasson Portugal Produtos Auto-Adesivos Lda.	Portugal	97% by 1 3% by 28

All of the preceding subsidiaries have been consolidated in the Registrant's financial statements and no separate financial statements have been filed.

The parent company also owns 50% of Avery-Toppan Company, Limited (Japan), which company may be deemed to be a subsidiary. Registrant's share of the losses and profits is included on an equity basis in the Consolidated Statement of Income.