

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 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 95-1492269
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

150 NORTH ORANGE GROVE BOULEVARD, 91103
PASADENA, CALIFORNIA (Zip Code)
(Address of principal executive offices)

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

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 24, 1995, was approximately \$1,845,860,130.

Number of shares of common stock, \$1 par value, outstanding as of February 24, 1995: 53,345,232.

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

DOCUMENT	INCORPORATED BY REFERENCE INTO:
Annual Report to Shareholders for fiscal year ended December 31, 1994 (the "1994 Annual Report")	PARTS I, II
Definitive Proxy Statement for Annual Meeting of Stockholders to be held April 27, 1995 (the "1995 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, 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.

International operations, principally in Western Europe, constitute a significant portion of the Company's business. In addition, the Company is currently expanding operations in Asia Pacific and Latin America. Aside from certain risks normally attending international operations, such as currency fluctuation, exchange control regulations and the effect of international relations and domestic affairs of non-U.S. 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 business risks which would have a material adverse effect on the Company.

The Company manufactures and sells its products from 200 manufacturing facilities and sales offices located in 27 countries, and employs a total of approximately 15,400 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 U.S. office products sector 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 sectors--Pressure-Sensitive Adhesives and Materials, Office Products, and Converted Products (formerly Product Identification and Control Systems). The Company's operations within each of these three sectors are further divided organizationally into various groups, each consisting of divisions which manufacture products similar in nature or sell to similar markets.

PRESSURE-SENSITIVE ADHESIVES AND MATERIALS SECTOR

These units manufacture and sell Fason- and Avery-brand pressure-sensitive base materials generally in unconverted form, and include Materials North America, European Operations, Automotive and Graphic Systems, Specialty Tape Divisions and Chemical Divisions. Base materials consist primarily 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, South America, Australia and Asia Pacific) and European Operations (including a unit in 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 a variety of films and other products to the worldwide automotive, architectural, printing and graphics markets. These units sell durable cast and reflective films to the construction, fleet transportation, sign and industrial equipment markets, and retroreflective films for government and traffic applications. In converted form, these products and the Company's Dry Paint products, including Avloy and Avcoat, are supplied to automotive original equipment manufacturers. In addition, these units sell specialty print-receptive films to the industrial label and office products markets, metallic dispersion products to the packaging industry and proprietary woodgrain film laminates for housing exteriors.

The Specialty Tape Divisions sell specialty tapes and bonding materials to industrial and medical converters and original equipment manufacturers, and to disposable-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 SECTOR

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 and ink-jet printer labels and software, binders, dividers, presentation and organizing systems (including indexing and tabbing guides), adhesive products, marking devices and numerous other office products. These units produce the Avery-brand line of stock self-adhesive products, including copier, laser and ink-jet labels and related software; laser-printer card and index products; unprinted labels; correction tape; file folder, color-coding and data-processing labels; notebooks; notebook and presentation dividers; three-ring binders; sheet protectors; and various vinyl and heat-sealed products. These operations also manufacture and sell a wide range of stationery products, including felt-tip markers, adhesives and specialty products under brand names such as Avery, Marks-A-Lot, Carter's and HI-LITER, and accounting products, note pads and business forms under the Avery and National brand names.

Office products units in the United Kingdom also manufacture and distribute 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, and a wide range of manila files, folders and wallets, lever arch files, suspension files and project covers under the Avery Myers and Avery Guidex brand names. Office products units in France produce a line of Doret- and Cheval-brand binder and document protection products.

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.

CONVERTED PRODUCTS SECTOR (FORMERLY PRODUCT IDENTIFICATION AND CONTROL SYSTEMS)

Converted products 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 European Operations, 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 sector directly to manufacturers and packagers, as well as through international subsidiaries, distributors and licensees. The business of these units is not seasonal.

The European Operations group manufactures and sells a wide range of custom 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, laser and ink-jet 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, 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 the European Operations 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. Self-adhesive stamps are also produced for the U.S. and international postal services.

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, assemble and sell integrated shipping and receiving systems. Principal markets include apparel, retail and industrial companies for identification, tracking and control applications principally in North America, Europe and Asia Pacific. 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 non-U.S. 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 are probably the most important factors in developing and maintaining the various units' competitive position.

ASIA PACIFIC GROUP

The Asia Pacific Group was created in 1994 to strengthen and expand the Company's presence in the Asia Pacific region. Divisions in the Group are included in the three industry sectors described above for financial reporting purposes. 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 promotional and price marking bar-coded tags and labels for the Asian garment industry; Avery Dennison Australia, which manufactures office product labels, variable-information printed labels and Therimage-brand decorating systems for distribution in the Asia Pacific region; and Avery Korea, which manufactures and 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. The Company is also constructing a base materials manufacturing plant, located near Shanghai, China, which is expected to begin production in the second half of 1995.

RESEARCH AND DEVELOPMENT

Many of the Company's current products are the result of its own research and development efforts. The Company expended \$49.1 million, \$45.5 million and \$46.7 million in 1994, 1993 and 1992, 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 sectors, and cannot readily be allocated among such sectors. In addition, many such expenditures are for products and projects at a relatively early stage of development, and the sector 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 sectors are approximately proportional to the percentages of Company sales represented by each such sector.

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 sector 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 sectors, except those referred to above.

THREE YEAR SUMMARY OF SECTOR INFORMATION

The Business Sector Information attributable to the Company's operations for the three years ended December 31, 1994, which appears in Note 9 of Notes to Consolidated Financial Statements on pages 46 and 47 of the 1994 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 and Greenfield, Indiana; Rancho Cucamonga, California; Rodange, Luxembourg; Turnhout, Belgium; Hazerswoude, Holland; and Cramlington, England facilities, as well as other plants in the United States, Australia, Brazil, France, Germany, Korea and Mexico.

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

For information regarding the Company's potential responsibility for cleanup costs at certain hazardous waste sites, see "Legal Proceedings" (Part I, Item 3) and "Management's Discussion and Analysis of 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 370,000 square feet and totaling over 5 million square feet. The following sets forth the locations of such principal facilities and the business sectors for which they are presently used:

PRESSURE-SENSITIVE ADHESIVES AND MATERIALS SECTOR

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

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

OFFICE PRODUCTS SECTOR

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

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

CONVERTED PRODUCTS SECTOR

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, although the Company intends to expand capacity to meet future increased demand. 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.

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 sixteen 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 three 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 opinion of the Company's management, the resolution of these matters will not materially affect the financial position, results of operations or liquidity of the Company.

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

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

EXECUTIVE OFFICERS OF THE REGISTRANT*

NAME ----	SERVED AS AGE OFFICER SINCE -----	FORMER POSITIONS AND OFFICES WITH REGISTRANT -----
Charles D. Miller Chairman and Chief Executive Officer (Also Director of Registrant)	67 May 1965	1964-1983 Various positions of increasing responsibility
Philip M. Neal President and Chief Operating Officer (Also Director of Registrant)	54 January 1974	1974-1990 Various positions of increasing responsibility 1990 Executive Vice President
R. Gregory Jenkins Senior Vice President, Finance and Chief Financial Officer	58 July 1981	1974-1988 Various positions of increasing responsibility
Alan J. Gotcher Senior Vice President, Manufacturing and Technology	45 November 1984	1984-1990 Vice President, Corporate Research

*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 -----	SERVED AS AGE OFFICER SINCE -----	FORMER POSITIONS AND OFFICES WITH REGISTRANT -----
Kim A. Caldwell Senior Group Vice President, Worldwide Materials	47 June 1990	1974-1985 Various positions of increasing responsibility 1985-1990 Vice President and General Mgr., Fasson Roll Div. (U.S.)
Donald L. Thompson Group Vice President, Office Products	54 October 1993	1973-1988 Various positions of increasing responsibility 1988-1993 V.P. and General Manager, Commercial Products Division 1993 V.P., Sales and Customer Operations, North America
Geoffrey T. Martin Senior Vice President, European Operations	40 January 1994	1986-1988 Managing Director, Label Systems 1988-1992 V.P. and General Manager, Label Systems UK and Ireland 1992-1993 V.P., Office Products Group Europe 1993-1994 Group Vice President, Converting and Office Products Europe
James E. Shaw Group Vice President, Automotive and Graphic Systems	63 February 1994	1986-1991 V.P. and General Manager, Graphic Systems Division 1991-1994 V.P. and General Manager, Automotive and Graphic Systems Divisions
Robert D. Fletcher Group Vice President, Asia Pacific	59 March 1976	1967-1988 Various positions of increasing responsibility 1988-1993 Group Vice President, International Converting Group
Bent Lindner Vice President, Roll Materials and Converting Europe	51 December 1991	1981-1989 General Manager, Label Systems, Denmark 1989-1991 V.P., General Manager, Label Systems (France) 1991-1994 Group Vice President, Materials Europe
Wayne H. Smith Vice President and Treasurer	53 June 1979	None
Gary A. McCue Vice President, Strategic Value Development	58 November 1987	1987-1994 Vice President and Controller 1994 Vice President, Corporate Value Planning and Development

*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 -----	SERVED AS AGE OFFICER SINCE -----	FORMER POSITIONS AND OFFICES WITH REGISTRANT -----
Robert G. van Schoonenberg Vice President, General Counsel and Secretary	48 December 1981	None
Diane B. Dixon Vice President, Corporate Communications	43 December 1985	1982-1985 Director of Communications
Thomas E. Miller Vice President and Controller	47 March 1994	1973-1989 Various positions of increasing responsibility 1989-1990 Assistant Controller, Business Operations 1990-1993 Assistant Controller 1993-1994 V.P. and Assistant Controller
James L. Fletcher Vice President, Customer Service and Logistics	53 June 1993	1988-1991 Senior Manufacturing Systems Consultant 1991-1993 V.P., Customer Logistics
Paul B. Germeraad Vice President and Director, Corporate Research	47 May 1991	**1989-1991 Director, Flexible Packaging Technical Group, James River Corporation
Johan J. Goemans Vice President, Management Information Systems	51 October 1992	1975-1984 Various positions of increasing responsibility 1984-1990 Director of MIS, Materials Group U.S. 1991-1992 Director of Distribution and Logistics, Fasson Roll Division U.S.
Susan B. Garelli Vice President, Human Resources	43 October 1994	**1987-1991 V.P., Human Resources, Columbia Pictures Entertainment, Inc. **1991-1993 Senior V.P., Human Resources and Corporate Communications, JWP, Inc. **1993-1994 Consultant, JWP, Inc.

*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.

PART II

ITEM 5. MARKET FOR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The information called for by this item appears on page 52 of Registrant's 1994 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 1994 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

	1994	1993	1992

	(DOLLARS IN MILLIONS)		
Net sales.....	\$2,856.7	\$2,608.7	\$2,622.9
Cost of products sold.....	1,948.9	1,790.6	1,784.7

Gross profit.....	907.8	818.1	838.2
Marketing, general and administrative expense.....	691.9	642.7	665.7

Operating profit.....	\$ 215.9	\$ 175.4	\$ 172.5
Gross profit margin as a percent of sales.....	31.8	31.4	32.0
Operating profit as a percent of sales.....	7.6	6.7	6.6

Sales increased to a record \$2.86 billion in 1994, a 10 percent increase over 1993 sales of \$2.61 billion. Changes in foreign currency had little effect on 1994 total year sales. Sales during 1993 reflected a decrease of less than 1 percent from 1992 sales of \$2.62 billion. Excluding the impact of changes in foreign currency, 1993 sales increased 2 percent over 1992. Each of the Company's 1994, 1993 and 1992 fiscal years had 52 weeks.

Gross profit margins for the years ended 1994, 1993 and 1992 were 31.8 percent, 31.4 percent and 32 percent, respectively. The improved gross profit margin during 1994 was primarily due to productivity improvements throughout the Company and an improved product mix on increased sales. The gross profit margin increased despite plant start-up costs for a number of large facilities, rising raw material prices for all business sectors and almost no benefit from the reduction of LIFO inventories in 1994, compared to a benefit of \$11.4 million in 1993. No LIFO benefits are anticipated overall for 1995. Raw material price increases during 1994 did not materially impact gross profit margins since appropriate pricing actions were taken; additional pricing actions are planned for 1995 in anticipation of continuing raw material price increases for all business sectors. Gross margins in 1993 as compared to 1992 were negatively affected by lower average selling prices, increased promotional spending and incentives for the U.S. office products businesses, a \$6.4 million reduction in benefits from the reduction of LIFO inventories and negative currency effects within Europe.

Marketing, general and administrative expense as a percent of sales was 24.2 percent in 1994, 24.6 percent in 1993 and 25.4 percent in 1992. The improvement in 1994 was primarily attributable to cost reduction efforts throughout the Company on increased sales, and was achieved despite major investments in geographic expansion, business realignment and new product programs. The decrease in 1993 from 1992 was primarily due to companywide cost reduction efforts.

As a result of the above, operating profit as a percent of sales during 1994 increased to 7.6 percent from 6.7 percent and 6.6 percent in 1993 and 1992, respectively. Interest expense as a percent of sales was 1.5 percent in 1994, 1.7 percent in 1993 and 1.6 percent in 1992. The decrease in 1994 was due to comparable interest expense on increased sales. The increase in interest expense during 1993 compared to 1992 was due to inflationary rates of interest in Brazil.

Income before taxes, as a percent of sales, was 6.1 percent for 1994, 5.1 percent for 1993 and 5 percent in 1992. The increase in 1994 was primarily due to improved gross profit margins and lower operating expenses as a percent of sales. The effective tax rate was 36.7 percent in 1994, 37 percent in 1993 and 38.5 percent in 1992. The lower effective tax rate in 1994 was primarily due to the relative mix of U.S. and non-U.S. taxable income. The decrease in 1993 was primarily due to the composition of non-U.S. taxable income.

	1994	1993	1992

	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)		
Net income.....	\$109.4	\$84.4	\$80.1
Net income per share.....	1.97	1.46	1.33
Average shares outstanding.....	55.6	58.0	60.4

Net income increased 30 percent to \$109.4 million in 1994 compared to \$84.4 million in 1993, reflecting the Company's fourth consecutive year of improved profitability. Earnings per share reached a record high of \$1.97 in 1994 compared to \$1.46 in 1993, a 35 percent increase over the prior year. Excluding the effect of accounting changes, net income for 1993 was \$83.3 million, or \$1.44 per share. Net income was \$80.1 million, or \$1.33 per share, in 1992. Net income, as a percent of sales, was 3.8 percent, 3.2 percent and 3.1 percent in 1994, 1993 and 1992, respectively.

RESULTS OF OPERATIONS BY BUSINESS SECTOR
PRESSURE-SENSITIVE ADHESIVES AND MATERIALS

	1994	1993	1992

	(IN MILLIONS)		
Net sales.....	\$1,526.9	\$1,336.9	\$1,324.4
Income from operations before interest and taxes.....	150.7	126.4	113.0

The pressure-sensitive adhesives and materials sector reported significant sales and profitability improvements for 1994 compared to 1993. The U.S. operations reported a significant sales increase due to improved economic conditions in major markets, and revenue and unit volume growth as a result of new products and pricing actions. Solid profitability improvement was primarily due to sales growth and cost reduction programs. Improved economic conditions, pricing actions, and volume growth led to a significant sales increase for the European operations. The sales growth, coupled with productivity improvements and cost reduction programs, resulted in significant profitability increases for the European operations. The Company experienced no significant adverse effects from the Mexican currency devaluation during 1994, and effects are not expected to be significant to the Company's operating results in 1995.

In 1993, the sector reported a solid profitability improvement on a modest increase in sales compared to 1992. The U.S. operations reported significant sales and profitability growth in 1993. 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 during 1993.

OFFICE PRODUCTS

	1994	1993	1992

	(IN MILLIONS)		
Net sales.....	\$805.8	\$765.4	\$758.0
Income from operations before interest and taxes.....	63.8	55.2	79.8

The office products sector reported a solid growth in sales and profitability for 1994 compared to the prior year. In the U.S., sales and profitability increased primarily as a result of successful new products and promotional programs and an improved product mix. Profitability improved at the U.S. operations despite significantly lower benefits from the reduction of LIFO inventories in 1994 compared to 1993 and higher costs related to the consolidations of distribution warehouses and sales forces. Sales for the U.S. operations in 1995 may grow at a slower rate as the Company continues to limit growth of lower margin business and focuses on higher margin new products. The European office products businesses reported significantly improved profitability on decreased sales compared to 1993. Decreased sales were primarily due to the effects of non-core product pruning and the weak French economy in early 1994. Profitability improved significantly primarily as a result of cost reduction actions taken in previous years and an improved product mix, and was achieved despite costs related to continuous business improvement programs.

In 1993, the office products sector reported flat sales and a significant decline in profitability compared to 1992. In the U.S., increased sales from market share gains for 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 during 1993 compared to 1992. European sales and profitability declined significantly, particularly in France, due to the recessionary European economies and the negative effects of foreign currency translation.

CONVERTED PRODUCTS
(formerly Product Identification and Control Systems)

	1994	1993	1992

	(IN MILLIONS)		
Net sales.....	\$614.7	\$575.8	\$607.0
Income from operations before interest and taxes.....	34.1	25.4	13.3

The converted products sector reported significant profitability improvements on solid sales growth for 1994 compared to 1993. Profitability increased despite costs incurred to improve operations and significantly lower benefits from the reduction of LIFO inventories in 1994 compared to 1993. Sales for the Soabar and fastener businesses increased due to improving retail and apparel markets and new products. Profitability was up significantly primarily due to increased sales, coupled with the elimination of unprofitable product lines and lower operating expenses as a result of cost reduction actions. The international converting businesses reported modest sales growth and decreased profitability for 1994. The effects of an improved European economy on sales were partially offset by sales lost from the elimination of unprofitable lines of business. Profitability declined primarily as a result of costs incurred to improve operations. The U.S. label businesses reported a solid increase in sales and significant profitability gains due primarily to increased sales to the automotive, durable and consumer goods markets and lower operating expenses as a percent of sales.

In 1993, the converted products sector showed significant profitability improvement on decreased sales compared to 1992. 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. The North American label businesses reported flat sales and decreased profitability in 1993 when compared to 1992. Sector profitability was positively affected in 1993 by a greater reduction of LIFO inventories than in 1992.

FINANCIAL CONDITION

Average working capital, excluding short-term debt, as a percent of sales was 10 percent in 1994, 12.3 percent in 1993 and 15.2 percent in 1992. The decrease was primarily due to higher sales, improvement in inventory turnover and days sales outstanding in accounts receivable, and an increase in current liabilities. Average inventory turnover was 9.3 turns in 1994, 8.7 in 1993 and 7.5 in 1992; the average number of days sales outstanding in accounts receivable was 55 days in 1994, compared to 57 days in 1993 and 59 days in 1992.

Net cash flow from operating activities was \$265 million in 1994 and \$247 million in 1993. The increase in net cash flow was due primarily to a decrease in working capital and the net change in non-current deferred taxes and other long-term liabilities.

In 1994, total debt increased \$23.2 million to \$420.7 million compared to year end 1993. Total debt to total capital was 36.6 percent at year end 1994 compared to 35.6 percent a year ago. Long-term debt as a percent of total long-term capital increased to 32.3 percent at year end 1994 compared to 30.2 percent at year end 1993. During 1994, the Company issued \$100 million in principal amount of medium-term notes which have an average interest rate of 7.7 percent and maturities ranging from August 2002 through August 2004.

Shareholders' equity increased to \$729 million from \$719.1 million at year end 1993. During 1994, the Company repurchased 3.2 million shares of common stock at a cost of \$105.7 million. The cost of treasury stock held, net of shares reissued under the Company's stock option and incentive plans, at year end 1994 increased \$89.3 million to \$253.4 million from year end 1993. In January 1995, the Board of Directors authorized the repurchase of an additional five million shares of the Company's outstanding common stock for an aggregate of 15.2 million shares authorized for repurchase. As of year end 1994, an aggregate 9.9 million shares of common stock had been purchased under the cumulative authorizations.

The return on average shareholders' equity was 14.8 percent in 1994, 11 percent in 1993 and 9.7 percent in 1992. The improvements during 1994 and 1993 were primarily due to a significant increase in profitability and the Company's share repurchase program. The return on average total capital for those three years was 12.1 percent, 9.3 percent and 8.3 percent, respectively. The increases during 1994 and 1993 were primarily due to profitability improvements and more effective utilization of the Company's assets.

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 16 waste sites in which the Company has no ownership interest. Litigation has been initiated by a governmental authority with respect to three of these sites, but the Company does not believe that any such proceedings will result in the imposition of monetary sanctions. Environmental investigatory and remediation projects are also being undertaken on property presently owned by the Company. The Company has accrued liabilities for all sites where it is probable that a loss will be incurred and the amount of the loss can be reasonably estimated. However, because of the uncertainties associated with environmental assessments and remediation activities, future expense to remediate the currently identified sites, and sites which could be identified in the future for cleanup, could be higher than the liability currently accrued.

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.

The Company is currently expanding its operations in Asia Pacific and Latin America. The Company's future results are subject to the impact of fluctuations in foreign currency exchange and interest rates. To manage its exposure to these fluctuations, the Company may enter into forward exchange and interest rate contracts, where appropriate.

Capital expenditures increased to \$163.3 million in 1994 from \$100.6 million in 1993. Capital spending was accelerated in the second half of 1994 to meet increased demand, particularly in the pressure-sensitive adhesives and materials businesses. Capital expenditures for 1995 are expected to be approximately \$175 million.

Annual dividends per share increased to \$.99 in 1994 from \$.90 in 1993 and \$.82 in 1992.

During 1994, the Company experienced broad increases in raw materials prices. These inflationary pressures are expected to continue in 1995 and should be substantially offset by pricing actions and productivity improvements.

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 47 and page 49 of Registrant's 1994 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 1995 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 page 14 of the 1995 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 20 (up to the caption "The 1988 Stock Option Plan for Non-Employee Directors (Proxy Item 2)") of the 1995 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) During the fourth quarter of 1994, Registrant filed a Current Report on Form 8-K dated December 14, 1994 reporting an amendment of the Rights Agreement, dated as of June 30, 1988, between Registrant and First Interstate Bank of California (as successor to Security Pacific National Bank, by amendment), as Rights Agent.

(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 1994 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 and
 Chief Financial Officer

Dated: March 29, 1995

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 29, 1995
----- /s/ Philip M. Neal ----- Philip M. Neal	President and Chief Operating Officer; Director	March 29, 1995
----- /s/ R. Gregory Jenkins ----- R. Gregory Jenkins	Senior Vice President, Finance and Chief Financial Officer (Principal Financial Officer)	March 29, 1995
----- /s/ Thomas E. Miller ----- Thomas E. Miller	Vice President and Controller (Principal Accounting Officer)	March 29, 1995
----- /s/ Stanton Avery ----- R. Stanton Avery	Founder and Chairman Emeritus; Director	March 29, 1995
----- /s/ H. Russel Smith ----- H. Russell Smith	Chairman of the Executive Committee; Director	March 29, 1995

SIGNATURE -----	TITLE -----	DATE ----
/s/ Dwight L. Allison, Jr. ----- Dwight L. Allison, Jr.	Director	March 29, 1995
/s/ John C. Argue ----- John C. Argue	Director	March 29, 1995
/s/ Joan T. Bok ----- Joan T. Bok	Director	March 29, 1995
/s/ Frank V. Cahouet ----- Frank V. Cahouet	Director	March 29, 1995
/s/ Richard M. Ferry ----- Richard M. Ferry	Director	March 29, 1995
/s/ F. Daniel Frost ----- F. Daniel Frost	Director	March 29, 1995
/s/ Peter W. Mullin ----- Peter W. Mullin	Director	March 29, 1995
/s/ Sidney R. Petersen ----- Sidney R. Petersen	Director	March 29, 1995
/s/ John B. Slaughter ----- John B. Slaughter	Director	March 29, 1995
/s/ Lawrence R. Tollenaere ----- Lawrence R. Tollenaere	Director	March 29, 1995

EVERY DENNISON CORPORATION

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL
STATEMENT SCHEDULES

REFERENCE (PAGE)

FORM 10-K ANNUAL
ANNUAL REPORT TO
REPORT SHAREHOLDERS

Data incorporated by reference from the attached portions of the 1994 Annual Report to Shareholders of Avery Dennison Corporation:

Report of Independent Certified Public Accountants....	--	49
Consolidated Balance Sheet at December 31, 1994 and January 1, 1994.....	--	36
Consolidated Statement of Income for 1994, 1993 and 1992.....	--	37
Consolidated Statement of Shareholders' Equity for 1994, 1993 and 1992.....	--	38
Consolidated Statement of Cash Flows for 1994, 1993 and 1992.....	--	39
Notes to Consolidated Financial Statements.....	--	40-47

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 and 6, all of which is included in the 1994 Annual Report and incorporated herein by reference, the 1994 Annual Report is not to be deemed "filed" as part of this report.

Data submitted herewith:

Report of Independent Certified Public Accountants....	S-2	--
Financial Statement Schedules (for 1994, 1993 and 1992):		
II --Valuation and Qualifying Accounts and Reserves.....	S-3	--
Consent of Independent Accountants.....	S-4	--

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 49 of the 1994 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 schedule listed in the index on page S-1 of this Form 10-K.

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

COOPERS & LYBRAND L.L.P.

Los Angeles, California
January 31, 1995

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SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(IN MILLIONS)

	BALANCE AT BEGINNING OF YEAR	ADDITIONS		DEDUCTIONS-- UNCOLLECTIBLE ACCOUNTS WRITTEN OFF	BALANCE AT END OF YEAR
		CHARGED TO COSTS AND EXPENSES	FROM ACQUISITIONS		
1994					
Allowance for doubtful accounts.....	\$16.7 =====	\$7.5 =====	\$-- =====	\$5.7 =====	\$18.5 =====
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 =====

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, 33-45376 and 33-54411) 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, 1995, which appears on page 49 of the 1994 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 schedule listed in the index on page S-1.

COOPERS & LYBRAND L.L.P.

Los Angeles, California
March 29, 1995

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EVERY DENNISON CORPORATION

EXHIBIT INDEX

FOR THE YEAR ENDED DECEMBER 31, 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
(4.1)	Rights Agreement dated as of June 30, 1988.....	1	Current Report on Form 8-K filed July 9, 1988
(4.1.1)	Amendment to Rights Agreement dated as of December 9, 1994.....	1	Current Report on Form 8-K filed December 14, 1994
(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)

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
(4.6)	Officers' Certificate establishing a series of Securities entitled "Medium-Term Notes, Series B" under the Indenture, as amended by the Supplemental Indenture.....	4.1	Current Report on Form 8-K filed March 29, 1994
(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
(10.1.1)	*Form of Incentive Stock Option Agreement for use under 1973 Plan....	10.1.3	1984 Annual Report on Form 10-K
(10.1.2)	*Form of Non-Qualified Stock Option Agreement for use under 1973 Plan.....	10.1.4	1987 Annual Report on Form 10-K
(10.1.3)	*Form of coupled Stock Appreciation Right Agreement for use under 1973 Plan.....	10.1.5	1985 Annual Report on Form 10-K
(10.1.4)	1985 U.K. Stock Option Scheme.....	10.1.7	1985 Annual Report on Form 10-K
(10.1.5)	Form of Incentive Stock Option Agreement for use under U.K. Stock Option Scheme.....	10.1.8	1985 Annual Report on Form 10-K
(10.1.6)	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

*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
-----	-----	-----	-----
(10.7.2)	*Executive Employment Security Policy dated February 1, 1985.....	10.13	1984 Annual Report on Form 10-K
(10.7.3)	*Executive Employment Security Policy dated November 19, 1987.....	10.7.3	1993 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
(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
(10.10.1)	*Form of Indemnity Agreement between Registrant and certain directors and officers...	10.10.1	1993 Annual Report on Form 10-K
(10.11)	*Supplemental Executive Retirement Plan.....	10.11	1983 Annual Report on Form 10-K
(10.11.1)	*Amended Letter of Grant to C.D. Miller under Supplemental Executive Retirement Plan.....	10.11.2	1992 Annual Report on Form 10-K
(10.12.1)	*Form of Enrollment Agreement for use under Executive Deferred Compensation Plan.....	10.13.2	1985 Annual Report on Form 10-K
(10.13)	*Fourth Amended Avery Dennison Retirement Plan for Directors.....	10.13.2	1992 Annual Report on Form 10-K
(10.15)	*1988 Stock Option Plan for Non-Employee Directors ("Director Plan").	10.15	1987 Annual Report on Form 10-K
(10.16.1)	*Form of Enrollment Agreement for use under Executive Variable Deferred Compensation Plan.....	10.16.1	1987 Annual Report on Form 10-K
(10.17.1)	*Form of Enrollment Agreement for use under Directors Deferred Compensation Plan.....	10.17.2	1985 Annual Report on Form 10-K
(10.18.1)	*Form of Enrollment Agreement for use under Directors Variable Deferred Compensation Plan.....	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)	*Amendment No. 1 to 1990 Plan.....	10.19.3	1993 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

*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)
(10.27.1)	*Amended and Restated Key Executive Long-Term Incentive Plan ("LTIP").....	10.27.1	1993 Annual Report on Form 10-K
(10.28.1)	*Form of Enrollment Agreement for use under Executive Deferred Retirement Plan.....	10.28.1	1992 Annual Report on Form 10-K
(10.29)	*Executive Incentive Compensation Plan.....	10.29	1993 Annual Report on Form 10-K
(10.30)	*Senior Executive Incentive Compensation Plan.	10.30	1993 Annual Report on Form 10-K

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

SUBMITTED HERewith:

EXHIBIT NO. -----	ITEM ----
3.2	Bylaws, as amended
10.12	*Complete Restatement and Amendment of Avery Dennison Corporation Executive Deferred Compensation Plan
10.15.1	*Amendment No. 1 to 1988 Stock Option Plan for Non-Employee Directors ("Director Plan")
10.15.2	*Form of Non-Employee Director Stock Option Agreement for use under Director Plan
10.16	*Complete Restatement and Amendment of Avery Dennison Corporation Executive Variable Deferred Compensation Plan
10.17	*Complete Restatement and Amendment of Avery Dennison Corporation Directors Deferred Compensation Plan
10.18	*Complete Restatement and Amendment of Avery Dennison Corporation Directors Variable Deferred Compensation Plan
10.19.3	*Form of Non-Qualified Stock Option Agreement for use under 1990 Plan
10.19.4	*Form of Non-Qualified Stock Option Agreement for use under 1990 Plan (for LTIP Participants)
10.28	*Complete Restatement and Amendment of Avery Dennison Corporation Executive Deferred Retirement Plan
11	Statement re Computation of Net Income Per Share Amounts
13	Portions of Annual Report to Shareholders for fiscal year ended December 31, 1994
21	List of Subsidiaries
23	Consent of Independent Accountants (see page S-4)
27	Financial Data Schedule

*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]

BYLAWS
OF
AVERY DENNISON CORPORATION

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of Avery Dennison Corporation (hereinafter called the "corporation") in the State of Delaware shall be at Suite L-100, 32 Lookerman Square, City of Dover, County of Kent, and the name of the registered agent at that address shall be United States Corporation Company.

Section 2. Principal Office. The principal executive office for the transaction of the business of the corporation is hereby fixed and located in Los Angeles County, California. The board of directors is hereby granted full power and authority to change said principal executive office from one location to another within or without the State of California.

Section 3. Other Offices. The corporation may also have offices at such other places within or without the State of Delaware as the board of directors may from time to time determine, or the business of the corporation may require.

ARTICLE II

STOCKHOLDERS

Section 1. Place of Meetings. Meetings of stockholders shall be held at any place within or outside the State of Delaware designated by the board of directors. In the absence of any such designation, stockholders' meetings shall be held at the principal executive office of the corporation.

Section 2. Annual Meetings of Stockholders. The annual meeting of stockholders shall be held on the last Thursday in April of each year at 1:30 p.m. of said day, or on such other day, which shall not be a legal holiday, as shall be determined by the board of directors. Any previously scheduled annual meeting of stockholders may be postponed by resolution of the board of directors upon public notice given prior to the date previously scheduled for such annual meeting of stockholders.

Section 3. Special Meetings. A special meeting of the stockholders may be called at any time by the board of directors, or by a majority of the directors or by a committee authorized by the board to do so. Any previously scheduled special meeting of the stockholders may be postponed by resolution of the board of directors upon public notice given prior to the date previously scheduled for such special meeting of the stockholders.

Section 4. Notice of Stockholders' Meetings. All notices of meetings of stockholders shall be sent or otherwise given in accordance with Section 5 of this Article II not less than ten (10) nor more than sixty (60) days before the date of the meeting being noticed. The notice shall specify the place, date and hour of the meeting and (i) in case of a special meeting, the general nature of the business to be transacted, or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the stockholders. The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees who, at the time of the notice, management intends to present for election.

Section 5. Manner of Giving Notice; Affidavit of Notice. Notice of any meeting of stockholders shall be given either personally or by first-class mail or telegraphic or other written communication, charges prepaid, addressed to the stockholder at the address of such stockholder appearing on the books of the corporation or given by the stockholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or has been so given, notice shall be deemed to have been given if sent by first-class mail or telegraphic or other written communication to the corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where such office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

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

Section 6. Quorum. The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting of stockholders shall constitute a quorum for the transaction of business. The stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

Section 7. Adjourned Meeting and Notice Thereof. Any stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the Chairman of the meeting, but in the absence of a quorum, no other business may be transacted at such meeting, except as provided in Section 6 of this Article II.

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

Section 8. Voting. The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 11 of this Article II. Such vote may be by voice vote or by ballot, at the discretion of the Chairman of the meeting. Any stockholder entitled to vote on any matter (other than the election of directors) may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal; but, if the stockholder fails to specify the number of shares such stockholder is voting affirmatively, it will be conclusively presumed that the stockholder's approving vote is with respect to all shares such stockholder is entitled to vote. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on any matter shall be the act of the stockholders, unless the vote of a greater number or voting by classes is required by the Delaware General Corporation Law or the certificate of incorporation or the certificate of determination of preferences as to any preferred stock.

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

Section 9. Waiver of Notice or Consent by Absent Stockholders. The transactions of any meeting of stockholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting, or an approval of the minutes thereof. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of stockholders. All such waivers, consents or approvals shall be filed with the corporate records or made part of the minutes of the meeting.

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

Section 10. No Stockholder Action by Written Consent Without a Meeting. Stockholders may take action only at a regular or special meeting of stockholders.

Section 11. Record Date for Stockholder Notice and Voting. For purposes of determining the holders entitled to notice of any meeting or to vote, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days prior to the date of any such meeting, and in such case only stockholders of record on the date so fixed are entitled to notice and to vote, notwithstanding any transfer of any shares on the books of the corporation after the record date fixed as aforesaid, except as otherwise provided in the Delaware General Corporation Law.

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

Section 12. Proxies. Every person entitled to vote for directors or on any other matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the secretary of the corporation. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, prior to the vote pursuant thereto, by a writing delivered to the corporation stating that the proxy is revoked or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy, or (ii) written notice of the death or incapacity of the maker of such proxy is received by the corporation before the vote pursuant thereto is counted; provided, however, that no such proxy shall be valid after the expiration of eleven (11) months from the date of such proxy, unless otherwise provided in the proxy.

Section 13. Inspectors of Election; Opening and Closing the Polls. The board of directors by resolution shall appoint one or more inspectors, which inspector or inspectors may include individuals who serve the corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at the meetings of stockholders and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act or is able to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by law.

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

Section 14. Nomination and Stockholder Business Bylaw..

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

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A) (1) of this Bylaw, the stockholder must have given timely notice thereof in writing to the secretary of the corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the secretary at the principal executive offices of the corporation not later than the close of business on the 60th day nor earlier than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the corporation. In no event shall the public announcement of an adjournment of an annual meeting commence

a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner and (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

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

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

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

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

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

ARTICLE III

DIRECTORS

Section 1. Powers. Subject to the provisions of the Delaware General Corporation Law and any limitations in the certificate of incorporation and these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

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

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

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

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

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

Section 2. Number and Qualification of Directors. The number of directors of the corporation shall be fourteen (14) until changed by a bylaw amending this Section 2, duly adopted by the board of directors or by the stockholders.

Section 3. Election and Term of Office of Directors. Subject to Section 15 below, one class of the directors shall be elected at each annual meeting of the stockholders, but if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of stockholders held for that purpose. All directors shall hold office until their respective successors are elected. Irrespective of the provisions of Section 15 of this Article III and of the preceding sentence, a director shall automatically be retired on the date of the expiration of the first annual meeting following his 72nd birthday.

Section 4. Vacancies. Vacancies in the board of directors may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director. Each director elected to fill a vacancy shall hold office for the remainder of the term of the person whom he succeeds, and until a successor has been elected and qualified.

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

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

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

Section 5. Place of Meetings and Telephonic Meetings. Regular meetings of the board of directors may be held at any place within or without the State of Delaware that has been designated from time to time by resolution of the board. In the absence of such designation, regular meetings shall be held

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

Section 6. Annual Meetings. Immediately following each annual meeting of stockholders, the board of directors shall hold a regular meeting for the purpose of organization, any desired election of officers and transaction of other business. Notice of this meeting shall not be required.

Section 7. Other Regular Meetings. Other regular meetings of the board of directors shall be held at such time as shall from time to time be determined by the board of directors. Such regular meetings may be held without notice provided that notice of any change in the determination of time of such meeting shall be sent to all of the directors. Notice of a change in the determination of the time shall be given to each director in the same manner as for special meetings of the board of directors.

Section 8. Special Meetings. Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board or the president or any vice president or the secretary or any two directors.

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

Section 9. Quorum. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the board of directors. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 10. Waiver of Notice. The transactions of any meeting of the board of directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum be present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes thereof. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director.

Section 11. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

Section 12. Notice of Adjournment. Notice of the time and place of an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of such time and place shall be given prior to the time of the adjourned meeting, in the manner specified in Section 8 of this Article III, to the directors who were not present at the time of the adjournment.

Section 13. Action Without Meeting. Any action required or permitted to be taken by the board of directors may be taken without a meeting, if all members of the board shall individually or collectively consent in writing to such action. Such action by written consent shall have the same force and effect as a unanimous vote of the board of directors. Such written consent or consents shall be filed with the minutes of the proceedings of the board.

Section 14. Fees and Compensation of Directors. Directors and members of committees may receive such compensation, if any, for their services and such reimbursement of expenses, as may be fixed or determined by resolution of the board of directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation for such services.

Section 15. Classification of Directors. The board of directors shall be and is divided into three classes, Class I, Class II and Class III. The number of directors in each class shall be the whole number contained in the quotient arrived at by dividing the authorized number of directors by three, and if a fraction is also contained in such quotient then if such fraction is one-third (1/3) the extra director shall be a member of Class III and if the fraction is two-thirds (2/3) one of the extra directors shall be a member of Class III and the other shall be a member of Class II. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected.

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

ARTICLE IV

COMMITTEES

Section 1. Committees of Directors. The board of directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, including an executive committee, each consisting of two or more directors, to serve at the pleasure of the board. The board may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the board, shall have all the authority of the board, except with respect to:

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

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

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

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

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

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

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

Section 2. Meetings and Action of Committees. Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Sections 5 (place of meetings), 7 (regular meetings), 8 (special meetings and notice), 9 (quorum), 10 (waiver of notice), 11 (adjournment), 12 (notice of adjournment) and 13 (action without meetings), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members, except that the time of regular meetings of committees may be determined by resolution of the board of directors as well as the committee, special meetings of committees may also be called by resolution of the board of directors, and notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V

OFFICERS

Section 1. Officers. The officers of the corporation shall be the chairman of the board, the president, a vice president, a secretary and a treasurer. The corporation may also have, at the discretion of the board of directors, one or more additional vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article V. Any number of offices may be held by the same person.

Section 2. Election of Officers. The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article V, shall be chosen annually by the board of directors, and each shall hold his office until he shall resign or be removed or otherwise disqualified to serve or his successor shall be elected and qualified.

Section 3. Subordinate Officers, etc. The board of directors may appoint, and may empower the chairman of the board to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the bylaws or as the board of directors may from time to time determine.

Section 4. Removal and Resignation of Officers. Any officer may be removed, either with or without cause, by the board of directors, at any regular or special meeting thereof, or, except in case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

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

Section 5. Vacancies in Office. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to such office.

Section 6. Chairman of the Board. The chairman of the board shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction and control of the business and affairs of the corporation.

Section 7. President. The president shall be the chief operating officer of the corporation and shall exercise and perform such powers and duties with respect to the administration of the business and affairs of the corporation as may from time to time be assigned to him by the chairman of the board or by the board of directors, or as may be prescribed by the bylaws.

Section 8. Vice Presidents. In the absence or disability of the president, a vice president designated by the board of directors shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors or the bylaws.

Section 9. Secretary. The secretary shall keep or cause to be kept, at the principal executive office or such other place as the board of directors may order, a book of minutes of all meetings and actions of directors, committees of directors and stockholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at directors' and committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

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

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

Section 10. Treasurer. The treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall be open at all reasonable times to inspection by any director.

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

Section 11. Assistant Secretaries and Assistant Treasurers. Any assistant secretary may perform any act within the power of the secretary, and any assistant treasurer may perform any act within the power of the treasurer, subject to any limitations which may be imposed in these bylaws or in board resolutions.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

Section 1. Indemnification. The corporation shall indemnify, in the manner and to the full extent permitted by law, any person (or the estate of any person) who was or is a party to, or is threatened to be made a party to, any threatened, pending or completed action, suit or proceeding, whether or not by or in the right of the corporation, and whether civil, criminal, administrative, investigative or otherwise, by reason of the fact that such person is a director or officer of the corporation, and at the discretion of the board of directors may indemnify any person (or the estate of any person) who is such a party or threatened to be made such a party by reason of the fact that such person is or was an employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Unless otherwise permitted by law, the indemnification provided for herein shall be made only as authorized in the specific case upon a determination, in the manner provided by law, that indemnification of the director, officer, employee or agent is proper in the circumstances. The corporation may, to the full extent permitted by law, purchase and maintain insurance on behalf of any such person against any liability which may be asserted against him. To the full extent permitted by law, the indemnification provided herein shall include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, and, in the manner provided by law, any such expenses may be paid by the corporation in advance of the final disposition of such action, suit or proceeding. The indemnification provided herein shall not be deemed to limit the right of the

corporation to indemnify any other person for any such expenses to the full extent permitted by law, nor shall it be deemed exclusive of any other rights to which any person seeking indemnification from the corporation may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

Section 2. Fiduciaries of Corporate Employee Benefit Plan. This Article VI does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the corporation as defined in Section 1 of this Article VI. Nothing contained in this Article VI shall limit any right to indemnification to which such a trustee, investment manager or other fiduciary may be entitled by contract or otherwise, which shall be enforceable to the extent permitted by Section 410 of the Employee Retirement Income Security Act of 1974, as amended, other than this Article VI.

ARTICLE VII

RECORDS AND REPORTS

Section 1. Maintenance and Inspection of Stock Register. The corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed, and as determined by resolution of the board of directors, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of shares held by each stockholder.

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

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

Section 2. Maintenance and Inspection of Bylaws. The corporation shall keep at its principal executive office the original or a copy of the bylaws as amended to date, which shall be open to inspection by the stockholders at all reasonable times during office hours.

Section 3. Maintenance and Inspection of Other Corporate Records. The accounting books and records and minutes of proceedings of the stockholders and the board of directors and any committee or committees of the board of directors shall be kept at such place or places designated by the board of directors, or, in the absence of such designation, at the principal executive office of the corporation. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. Such minutes and accounting books and records shall be open to inspection upon the written demand of any stockholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interests as a stockholder or as a holder of a voting trust certificate. Such inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. The foregoing rights of inspection shall extend to the records of each subsidiary corporation of the corporation.

Section 4. Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations. Such inspection by a director may be made in person or by agent or attorney and the right of inspection includes the right to copy and make extracts.

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

Section 6. Financial Statements. A copy of any annual financial statement and any income statement of the corporation for each quarterly period of each fiscal year, and any accompanying balance sheet for the corporation as of the end of each such period, that has been prepared by the corporation shall be kept on file in the principal executive office of the corporation for twelve (12) months and each such statement shall be exhibited at all reasonable times to any stockholder demanding an examination of any such statement or a copy shall be mailed to any such stockholder.

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

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

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

ARTICLE VIII

GENERAL CORPORATE MATTERS

Section 1. Record Date for Purposes Other Than Notice and Voting. For purposes of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days prior to any such action, and in such case only stockholders of record on the date so fixed are entitled to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date fixed as aforesaid, except as otherwise provided in the Delaware General Corporation Law.

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

Section 2. Checks, Drafts, Evidences of Indebtedness. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the corporation shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the board of directors.

Section 3. Corporate Contracts and Instruments; How Executed. The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances; and, unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 4. Stock Certificates. A certificate or certificates for shares of the capital stock of the corporation shall be issued to each stockholder when any such shares are fully paid. All certificates shall be signed in the name of the corporation by the chairman of the board or the president or vice president and by the treasurer or an assistant treasurer or the secretary or any assistant secretary, certifying the number of shares and the class or series of shares owned by the stockholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

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

Section 6. Representation of Stock of Other Corporations. The chairman of the board, the president, or any vice president, or any other person authorized by resolution of the board of directors by any of the foregoing designated officers, is authorized to vote on behalf of the corporation any and all stock of any other corporation or corporations, foreign or domestic, standing in the name of the corporation. The authority herein granted to said officers to vote or represent on behalf of the corporation any and all stock by the corporation in any other corporation or corporations may be exercised by any such officer in person or by any person authorized to do so by proxy duly executed by said officer.

Section 7. Construction and Definitions. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of the bylaws. Without limiting the generality of the foregoing, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

Section 8. Fiscal Year. The fiscal year of the corporation shall commence the first day of the calendar year.

Section 9. Seal. The seal of the corporation shall be round and shall bear the name of the corporation and words and figures denoting its organization under the laws of the State of Delaware and year thereof, and otherwise shall be in such form as shall be approved from time to time by the board of directors.

ARTICLE IX

AMENDMENTS

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

Section 2. Amendment by Directors. Subject to the rights of the stockholders as provided in Section 1 of this Article IX, to adopt, amend or repeal bylaws, bylaws may be adopted, amended or repealed by the board of directors.

As Amended 12/01/94

COMPLETE RESTATEMENT AND
AMENDMENT OF
AVERY DENNISON CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN
=====

December 23, 1994

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COMPLETE RESTATEMENT AND AMENDMENT OF
AVERY DENNISON CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN
=====

ARTICLE 1
PURPOSE

The purpose of this Executive Deferred Compensation Plan (the "Plan") is to provide a means whereby Avery Dennison Corporation, a Delaware corporation (the "Company"), may afford financial security to a select group of key management employees of the Company and its subsidiaries who have rendered and continue to render valuable services to the Company or its subsidiaries which constitute an important contribution towards the Company's continued growth and success, by providing for additional future compensation so that these employees may be retained and their productive efforts encouraged.

ARTICLE 2
DEFINITIONS AND CERTAIN PROVISIONS

Annual Base Salary. "Annual Base Salary" means with respect to a

Participant for any Plan Year such Participant's fixed, basic, straight time, and regularly recurring wages and salary, any payments for overtime hours, vacation pay, compensation paid in lieu of vacation, and holiday pay; but excluding all Bonus, long-term incentive cash awards, other discretionary bonuses, severance allowances, forms of incentive compensation, Savings Plan or other qualified plan contributions made by the Company, Retirement Plan or other qualified plan benefits, retainers, insurance premiums or benefits, reimbursement, and all other payments.

Augmentation Retirement Benefit. "Augmentation Retirement Benefit"

means benefits payable to a Participant pursuant to the provisions of Section 5.7.

Beneficiary. "Beneficiary" means the person or persons designated as

such in accordance with Article 6.

Benefit Deferral Period. "Benefit Deferral Period" means that period

of eight (8) or fewer Plan Years as determined pursuant to Article 4 over which a Participant defers all or a portion of such Participant's Direct Cash Compensation with respect to a Benefit Unit.

Benefit Unit. "Benefit Unit" means a unit enrolled in by a

Participant pursuant to Article 4 providing the benefits described in Article 5.

Bonus. "Bonus" means with respect to a Participant for any Plan Year

the bonus approved by the Board of Directors of the Company for payment to the Participant in such Plan Year on account of services rendered to the Company during the immediately preceding Plan Year.

Bonus Plan. "Bonus Plan" means all annual bonus plans sponsored by the

Company from time to time.

Committee. "Committee" means the deferred compensation plan committee

appointed to administer the Plan pursuant to Article 3.

Cost of Living Escalator. "Cost of Living Escalator" with respect to

a Benefit Unit means the cost of living escalator described in Sections 5.1 and 5.2 as elected pursuant to Section 4.1(d).

Cumulative Deferral Amount. "Cumulative Deferral Amount" means with

respect to each Benefit Unit the total cumulative amount by which

a Participant's Direct Cash Compensation will be reduced over the Benefit Deferral Period.

Declared Rate. "Declared Rate" means with respect to any Plan Year

Moody's Corporate Bond Yield Average--Monthly Average Corporates as published by Moody's Investor's Service, Inc. (or any successor thereto) for the calendar month ending two months before the first month in such Plan Year, or, if such yield is no longer published, a substantially similar average selected by the Committee.

Deferral Account. "Deferral Account" means the account maintained on

the books of account of the Company for each Benefit Unit and Cost of Living Escalator pursuant to Section 4.3.

Deferred Payment Date. "Deferred Payment Date" means the day on which

payment of the Participant's Early Retirement or Normal Retirement benefits commences as a result of elections made pursuant to Sections 5.1(b) or 5.2(b).

Direct Cash Compensation. "Direct Cash Compensation" means for any

date within a Plan Year the sum of (a) the Participant's Annual Base Salary as of the first day of the Plan Year plus (b) the Participant's Bonus paid in such Plan Year, but before reduction pursuant to this Plan.

Disability. "Disability" means any inability on the part of an

Employee, commencing before age 64-1/2, as determined by the Committee, in its complete and sole discretion, to perform the substantial and material duties of his or her job due to injury or sickness lasting for more than one hundred eighty (180) consecutive days. Disability for purposes of this Plan shall be deemed to commence on the first day following the end of such 180-day period. If an Employee makes application for disability benefits under the Social Security Act, as now in effect or as hereafter amended, and qualifies for such benefits, the Employee shall be presumed to suffer from a

Disability under this Plan. The Committee may require the Employee to submit to an examination by a physician or medical clinic selected by the Committee. On the basis of such medical evidence and in the absence of qualification for disability benefits under the Social Security Act, the determination of the Committee as to whether or not a condition of Disability exists shall be conclusive. To constitute Disability, the same must commence after the Employee has become a Participant in the Plan.

Disability Benefit. "Disability Benefit" means benefits payable to a Participant who suffers a Disability pursuant to the provisions of Section 5.3.

Discounted Cash Out Election. "Discounted Cash Out Election" means the written election by a Participant or Beneficiary in a form acceptable to the Committee to receive all or part of the Participant's or Beneficiary's Deferral Account pursuant to the terms and conditions of Section 5.8.

Early Retirement. "Early Retirement" means with respect to any Benefit Unit the termination of a Participant's employment with Employer for reasons other than death (a) between ages 55 and 65, and (b) after fifteen (15) years of employment with Employer and (c) after completing deferrals of at least fifty percent (50%) of the Cumulative Deferral Amount for such Benefit Unit to the Deferral Account for such Benefit Unit.

Early Retirement Benefit. "Early Retirement Benefit" means benefits payable to a Participant for a Benefit Unit pursuant to the provisions of Section 5.2.

Eligible Employee. "Eligible Employee" means each of those key management Employees selected by the Committee to participate in the Plan.

Employee. "Employee" means any person employed by the Employer on a

regular full-time salaried basis, including officers of the Employer.

Employer. "Employer" means the Company and any of its wholly owned

subsidiaries.

Enrollment Agreement. "Enrollment Agreement" means the written

agreement substantially in the form attached hereto that shall be entered into
by the Employer and an Eligible Employee pursuant to which the Eligible Employee
becomes a Participant in the Plan. In the sole discretion of the Company,
authorization forms filed by any Participant for the first Plan Year as to which
the Plan is effective and by which the Participant makes the elections provided
for by this Plan may be treated as a completed and fully executed Enrollment
Agreement for all purposes under the Plan.

Normal Retirement. "Normal Retirement" means with respect to any

Benefit Unit the termination of a Participant's employment with Employer for
reasons other than death on or after the date the Participant attains age 65.

Normal Retirement Benefit. "Normal Retirement Benefit" means benefits

payable to a Participant for a Benefit Unit pursuant to the provisions of
Section 5.1.

Participant. "Participant" means an Eligible Employee who has filed a

completed and executed Enrollment Agreement with the Committee and is
participating in the Plan in accordance with the provisions of Article 4.

Plan Year. "Plan Year" means the fiscal year beginning December 1 and

ending November 30.

Rabbi Trust. "Rabbi Trust" means the trust described in Section 8.1.

Retirement Plan. "Retirement Plan" means the Retirement Plan for the

Employees of Avery Dennison Corporation, as amended from time to time.

Savings Plan. "Savings Plan" means the Avery Dennison Employee Savings

Plan, as amended from time to time.

Savings Plan Alternative Contribution. "Savings Plan Alternative

Contribution" means an Employer contribution to a Deferral Account required by
Section 4.2(a) hereof.

Savings Plan Augmentation Contribution. "Savings Plan Augmentation

Contribution" means an Employer contribution to a Deferral Account required by
Section 4.2(b).

Service. "Service" means the period of time during which an

employment relationship exists between an Employee and Employer.

Termination Benefit. "Termination Benefit" means the lump sum amount

payable to a Participant who ceases to be an Employee pursuant to the provisions
of Section 5.4.

ARTICLE 3
ADMINISTRATION OF THE PLAN

A deferred compensation plan committee consisting of three or more
members shall be appointed by the Company's Chairman and Chief Executive Officer
to administer the Plan and establish, adopt, or revise such rules and
regulations as it may deem necessary or advisable for the administration of the
Plan and to interpret the provisions of the Plan, with any

such interpretations to be conclusive. All decisions of the Committee shall be by vote of at least a majority of its members and shall be final and binding. Members of the Committee shall be eligible to participate in the Plan while serving as members of the Committee, but a member of the Committee shall not vote or act upon any matter which relates solely to such member's interest in the Plan as a Participant.

ARTICLE 4
PARTICIPATION

4.1 Election to Participate. Any Eligible Employee may enroll in a

Benefit Unit under the Plan effective as of the first day of a Plan Year by filing a completed and fully executed Enrollment Agreement with the Committee prior to the beginning of such Plan Year. Pursuant to said Enrollment Agreement, the Eligible Employee shall irrevocably elect a Cumulative Deferral Amount by which the aggregate Direct Cash Compensation of such Participant will be reduced over the number of Plan Years, not exceeding the lesser of (x) the number of complete Plan Years between the date of such Enrollment Agreement and the date the Participant will attain age 65 or (y) eight (8) Plan Years, elected by the Eligible Employee beginning with the Plan Year next following the execution of the Enrollment Agreement (the "Benefit Deferral Period"), provided, however, that:

(a) Minimum Deferral. The Cumulative Deferral Amount for any

Benefit Unit shall not be less than the equivalent as of the first day of the Benefit Deferral Period of Sixteen Thousand U.S. Dollars (U.S. \$16,000.00).

(b) Reduction in Compensation.

(i) In General. Except as otherwise provided in this

Section 4.1, the Direct Cash Compensation of the Participant for each of the Plan Years in the Benefit Deferral

Period shall be reduced by an amount equal to the result of dividing the Cumulative Deferral Amount by the number of Plan Years in the Benefit Deferral Period, and such reduction shall be apportioned between Annual Base Salary and Bonus received in each such Plan Year as the Participant shall designate in the Enrollment Agreement.

(ii) Bonus in First Plan Year. For the first Plan Year of -----

any Benefit Deferral Period any such reduction in Direct Cash Compensation may be apportioned to Bonus only to the extent of the amount of such Bonus as to which the Participant previously made an election to defer receipt until retirement pursuant to the Bonus Plan and any such amount of Bonus so reduced shall be credited only to the Deferral Account for such Benefit Unit and shall not be credited under the Bonus Plan, provided, however, that to the extent that such Bonus is allocated to the Rollover Deferred Compensation Account pursuant to Section 4.4, no reduction in Direct Cash Compensation may be apportioned to such Bonus pursuant to this Section 4.1(b).

(iii) Excess Reduction. To the extent that the amount of -----

reduction apportioned to Bonus in any Plan Year exceeds the Bonus paid in such Plan Year the excess shall be applied as a further reduction in Annual Base Salary for such Plan Year.

(iv) Accelerated Reduction. Prior to the beginning of any -----

Plan Year in any Benefit Deferral Period as to which there are two or more Plan Years remaining, a Participant may elect in a written notice filed with the Committee to increase the amount of the reduction of Direct Cash Compensation otherwise provided for by Section 4.1(b)(i) for

any of the Plan Years remaining in such Benefit Deferral Period; provided, however, that any such increase in the reduction of Direct Cash Compensation for any remaining Plan Years in the Benefit Deferral Period shall not increase the Cumulative Deferral Amount for the Benefit Deferral Period, but shall act to shorten the length of the Benefit Deferral Period, unless the Participant elects in such written notice to apply the increased reduction in Direct Cash Compensation for any Plan Year as a credit against the reductions in Direct Cash Compensation that otherwise would have resulted in subsequent Plan Years in the Benefit Deferral Period pursuant to Section 4.1(b)(1). In the event a Participant elects to increase the previously elected reduction of Direct Cash Compensation pursuant to this Section 4.1(b), the Participant, in his sole discretion, shall determine the allocation of any such increase as between said Participant's Annual Base Salary and Bonus paid during the year of such increase.

(c) Maximum Reduction in Direct Cash Compensation. A

Participant may not elect a Cumulative Deferral Amount or an increase in reduction of Direct Cash Compensation pursuant to Section 4.1(b)(iv), or any combination of the two, that would cause the aggregate total reduction in Direct Cash Compensation in any Plan Year with respect to all Benefit Units to exceed one hundred percent (100%) of the excess of (i) the Direct Cash Compensation otherwise payable during such Plan Year, over (ii) the sum of (A) amounts required by federal, state or local law to be withheld by the Employer from such Direct Cash Compensation and (B) any amount of Direct Cash Compensation receipt of which is deferred pursuant to the Bonus Plan. In the event that a Participant elects a Cumulative Deferral Amount or increase in reduction of Direct Cash Compensation in an amount in excess of the amount allowable pursuant to the previous sentence, the election shall be valid except

that the Cumulative Deferral Amount or increase in reduction of Direct Cash Compensation so elected shall automatically be reduced to comply with such limitation, whichever is most appropriate in the sole discretion of the Committee.

(d) Cost of Living Escalator. The Participant may elect in the

Enrollment Agreement for any Benefit Unit to provide for a cost of living escalator with respect to such Benefit Unit as described in Sections 5.1 and 5.2 ("Cost of Living Escalator"). Election of a Cost of Living Escalator will result in a further reduction in Direct Cash Compensation over the Benefit Deferral Period in the cumulative amount set forth in Paragraph 4 of the Enrollment Agreement ("COLE Cumulative Deferral Amount"). Direct Cash Compensation for each of the Plan Years in the Benefit Deferral Period will be reduced by an amount equal to the result of dividing the COLE Cumulative Deferral Amount by the number of Plan Years in the Benefit Deferral Period. Reduction in Direct Cash Compensation attributable to election of a Cost of Living Escalator shall be subject to the limitation on maximum reduction in Direct Cash Compensation set forth in Section 4.1(c).

For purposes of the Plan, a Benefit Unit shall be deemed to be a Benefit Unit in which a Participant is enrolled only as of and after the first day of the Benefit Deferral Period with respect to such Benefit Unit.

4.2 Employer Contributions.

(a) Savings Plan Alternative Contributions. If the Participant

so elects in any Enrollment Agreement in which the Participant has also designated a Cumulative Deferral Amount equal to or in excess of forty-eight percent (48%) of the Participant's 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 Enrollment Agreement for each of the Plan Years in

the Benefit Deferral Period an amount equal to three percent (3%) of Participant's Direct Cash Compensation for such Plan Year ("Savings Plan Alternative Contributions"), provided, however, that:

(i) no election may be made under this Section 4.2(a) for any Benefit Deferral Period which will begin on or prior to the last day of the last Plan Year of any Benefit Deferral Period as to which a prior election under this Section 4.2(a) has been made, and

(ii) the Employer's obligation to make any further Savings Plan Alternative Contributions shall cease with respect to any period following the first to occur of Participant's termination of employment with the Employer for any reason or Participant's termination pursuant to Section 5.4(b) of the Benefit Unit with respect to which the Election under this Section 4.2(a) 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 contribution to the Savings Plan on behalf of the Participant for any period for which any of the Participant's Deferral Accounts is credited with any Savings Plan Alternative Contribution.

(b) Savings Plan Augmentation Contribution. For each Plan Year

in a Benefit Deferral Period, the Employer shall contribute to the Deferral Accounts of any Participant who for such Plan Year (i) has made Basic ATS Contributions or Basic PTS Contributions to the Savings Plan of at least six percent (6%) of such Participant's compensation, as the term "compensation" is defined for

purposes of the Savings Plan, and (ii) has not elected the Savings Plan Alternative Contribution pursuant to Section 4.2(a), an amount equal to three percent (3%) of the reduction in such Participant's Direct Cash Compensation (the "Savings Plan Augmentation Contribution"). The Savings Plan Augmentation Contributions shall be credited to the Deferral Accounts for each of such Plan Years at the same time as Employer matching contributions for such Plan Year are made to the Savings Plan.

(c) Insurance Alternative Contribution. If a Participant so

elects in an Enrollment Agreement filed by such Participant pursuant to this Plan with respect to the first Plan Year as to which such Participant was eligible to file an Enrollment Agreement, the Employer shall contribute to the Deferral Account for the Benefit Unit under such Enrollment Agreement an equal amount each Plan Year for a period equal to the lesser of:

(x) the number of complete Plan Years between the date of such Enrollment Agreement and the date the Participant will reach age 65, or

(y) eight (8) Plan Years,

beginning with the first Plan Year in the Benefit Deferral Period, the sum of which contributions shall equal:

(i) The net present value, using a discount rate of twelve percent (12%), of the premiums the Employer would otherwise have paid under the Company's Supplementary Executive Life Insurance Program over the period beginning with the first day of the Benefit Deferral Period for such Benefit Unit and ending on the day the Participant attains age 65 for insurance on the life of the Participant with the dollar amount of coverage equal to:

(A) the maximum coverage that such Participant is eligible for under the Company's Supplementary Executive Life Insurance Program as of the first day of the Benefit Deferral Period, minus

(B) \$50,000,

plus

(ii) The interest that would accrue on the unpaid balance of the amount described in (i) over such number of years at a rate of twelve percent (12%) per annum, compounded annually ("Insurance Alternative Contributions"),

provided, however, that such election may be made with respect to only one Benefit Unit and the Employer's obligation to make any further Insurance Alternative Contributions shall cease with respect to any period following the Participant's termination of employment with the Employer for any reason. The Insurance Alternative Contribution shall be credited to the Deferral Account for such Benefit Unit for each of such number of Plan Years at the same time as the Employer would otherwise have paid the premium described above for such Plan Year. Any Participant who makes an election under this Section 4.2(c) will thereafter no longer be eligible for participation in the Supplementary Executive Life Insurance Program. An election may be made under this Section 4.2(c) regardless of whether or not the Participant elects any Cumulative Deferral Amount in such Enrollment Agreement, and the Insurance Alternative Contribution shall continue to be made in accordance with this Section 4.2(c) with respect to a Benefit Unit that is otherwise terminated pursuant to Section 5.4(b).

4.3 Deferral Accounts. The Committee shall establish and maintain a

separate Deferral Account for each of a Participant's Benefit Units and for any Cost of Living Escalator. The amount by which a Participant's

Direct Cash Compensation is reduced pursuant to Section 4.1 with respect to any Benefit Unit or Cost of Living Escalator shall be credited by the Employer to the Participant's Deferral Account for such Benefit Unit or Cost of Living Escalator no later than the first day of the month following the month in which such Direct Cash Compensation would otherwise have been paid. The amount of Employer Contribution provided for by Sections 4.2 with respect to each Benefit Unit, if any, shall be credited to the Deferral Account for such Benefit Unit in accordance with Section 4.2. The Deferral Account for a Benefit Unit shall be debited by the amount of any payments made by the Employer to the Participant or the Beneficiary with respect to such Benefit Unit pursuant to this Plan.

(a) Normal and Early Retirement Interest. Each Deferral Account

of a Participant who attains Normal or Early Retirement shall be deemed to bear interest from the date such Deferral Account was established through the date of such Normal or Early Retirement at a rate equal to the sum of (i) the Declared Rate, plus (ii) six percent (6%) per annum, compounded annually, on the balance from day-to-day in such Deferral Account. Following the date of Normal or Early Retirement, each of a Participant's Deferral Accounts shall be deemed to bear interest on the balance in such Deferral Account from day-to-day at a rate equal to the sum of (i) the average of the Declared Rate for the five (5) Plan Years ending prior to such Normal or Early Retirement, plus (ii) six percent (6%) per annum, compounded annually.

(b) Other Interest. In the case of any termination of a

Participant's employment with the Employer other than by Normal or Early Retirement or upon the Participant's termination of a Benefit Unit pursuant to Section 5.4(b), each of such Participant's Deferral Accounts or, in the case of the termination of a Benefit Unit, the Deferral Account for such Benefit Unit, shall be deemed to bear interest, compounded annually, from the date such Deferral Account

was established through the date of termination of employment or termination of such Benefit Unit on the balance from day-to-day in such Deferral Account at a rate equal to the Declared Rate.

4.4 Rollover Deferred Compensation Account. Upon the election of a

Participant who is also a Participant in the Bonus Plan made in the first Enrollment Agreement filed by such Participant pursuant to this Plan, the Committee shall establish and maintain a separate Rollover Deferred Compensation Account for such Participant and shall credit such account as of the first day of the Benefit Deferral Period for such Enrollment Agreement with an amount equal to that portion of the amount set aside on the Company's books and records for the Bonus Plan that is (a) standing to the credit of such Participant as of such date and (b) receipt of which the Participant has elected to defer until retirement pursuant to the terms of the Bonus Plan. If such Participant so elects in such Enrollment Agreement, all or any portion of Bonus payable in the first Plan Year of the Benefit Deferral Period for such Enrollment Agreement as to which the Participant previously made an election to defer receipt until retirement pursuant to the Bonus Plan may be credited to the Rollover Deferred Compensation Account for such Participant and shall not be credited under the Bonus Plan. Such Rollover Deferred Compensation Account shall be deemed to bear interest at the same rate and subject to the same conditions as Deferral Accounts provided for by Section 4.3. Each Participant with a balance standing to such Participant's credit in a Rollover Deferred Compensation Account shall be treated for purposes of determining benefits under the Plan as enrolled in a Benefit Unit with respect to which (a) such Rollover Deferred Compensation Account shall be treated as the "Deferral Account" and (b) the Cumulative Deferred Amount shall be treated as completed.

4.5 Valuation of Accounts. The value of a Deferral Account as of any

date shall equal the amounts theretofore credited to such account, plus the interest deemed to be earned on such account in accordance with

Section 4.3 through the day preceding such date, less the amounts theretofore debited to such account.

4.6 Statement of Accounts. The Committee shall submit to each

Participant, within one hundred twenty (120) days after the close of each Plan Year, a statement in such form as the Committee deems desirable setting forth the balance standing to the credit of each Participant in each of his Deferral Accounts. Each statement of account shall show the Participant's deferrals, the Employer's contributions, and the interest credited to the Participant's Deferral Account.

ARTICLE 5
BENEFITS

5.1 Normal Retirement. Upon Normal Retirement, or upon the Deferred

Payment Date that the Participant may elect to begin receiving payments pursuant to the terms and conditions set forth below, the Employer shall pay the Participant as set forth in this Section 5.1 (the "Normal Retirement Benefit").

(a) A Participant may elect for any Benefit Unit to have the Normal Retirement Benefit paid to him in either (i) a lump-sum or (ii) any number of equal monthly payments between sixty (60) equal monthly payments and two hundred forty (240) equal monthly payments commencing at the time of Retirement.

(b) A Participant may elect for any Benefit Unit to have the Normal Retirement Benefit payments commence at a date later than the Participant's date of Normal Retirement. The maximum delay in the commencement of the payment of Normal Retirement Benefits that a Participant may elect is sixty (60) months after the month in which a Participant retires. A Participant who elects a Deferred Payment Date for any Benefit Unit may elect to have the

Normal Retirement Benefit paid to him commencing on the Deferred Payment Date in either (i) a lump-sum or (ii) any number of equal monthly payments between sixty (60) equal monthly payments and two hundred forty (240) equal monthly payments.

(c) Notwithstanding the terms of Sections 5.1(a) and (b) to the contrary, the following maximum duration of monthly payments shall be permitted:

(i) In the case of Charles D. Miller, no monthly payment of benefits commencing on a Deferred Payment Date may be elected that will cause any benefits to be payable after the ninety-first (91st) anniversary of Charles D. Miller's birth; and

(ii) In the case of any Participant other than Charles D. Miller, no monthly payment of benefits commencing on a Deferred Payment Date may be elected that will cause any benefits to be payable one month after the eighty-fifth (85th) anniversary of said Participant's birth.

If a Participant's election would violate this Section 5.1(c), the Normal Retirement Benefit will be paid in equal monthly payments over the longest term which is permitted hereunder.

(d) All equal monthly benefits shall commence on the first day of the month that follows the date of Normal Retirement or on the Deferred Payment Date selected by the Participant, and the sum of such payments shall equal (i) the unpaid balance of the Deferral Account for the Benefit Unit on the date benefit payments commence, plus (ii) the interest that will accrue on the unpaid balance of such Deferral Account pursuant to Section 4.3 during the months of benefit payout elected by the Participant.

(e) The commencement date and payout period of Normal Retirement Benefits shall be based on the last written election regarding the payment of Normal Retirement Benefits filed with the Committee at least sixty (60) days preceding the date of Normal Retirement. Any election filed with the Committee less than sixty (60) days prior to Normal Retirement shall be invalid unless the Participant's termination is due to (i) death, (ii) disability, or (iii) involuntary termination. In the event an election becomes invalid pursuant to the terms of the previous sentence, the last valid election filed by the Participant shall determine the commencement date and payout period of Normal Retirement Benefits. In the absence of any timely election, the Normal Retirement Benefit shall be paid in one-hundred eighty (180) equal monthly payments commencing on the first day of the month that follows the Participant's Normal Retirement date.

(f) If a Participant elects a Cost of Living Escalator for a Benefit Unit under Section 4.1(d), the Normal Retirement Benefit otherwise payable to such Participant for such Benefit Unit shall be increased each year commencing with the second year of payment by a percentage of the Normal Retirement Benefit payable during the preceding year equal to the percentage set forth in Paragraph 4 of the Enrollment Agreement for such Benefit Unit; provided, however, that in the event the Participant elects a lump sum payment of his Normal Retirement Benefit, the value of the Deferral Account for such Cost of Living Escalator as of the date of payment of said lump sum shall also be paid to the Participant in one lump sum on the date of payment of the lump sum Normal Retirement Benefit. For purposes of the previous sentence, "the value of the Deferral Account for such Cost of Living Escalator as of the date of payment of said lump sum" shall equal the amount contributed to the Plan on account of the Cost of Living Escalator plus interest credited thereon in the same manner and at the same annual rate as interest is credited on the Deferral Account for the underlying Benefit Unit pursuant to Section 4.3 of the Plan.

5.2 Early Retirement.

(a) Upon Early Retirement, or upon the Deferred Payment Date that the Participant may elect to begin receiving payments pursuant to the terms and conditions set forth below, the Employer shall pay the Participant as set forth in this Section 5.2 (the "Early Retirement Benefit"). A Participant may elect for any Benefit Unit to have the Early Retirement Benefit paid to him in either (i) a lump-sum or (ii) any number of equal monthly payments between sixty (60) equal monthly payments and two hundred forty (240) equal monthly payments commencing at the time of Retirement.

(b) A Participant may elect for any Benefit Unit to have the Early Retirement Benefit payments commence at a date later than the Participant's date of Early Retirement. The maximum delay in the commencement of the payment of Early Retirement Benefits that a Participant may elect is sixty (60) months from the month in which a Participant retires. A Participant who elects a Deferred Payment Date for any Benefit Unit may elect to have the Early Retirement Benefit paid to him commencing on the Deferred Payment Date in either (i) a lump-sum or (ii) any number of equal monthly payments between sixty (60) equal monthly payments and two hundred forty (240) equal monthly payments.

(c) Notwithstanding the terms of Sections 5.2(a) and (b) to the contrary, no monthly payment of benefits commencing on a Deferred Payment Date may be elected that will cause any benefits to be payable after the eighty-fifth (85th) anniversary of said Participant's birth. If a Participant's election would violate this Section 5.2(c), the Early Retirement Benefit will be paid in equal monthly payments over the longest term which is permitted hereunder.

(d) All equal monthly benefits shall commence on the first day of the month that follows the date of Early Retirement or on the Deferred Payment Date selected by the Participant, and the sum of such payments shall equal (i) the unpaid balance of the Deferral Account for the Benefit Unit on the date benefit payments commence, plus (ii) the interest that will accrue on the unpaid balance of such Deferral Account pursuant to Section 4.3 during the months of benefit payout elected by the Participant.

(e) The commencement date and payout period of Early Retirement Benefits shall be based on the last written election regarding the payment of Early Retirement Benefits filed with the Committee at least sixty (60) days preceding the date of Early Retirement. Any election filed with the Committee less than sixty (60) days prior to Early Retirement shall be invalid unless the Participant's termination is due to (i) death, (ii) disability, or (iii) involuntary termination. In the event an election becomes invalid pursuant to the terms of the previous sentence, the last valid election filed by the Participant shall determine the commencement date and payment period of Early Retirement Benefits. In the absence of any timely election, the Early Retirement Benefit shall be paid in one-hundred eighty (180) equal monthly payments commencing on the first day of the month that follows the Participant's Early Retirement date.

(f) If a Participant elects a Cost of Living Escalator for a Benefit Unit under Section 4.1(d), the Early Retirement Benefit otherwise payable to such Participant for such Benefit Unit shall be increased each year commencing with the second year of payment by a percentage of the Early Retirement Benefit payable during the preceding year equal to the percentage set forth in Paragraph 4 of the Enrollment Agreement for such Benefit Unit; provided, however, that in the event the Participant elects a lump sum payment of his Early Retirement Benefit, the value of the Deferral Account for such Cost of

Living Escalator as of the date of payment of said lump sum shall also be paid to the Participant in one lump sum on the date of payment of the lump sum Early Retirement Benefit. For purposes of the previous sentence, "the value of the Deferral Account for such Cost of Living Escalator as of the date of payment of said lump sum" shall equal the amount contributed to the Plan on account of the Cost of Living Escalator plus interest credited thereon in the same manner and at the same annual rate as interest is credited on the Deferral Account for the underlying Benefit Unit pursuant to Section 4.3 of the Plan.

5.3 Disability Benefit. The Employer shall pay to a Participant who

suffers a Disability, with respect to each Benefit Unit in which such Participant is enrolled, an annual benefit (the "Disability Benefit") beginning on the commencement of the Disability equal to the sum of (a) twenty-five percent (25%) of the Cumulative Deferral Amount for such Benefit Unit (whether or not such Cumulative Deferral Amount has been fully credited to a Deferral Account) plus (b) the product of multiplying (x) the sum of the Employer Contribution made with respect to such Benefit Unit pursuant to Section 4.2 for the last full Plan Year next preceding the date of Disability by (y) two (2). Amounts that otherwise would have been credited to the Deferral Account for such Benefit Unit in accordance with Section 4.3 if the Participant had not suffered such a Disability will continue to be credited to such Deferral Account for all purposes of this Plan. Payment of the Disability Benefit for any Benefit Unit shall cease upon the happening of the earliest of the following:

- (a) The Participant's recovery from Disability as determined by the Committee, in its sole and complete discretion;
- (b) The Participant's death;
- (c) The Participant's attainment of age 65;

(d) The decision of the Committee, in its sole discretion, to treat the Participant as having attained Early Retirement under the Plan.

If a Participant's Disability Benefit for a Benefit Unit terminates by reason of (a) above, the Participant shall be treated for purposes of this Plan as terminating employment with the Employer on the date of his recovery unless, within 60 days thereafter he returns to status as an Employee. If a Participant's Disability Benefit for a Benefit Unit terminates by reason of his death, the rights of his Beneficiary shall be determined pursuant to Section 5.5. If a Participant's Disability Benefit for a Benefit Unit terminates by reason of (c) above, the Participant shall be treated as having a Normal Retirement with respect to such Benefit Unit on the date of recovery from Disability and shall be entitled to a Normal Retirement Benefit pursuant to Section 5.1. If a Participant's Disability Benefit for a Benefit Unit terminates by reason of (d) above, the Participant shall be treated as having an Early Retirement with respect to such Benefit Unit on the date designated by the Committee or, if no such date is designated, on the date of the Committee's decision described in (d) above, and shall be entitled to an Early Retirement Benefit determined pursuant to Section 5.2.

5.4 Termination Benefit.

(a) Certain Terminations of Employment. With respect to any

Benefit Unit, if a Participant (i) ceases to be an Employee for any reason other than death, Disability or Normal or Early Retirement, or (ii) fails to return to the status of an Employee within sixty (60) days following recovery from a Disability prior to age 65, the Employer shall pay to the Participant in one lump sum an amount (the "Termination Benefit") equal to the value of the Deferral Account for such Benefit Unit and Cost of Living Escalator less any payments theretofore made by the Employer to such Participant pursuant to this Plan and such Participant shall be entitled to no further

benefits under this Plan, provided, however, that solely for purposes of determining the amount of the Termination Benefit for a Benefit Unit as to which the Participant has made the election described in Section 4.2(c), the value of the Deferral Account for such Benefit Unit shall be redetermined as if the Insurance Alternative Contributions described in Section 4.2(c) had equaled in each Plan Year beginning with the first Plan Year for such Benefit Unit only the amount of premium the Employer would otherwise have been required to pay with respect to such Participant under the Company's Supplementary Executive Life Insurance Program. For this purpose, the value of the Deferral Account for the Cost of Living Escalator shall equal the amount contributed to the Plan on account of the Cost of Living Escalator plus interest credited thereon in the same manner and at the same annual rate as interest is credited on the Deferral Account for the underlying Benefit Unit pursuant to Section 4.3 of the Plan.

(b) Termination of a Benefit Unit. With the written consent of

the Committee, a Participant may terminate enrollment in a Benefit Unit by filing with the Committee a written request to so terminate the Benefit Unit. Upon termination of enrollment in a Benefit Unit, no further reductions shall be made in the Participant's Direct Cash Compensation pursuant to the Enrollment Agreement with respect to such Benefit Unit, and the Participant shall immediately cease to be eligible for any benefits with respect to such Benefit Unit other than the Termination Benefit. No other benefit shall be payable to either the Participant or any Beneficiary of such Participant with respect to the terminated Benefit Unit. In its sole discretion, the Committee may pay the Termination Benefit with respect to a terminated Benefit Unit on a date earlier than a Participant's termination of employment with the Employer, such Termination Benefit to be calculated as if the Participant had terminated employment with the Employer on the date of such payment.

5.5 Survivor Benefits.

(a) If a Participant dies prior to meeting the age, employment and crediting requirements for Early Retirement with respect to a Benefit Unit in which the Participant is enrolled, the Employer will pay to the Beneficiary with respect to each Benefit Unit a monthly benefit commencing in the month following the Participant's death for the greater of:

(i) ten (10) years, or

(ii) until the Participant would otherwise have attained age 65,

equal to one-twelfthth (1/12th) of the sum of:

(A) sixty-two and one-half percent (62.5%) of the Cumulative Deferral Amount for such Benefit Unit, plus

(B) the product of (x) the sum of the Employer Contributions made pursuant to Section 4.2 for the last full Plan Year next preceding the date of death, times (y) five (5).

(b) If a Participant dies after meeting the age, employment and crediting requirements for Early Retirement with respect to a Benefit Unit, but prior to commencement of payment of any Early or Normal Retirement Benefit under the Plan, the Employer will pay to the Beneficiary the benefit that such Participant would have received with respect to such Benefit Unit had the Participant retired on the day prior to such Participant's death; provided, however, that if the present value of the benefit described in this Section 5.5(b) is less

than the present value of the benefit described in Section 5.5(a), using twelve percent (12%) as the discount factor to value the benefit described in Section 5.5(a), then the Beneficiary shall receive the benefit described in Section 5.5(a) and not the benefit described in this Section 5.5(b); and provided further that such benefit shall commence in the month following the Participant's death.

(c) If a Participant dies after commencing to receive installment payments of Normal or Early Retirement Benefits with respect to a Benefit Unit under the Plan, the Employer will pay to the Beneficiary the remaining installments of any such benefit that would have been paid had the Participant survived. Beginning on the later of (i) the month that follows the last month in which an installment payment of either Normal or Early Retirement Benefits is, at the time installment payments of such benefits commence, scheduled to be made to the Participant for the Benefit Unit (taking into account the effect of Sections 5.1(c) and 5.2(c) and disregarding any subsequent Discounted Cash Out Election or payment of an Emergency Benefit) or (ii) the month that follows the date of such Participant's death, but in no event before the fifteenth (15th) anniversary of such Participant's retirement date, the Employer shall also pay to the Beneficiary for that Beneficiary's life a monthly benefit (the "Special Survivor Benefit") equal to sixty-six and two-thirds percent (66-2/3%) of the monthly Early or Normal Retirement Benefit (including the Cost of Living Escalator, if any, that would have been added to the last payment of such Early or Normal Retirement Benefit) that would have been payable to the Participant had the Participant received one hundred eighty (180) equal monthly payments commencing on the Participant's retirement date (disregarding the effect of Sections 5.1(c) and 5.2(c)); provided, however, that for those Participants who elect between one hundred eighty-one (181) and two hundred forty (240) equal monthly payments (such number of monthly payments being referred to as the "Elected Number"), (i) the amount of monthly Special Survivor Benefit will be

equal to sixty-six and two-thirds (66-2/3%) of the monthly Early or Normal Retirement Benefit (including the Cost of Living Escalator, if any, that would have been added to the last payment of such Early or Normal Retirement Benefit) that would have been payable to the Participant had the Participant received the Elected Number of equal monthly payments (as possibly reduced by Sections 5.1(c) and 5.2(c), but in no event to less than one hundred eighty (180) monthly payments) commencing on the Participant's retirement date, and (ii) in no event shall such Special Survivor Benefit payments begin before the anniversary date of such Participant's retirement date that is equal to the Elected Number divided by 12. The terms of the previous sentence to the contrary notwithstanding, if the Beneficiary's birthdate preceded or followed the Participant's birthdate by more than three years, the amount of the annual Special Survivor Benefit will be actuarially adjusted using unisex tables so that the present value of such annual Special Survivor Benefit does not exceed the present value of the annual benefit that would be paid to a person no more than three (3) years younger or older than the Participant, as the case may be. Notwithstanding anything herein to the contrary, (i) no Beneficiary may make a Discounted Cash Out Election with respect to the Special Survivor Benefit, and (ii) the exercise of a Discounted Cash Out Election by a Participant or Beneficiary after the Participant's retirement shall not reduce the Special Survivor Benefit or accelerate the time for commencement of payment of the Special Survivor Benefit.

5.6 Emergency Benefit.

In the event that the Committee, upon written petition of the Participant or Beneficiary, determines, in its sole discretion, that the Participant or Beneficiary has suffered an unforeseeable financial emergency, the Employer shall pay to the Participant or Beneficiary, as soon as practicable following such determination, an amount necessary to meet the emergency not in excess of the Termination Benefit to which the Participant would have been

entitled pursuant to Section 5.4 if said Participant had a termination of service on the date of such determination (the "Emergency Benefit"). For purposes of this Plan, an unforeseeable financial emergency is an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence. An unforeseeable financial emergency for purposes of this Plan shall exist for any Participant or Beneficiary who is deemed to be in constructive receipt of income on account of deferred benefits payable under the terms of the Plan, and in such event all deferred benefits giving rise to said constructive receipt of income shall be paid to the Participant or Beneficiary in question. Notwithstanding the foregoing, the final determination by the Internal Revenue Service ("IRS") or court of competent jurisdiction, all time for appeal having elapsed, that the Employer is not the owner of the assets of the Rabbi Trust, with the result that the income of the Rabbi Trust is not treated as income of the Company pursuant to Sections 671 through 679 of the Internal Revenue Code of 1986, as amended ("Code"), or the final determination by (i) the IRS, (ii) a court of competent jurisdiction, all time for appeal having elapsed, or (iii) counsel to the Company that a federal tax is payable by the Participant or Beneficiary with respect to assets of the Rabbi Trust or the Participant's or Beneficiary's Deferral Accounts prior to the distribution of those assets or Deferral Accounts to the Participant or Beneficiary shall in any event constitute an unforeseeable financial emergency entitling such Participant or Beneficiary to the Emergency Benefit provided for in this Section. Cash needs arising from foreseeable events such as the purchase of a house or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency. The amount of the benefits otherwise payable under Sections 5.1, 5.2, 5.3, 5.4 or 5.5 shall thereafter be adjusted to reflect the reduction in the Deferral Account due to the early payment of the Emergency Benefit.

5.7 Determination of Augmentation Retirement Benefit. In addition

to the other benefits provided for by this Article 5, the Employer shall pay an additional retirement benefit (the "Augmentation Retirement Benefit") to Participants who have elected to defer a portion of their Direct Cash

Compensation in accordance with this Plan and who have an early or normal retirement under the Retirement Plan. Said benefit shall be computed as follows:

(a) The Participant's early or normal retirement benefit, as the case may be, shall be computed in accordance with the Retirement Plan, but the Direct Cash Compensation (or that portion of it otherwise taken into account in computing such early or normal retirement benefit) deferred in accordance with Article 4 above shall be included in the Participant's earnings for purposes of said computation.

(b) The Participant's actual early or normal retirement benefit under the Retirement Plan shall be computed.

(c) The amount determined in subparagraph (b) shall be subtracted from that determined in subparagraph (a), and the difference shall be the Participant's Augmentation Retirement Benefit.

The Augmentation Retirement Benefit shall be payable during the same period and at the same intervals as the Participant's normal or early retirement benefit under the Retirement Plan, and, to the extent possible and practical, shall be paid along with said early or normal retirement benefit. A Participant who is not entitled to a benefit under the Retirement Plan shall not be entitled to any benefit under this Article 5.

5.8 Discounted Cash Out Election.

(a) During the course of any Plan Year prior to the date on which a Participant ceases employment with the Company, the Participant may make one election to receive all or part of the Participant's Deferral Account(s) and a pro rata portion of any related Cost of Living Escalator account(s) in a single lump-sum payment that shall be paid within fifteen (15) days after the end of the month in

which the Participant files a written election to receive a discounted lump-sum payment pursuant to this Section 5.8(a). Interest on the amount elected to be withdrawn from such Deferral Accounts shall cease to accrue at the end of the month in which the Discounted Cash Out Election is made. The requirements for a valid Discounted Cash Out Election and the manner of determining the amount to be paid to a Participant who makes a pre-retirement Discounted Cash Out Election are as follows:

(i) The Discounted Cash Out Election must be for an amount of \$200,000 or greater, unless a Participant has a Deferral Account for a Benefit Unit worth less than \$200,000 at the time of the Discounted Cash Out Election in which case the amount of the Discounted Cash Out Election may be equal to 100% of the Deferral Account and any related Cost of Living Escalator account for the Benefit Unit in question.

(ii) The amount available for the Discounted Cash Out Election shall be determined by establishing the value of the Participant's Deferral Account for the Benefit Unit (including the rate of interest to be credited pursuant to Section 4.3) as if the Participant ceased employment with the Company on the last day of the month during which the Participant executes a written Discounted Cash Out Election.

(iii) If a Participant elects to receive his entire Deferral Account for a Benefit Unit via a Discounted Cash Out Election, the Participant's Deferral Account for the Benefit Unit and any related Cost of Living Escalator account shall be deemed fully distributed to the Participant. The amount, however, actually distributed to the Participant shall be the amount of the Deferral Account for the Benefit Unit and any

related Cost of Living Escalator account less a penalty equal to six percent (6%) of the amount otherwise distributable.

(iv) If a Participant elects to receive \$200,000 or some higher dollar amount of his Deferral Account and a pro rata portion of any related Cost of Living Escalator account, the amount elected shall be deemed fully distributed to the Participant. The amount, however, actually distributed to the Participant shall be the elected amount less a penalty equal to six percent (6%) of the elected amount.

(b) During the course of any Plan Year following a Participant's Early or Normal Retirement date, the Participant or the Beneficiary may make up to two elections to receive all or part of the Participant's Deferral Account(s) and a pro rata portion of any related Cost of Living Escalator account(s) in single lump-sum payments that shall be paid within fifteen (15) days after the end of the month in which the Participant or Beneficiary files a written election to receive a discounted lump-sum payment pursuant to this Section 5.8(b). Interest on the amount elected to be withdrawn from such Deferral Accounts shall cease to accrue at the end of the month in which the Discounted Cash Out Election is made. The requirements for a valid Discounted Cash Out Election and the manner of determining the amount to be paid to a Participant or Beneficiary who makes a post-retirement Discounted Cash Out Election are as follows:

(i) The Discounted Cash Out Election must be for an amount of \$200,000 or greater, unless a Participant or Beneficiary has a Deferral Account for a Benefit Unit worth less than \$200,000 at the time of the Discounted Cash Out Election in which case the amount of the Discounted Cash Out Election may be equal to 100% of the Deferral Account and any related Cost of Living Escalator account for the Benefit Unit in question.

(ii) If a Participant or Beneficiary elects to receive his entire Deferral Account for a Benefit Unit via a Discounted Cash Out Election, the Participant's or Beneficiary's Deferral Account for the Benefit Unit and any related Cost of Living Escalator account shall be deemed fully distributed to the Participant or Beneficiary. The amount, however, actually distributed to the electing Participant or Beneficiary shall be the amount of the Deferral Account for the Benefit Unit and any related Cost of Living Escalator account less a penalty equal to six percent (6%) of the amount otherwise distributable.

(iii) If a Participant or Beneficiary elects to receive \$200,000 or some higher dollar amount of his Deferral Account and a pro rata portion of any related Cost of Living Escalator account, the amount elected shall be deemed fully distributed to the Participant or Beneficiary. The amount, however, actually distributed to the Participant or Beneficiary shall be the elected amount less a penalty equal to six percent (6%) of the elected amount.

(iv) If a Participant or Beneficiary makes a Discounted Cash Out Election(s) or receives payment(s) of an Emergency Benefit and a portion of a Deferral Account for a Benefit Unit remains unpaid, future monthly benefit payments shall be reduced to reflect the withdrawal of part of the Deferral Account and there shall be no reduction in the previously scheduled number of monthly benefit payments.

5.9 Small Benefit. Notwithstanding anything herein to the contrary,

in the event the total amount of a Deferral Account allocable to a Participant or a Beneficiary who is qualified to receive Early Retirement or Normal Retirement Benefits is \$50,000 or less, the Company, in its sole

discretion, may elect to distribute any such amount in a lump sum. If a Cost of Living Escalator was elected for any Deferral Account which the Company elects to distribute on a lump sum basis pursuant to the previous sentence, the value of the Deferral Account for such Cost of Living Escalator as of the date of payment of said lump sum shall also be paid to the Participant or Beneficiary in one lump sum. For purposes of the previous sentence, "the value of the Deferral Account for such Cost of Living Escalator as of the date of payment of said lump sum" shall equal the amount contributed to the Plan on account of the Cost of Living Escalator plus interest credited thereon in the same manner and at the same annual rate as interest is credited on the Deferral Account for the underlying Benefit Unit pursuant to Section 4.3 of the Plan.

5.10 Withholding; Unemployment Taxes. To the extent required by the

law in effect at the time payments are made, the Employer shall withhold from payments made hereunder the minimum taxes required to be withheld by the federal or any state or local government.

ARTICLE 6
BENEFICIARY DESIGNATION

Each Participant shall have the right, at any time, to designate any person or persons as Beneficiary or Beneficiaries to whom payment under this Plan shall be made in the event of Participant's death prior to complete distribution to Participant of the benefits due under the Plan. Each Beneficiary designation shall become effective only when filed in writing with the Committee during the Participant's lifetime on a form prescribed by the Committee.

The filing of a new Beneficiary designation form will cancel all Beneficiary 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 or a trust for said previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse or a trust for said new spouse had previously been designated as Beneficiary.

If a Participant fails to designate a Beneficiary as provided above, or if his Beneficiary is revoked by marriage, divorce, or otherwise without execution of a new designation, or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Committee shall direct the distribution of such benefits to the Participant's estate.

ARTICLE 7
AMENDMENT OR TERMINATION OF PLAN

The Chairman and Chief Executive Officer of the Company may amend the Plan; provided, however, that (i) no such amendment shall be effective to decrease the benefits accrued by any Participant or Beneficiary of a deceased Participant (including, but not limited to, the rate of interest credited to the Deferral Accounts) prior to the Plan Year commencing after the date of such amendment; (ii) Section 4.3(a) may not be amended; (iii) the definition of Declared Rate may not be amended; and (iv) the other substantive provisions of the Plan related to the calculation of benefits or the manner or timing of payments to be made under the Plan shall not be amended so as to prejudice the rights of any Participant or Beneficiary of a deceased Participant.

Notwithstanding any terms herein to the contrary, the Company may not terminate the Plan. The Company shall not have any obligation to, but may, in its discretion, allow additional deferrals into this Plan.

ARTICLE 8
MISCELLANEOUS

8.1 Unsecured General Creditor. The Company intends to establish and

fund the Avery Dennison Corporation Executive Compensation Trust ("Rabbi Trust"). The assets of the Rabbi Trust shall be subject to the claims of the Company's creditors. To the extent any benefits provided under the Plan are actually paid from the Rabbi Trust, the Employer shall have no further obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by, the Employer. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in any specific property or assets of Employer, nor shall they be beneficiaries of, or have any rights, claims, or interests in any life insurance policies, annuity contracts, or the proceeds therefrom owned or which may be acquired by Employer ("Policies"). Apart from the Rabbi Trust, such Policies or other assets of Employer shall not 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 fulfilling of the obligations of Employer under this Plan. Any and all of the Employer's assets and Policies shall be, and remain, the general, unpledged, unrestricted assets of Employer. Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise of Employer to pay money in the future.

8.2 Obligations to Employer. If a Participant becomes entitled to a

distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligations, or other liability representing an amount owing to the Employer, then the Employer may offset such amount owed to it against the amount of benefits otherwise distributable. Such determination shall be made by the Committee.

8.3 Nonassignability. Neither a Participant nor any other 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 amounts, if any, payable, hereunder, or any part thereof, or interest therein which are, and all rights to which are,

expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure 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 a Participant's or any other person's bankruptcy or insolvency.

8.4 Employment Not Guaranteed. Nothing contained in this Plan nor

any action taken hereunder shall be construed as a contract of employment or as giving any Employee any right to be retained in the employ of the Company.

8.5 Protective Provisions. Each Participant shall cooperate with the

Employer by furnishing any and all information requested by the Employer in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Employer may deem necessary and taking such other relevant action as may be requested by the Employer. If a Participant refuses so to cooperate, the Employer shall have no further obligation to the Participant under the Plan, other than payment to such Participant of the cumulative reductions in Direct Cash Compensation theretofore made pursuant to this Plan. If a Participant commits suicide during the two (2) year period beginning on the later of (a) the date of adoption of this Plan or (b) the first day of the first Plan Year of such Participant's participation in the Plan, or if the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits will be payable hereunder to such Participant or his Beneficiary, other than payment to such Participant of the cumulative reductions in Direct Cash Compensation theretofore made pursuant to this Plan, provided, that in the Employer's sole discretion, benefits may be payable in an amount reduced to compensate the Employer for any loss, cost, damage or expense suffered or incurred by the Employer as a result in any way of misstatement or nondisclosure.

8.6 Gender, Singular & Plural. All pronouns and any variations

thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

8.7 Captions. The captions of the articles, sections, and paragraphs

of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

8.8 Validity. In the event any provision of this Plan is held

invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

8.9 Notice. Any notice or filing required or permitted to be given

to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Employer, directed to the attention of the President of the Employer. Such notice shall be deemed given as to the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

8.10 Applicable Law. This Plan shall be governed and construed in

accordance with the laws of the State of California.

AMENDMENT NO. 1
TO THE AVERY INTERNATIONAL CORPORATION
1988 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

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

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

NOW, THEREFORE, subject to such stockholder approval, the Plan is hereby amended effective as of December 1, 1994 in the following respects:

1. The name of the Plan shall be changed to the "Avery Dennison Corporation 1988 Stock Option Plan for Non-Employee Directors."
2. The second sentence of the first paragraph of Paragraph 4 is hereby deleted in its entirety and the following is inserted in lieu thereof:

"Commencing with the regular meeting of the Board in December 1994, during the term of the Plan each then current, non-employee director ("Optionee") shall automatically be granted, on the date of each regular December meeting of the Board, an Option for 2,000 shares (subject to adjustment as provided in Paragraph 8), except that any director retiring from the Board as of the Annual Meeting of Stockholders on April 27, 1995 shall not be entitled to receive any such grant of Options."

3. The first sentence of Paragraph 5(b) is hereby deleted in its entirety and the following is inserted in lieu thereof:

"(b) Options shall become exercisable in installments of 50% of the number of shares initially granted, commencing on the first anniversary of the grant date, such installments to be cumulative; provided, however, that all Options owned by a director which are unexercisable on the date of such director's Retirement at or after age seventy-two shall become fully exercisable on that date."

4. Paragraph 5(f) is hereby deleted in its entirety and the following is inserted in lieu thereof:

"(f) In the event of the death of a director or former director to whom an Option has been granted under the Plan, the Option theretofore granted to him (unless the Option shall have been previously terminated pursuant to the provisions of Paragraph 5(d) or 5(e)) may be exercised by a person properly designated by the Optionee, including his spouse or heirs at law, to exercise such Optionee's rights under this Plan (a "Beneficiary") at any time within twelve months of the date of the Optionee's death, but not after the expiration of the Option, to the extent of the number of shares exercisable by the Optionee at the date of his death; otherwise the Option shall expire at the end of such twelve-month period. Designation, revocation and redesignation of Beneficiaries must be made in writing in accordance with

rules established by the Board and shall be effective upon delivery to the Board."

5. The first sentence of Paragraph 7 is hereby deleted in its entirety and the following is inserted in lieu thereof:

"No Option granted under the Plan shall be transferable otherwise than by will or by the laws of descent and distribution, or to a Beneficiary, and an Option may be exercised, during the lifetime of the holder thereof, only by him."

6. The first sentence of Paragraph 10 is hereby deleted in its entirety and the following is inserted in lieu thereof:

"Unless the Plan shall theretofore have been terminated as hereinafter provided, the Plan shall terminate on, and no awards of Options shall be made after, January 31, 2007; provided, however, that such termination shall have no effect on Options granted prior thereto."

7. Exhibit A is hereby deleted in its entirety and the attached Exhibit A is inserted in lieu thereof.

EXHIBIT A

AVERY DENNISON CORPORATION

NON-EMPLOYEE DIRECTOR STOCK OPTION AGREEMENT

THIS AGREEMENT, dated _____, is made by and between Avery Dennison Corporation, a Delaware corporation, hereinafter referred to as the "Company," and *, a non-employee director of Company, hereinafter referred to as "Optionee".

WHEREAS, Company wishes to afford Optionee the opportunity to purchase shares of its \$1.00 par value common stock under the terms of the 1988 Stock Option Plan for Non-Employee Directors of Avery Dennison Corporation; (hereinafter referred to as the "Plan") and

WHEREAS, The Company's Board of Directors (hereinafter referred to as the "Board"), appointed to administer said Plan, has determined that it would be to the advantage and best interest of Company and its stockholders to grant the Option provided for herein to Optionee as an inducement to provide services as a Director of the Company and as an incentive for increased efforts during such service. The Board has advised Company of its determination and instructed the undersigned officers to issue said Option, which is a Non-Qualified Stock Option, as required under the Plan;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, Company and Optionee do hereby agree as follows:

ARTICLE I

DEFINITIONS

DEFINITIONS

Whenever the following terms are used in this Agreement they shall have the meaning specified below unless the context clearly indicates to the contrary.

1.1 Agreement

"Agreement" shall mean this Non-Employee Director Stock Option Agreement.

1.2 Change of Control

"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 Agreement 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:

* Refer to attached Notice.

- (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 shareholders of the Company involving a contest or the election of the directors shall not constitute a majority of the Board of Directors following such election.

1.3 Option

"Option" shall mean this option to purchase common stock of the Company granted under the Agreement.

1.4 Optionee

"Optionee" shall mean a non-employee Director eligible under the terms of the Plan.

1.5 Plan

The "Plan" shall mean The 1988 Stock Option Plan for Non-Employee Directors of Avery Dennison Corporation.

1.6 Pronouns

The masculine pronoun shall include the feminine and neuter, and the singular, and the plural, where the context so indicates.

1.7 Secretary

"Secretary" shall mean the Secretary of the Company.

1.8 Termination

"Termination" shall mean the time when the Optionee ceases to be a Director of the Company for any reason, including, but not limited to, a termination by resignation, removal, death, retirement, or failure to be elected.

1.9 Beneficiary

"Beneficiary" shall mean a person properly designated by the Optionee, including his/her spouse or heirs at law, to exercise such Optionee's rights under the Plan. Designation, revocation and redesignation of Beneficiaries must be made in writing in accordance with rules established by the Committee and shall be effective upon delivery to the Committee.

ARTICLE II

GRANT OF OPTION

2.1 Grant of Option

In consideration of Optionee's agreement to provide services as a director of the Company and for other good and valuable consideration, on the date hereof the Company irrevocably grants to Optionee the option to purchase any part or all of an aggregate of _____ shares of its \$1.00 par value common stock upon the terms and conditions set forth in this Agreement. Such Option is granted pursuant to the Plan and shall also be subject to the terms and conditions set forth in the Plan which is incorporated herein by reference.

2.2 Purchase Price

The purchase price of the shares of stock covered by the Option shall be _____ dollars (\$_____) per share without commission or other charge.

2.3 Consideration to Company

In consideration of the granting of this Option by the Company, the Optionee agrees to render services as a Director to the Company, for a period of at least one (1) year from the date this Option is granted. Nothing in this Agreement or in the Plan shall confer upon the Optionee any right to continue as a Director of the Company, nor shall it interfere with or restrict in any way, other than the loss of rights as provided in Article III of this Agreement, the right of the Optionee voluntarily to resign as a Director of the Company.

2.4 Adjustments in Option

In the event that the outstanding shares of the stock subject to the Option are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, or combination of shares, the Board shall make an appropriate and equitable adjustment in the number and kind of shares as to which the Option, or portions thereof then unexercised, shall be exercisable. Such adjustment shall be made with the intent that after the change or exchange of shares, the Optionee's proportionate interest shall be maintained as before the occurrence of such event. Such adjustment in the Option may include a necessary corresponding adjustment in the option price per share, but shall be made without change in the total price applicable to the unexercised portion of the Option (except for any change in the aggregate price resulting from rounding-off of share quantities or prices).

ARTICLE III

PERIOD OF EXERCISABILITY

3.1 Commencement of Exercisability

- (a) The Option shall become exercisable in two cumulative installments as follows:
- (i) The first installment shall consist of fifty percent (50%) of the shares covered by the Option and shall become exercisable on the first anniversary of the date the Option was granted.
 - (ii) The second installment shall consist of an additional fifty percent (50%) of the shares covered by the Option and shall become exercisable on the second anniversary of the date the Option was granted.
- The installments provided for in this Subsection (a) are cumulative. Each installment which becomes exercisable shall remain exercisable during the term of the Option, subject to Sections 3.3 and 3.4.
- (b) No portion of the Option which is an unexercisable installment under Subsection (a) above at Termination shall thereafter become exercisable.
- (c) Notwithstanding Subsection 3.1(a) above, upon a Change of Control, all Option installments not yet exercisable shall become immediately exercisable.
- (d) Notwithstanding Subsection 3.1(a) above, when the Optionee, who is a director, reaches his seventy-second birthday, all Option installments not yet exercisable shall become immediately exercisable.

3.2 Term of Option

The Option will expire and will not, under any condition, be exercisable after the tenth (10th) anniversary of the date the Option was granted. Such date shall be the Option's Expiration Date.

3.3 Exercise of Option after Termination

This Option is exercisable by the Optionee only while he is a Director of the Company, subject to the following exceptions:

- (a) If the Optionee dies while the Option is exercisable under the terms of this Agreement, the Optionee's Beneficiary may exercise such rights, subject to the limitation in Subsection 3.1(b). The Option must be exercised within twelve (12) months after the Optionee's death, but not later than the Option's Expiration Date.

- (b) If the Optionee ceases to be a Director due to his retirement, the Optionee may exercise the Option, subject to the limitation in Subsection 3.1(b), within twenty-four (24) months after Termination, but not later than the Option's Expiration Date.
- (c) If the Optionee ceases to be a Director other than for the reasons set forth in Subsections (a) or (b) above, the Optionee may exercise the Option, subject to the limitations of Subsection 3.1(b), within three (3) months after Termination, but not later than the Option's Expiration Date.

3.4 Exercise of Option Upon Merger or Consolidation

- (a) Notwithstanding Section 3.3, the Option may not be exercised to any extent by anyone after the effective date of either the merger or consolidation of the Company into another corporation, the exchange of all or substantially all of the assets of the Company for the securities of another corporation, the acquisition by another corporation of 80% or more of the Company's then outstanding voting stock, or the liquidation or dissolution of the Company. At least twenty (20) days prior to the effective date of such merger, consolidation, exchange, acquisition, liquidation, or dissolution, the Company shall give the Optionee notice of such event if the Option has then neither been fully exercised nor become unexercisable.
- (b) In the event of such merger, consolidation, exchange, acquisition, liquidation, or dissolution, then for a period of ten (10) days prior to the effective date of such event, the Option shall be exercisable as to all shares covered hereby, notwithstanding that the Option may not yet have become fully exercisable under Subsection 3.1(a).

ARTICLE IV

EXERCISE OF OPTIONS

4.1 Partial Exercise

Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.2. Each partial exercise shall be for not less than one hundred (100) shares (or a smaller number, if it is the maximum number which may be exercised under Section 3.1), and shall be for whole shares only.

4.2 Manner of Exercise

The Option, or any exercisable portion thereof, may be exercised solely by delivering to the Secretary or his office all of the following:

- (a) A written notice, complying with the applicable rules established by the Board, stating that the Option or portion is thereby exercised. The notice shall be signed by the Optionee or the other person then entitled to exercise the Option;

- (b) Full payment (in cash or by cashier's check) for the shares with respect to which the Option or portion is exercised. Payment may be made by surrendering Company common stock owned by the Optionee, with a fair market value (as defined in Paragraph 5(c) of the Plan) on the date the Option is exercised equal to the aggregate purchase price of the shares with respect to which the Option, or portion thereof, is exercised; and
- (c) In the event the Option or portion thereof shall be exercised by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option.

4.3 Conditions to Issuance of Stock Certificates

The shares of stock deliverable upon the exercise of the Option, or any part thereof, may be either previously authorized but unissued shares or issued shares which have then been reacquired by the Company. Such shares shall be fully paid and non-assessable. The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of the Option or part thereof prior to fulfillment of all of the following conditions:

- (a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;
- (b) The completion of any registration or other qualification of such shares under any state or federal law, or under rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Board shall, in its absolute discretion, deem necessary or advisable;
- (c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Board shall, in its absolute discretion, determine to be necessary or advisable;
- (d) The lapse of such reasonable period of time following the exercise of the Option as the Board may from time to time establish for reasons of administrative convenience; and
- (e) The receipt by the Company of full payment for such shares.

4.4 Rights as Stockholders

The holder of the Option shall not be, nor have any of the rights or privileges of, a stockholder of the Company in respect of any shares purchasable upon the exercise of any part of the Option unless and until certificates representing such shares shall have been issued by the Company to such holder.

ARTICLE V

MISCELLANEOUS

5.1 Administration

The Board shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Board in good faith shall be final and binding upon the Optionee, the Company and all other interested persons. No member of the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Option.

5.2 Option Not Transferable

Neither the Option nor any interest or right therein or part thereof may be sold, pledged, assigned or transferred in any manner other than by will or by the applicable laws of descent and distribution. The Option shall be exercised during the Optionee's lifetime only by the Optionee, or his guardian or legal representative.

5.3 Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary and any notice to be given to the Optionee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section, either party may hereafter designate a different address for notices to be given to him. Any notice which is required to be given to Optionee shall, if Optionee is then deceased, be given to Optionee's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section. Any notice shall have been deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

5.4 Adoption by the Board, Approval by Stockholders and Receipt of Interpretive Letter

The Plan was approved and adopted by the Board on January 28, 1988 and approved by the Company's stockholders on March 31, 1988. The Company received an interpretive letter dated April 22, 1988 from the Securities and Exchange Commission to the effect that the Plan meets the requirements of Rule 16b-3 of the Securities Exchange Act of 1934 and that non-employee directors receiving Options under the Plan are disinterested persons within the meaning of Rule 16b-3 for the purpose of administering certain compensation plans of the Company.

5.5 Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.6 Construction

This Agreement shall be administered and interpreted under the laws of the State of California.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

AVERY DENNISON CORPORATION

By _____*
Chairman and Chief Executive Officer

By _____*
Secretary

_____*
Optionee

Address: _____*

_____*

_____*

_____*

* Refer to attached Notice.

AVERY DENNISON CORPORATION

NON-EMPLOYEE DIRECTOR STOCK OPTION AGREEMENT

THIS AGREEMENT, dated _____, is made by and between Avery Dennison Corporation, a Delaware corporation, hereinafter referred to as the "Company," and *, a non-employee director of Company, hereinafter referred to as "Optionee".

WHEREAS, Company wishes to afford Optionee the opportunity to purchase shares of its \$1.00 par value common stock under the terms of the 1988 Stock Option Plan for Non-Employee Directors of Avery Dennison Corporation; (hereinafter referred to as the "Plan") and

WHEREAS, The Company's Board of Directors (hereinafter referred to as the "Board"), appointed to administer said Plan, has determined that it would be to the advantage and best interest of Company and its stockholders to grant the Option provided for herein to Optionee as an inducement to provide services as a Director of the Company and as an incentive for increased efforts during such service. The Board has advised Company of its determination and instructed the undersigned officers to issue said Option, which is a Non-Qualified Stock Option, as required under the Plan;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, Company and Optionee do hereby agree as follows:

ARTICLE I

DEFINITIONS

Whenever the following terms are used in this Agreement they shall have the meaning specified below unless the context clearly indicates to the contrary.

1.1 Agreement

"Agreement" shall mean this Non-Employee Director Stock Option Agreement.

1.2 Change of Control

"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 Agreement 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:

* Refer to attached Notice.

- (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 shareholders of the Company involving a contest or the election of the directors shall not constitute a majority of the Board of Directors following such election.

1.3 Option

"Option" shall mean this option to purchase common stock of the Company granted under the Agreement.

1.4 Optionee

"Optionee" shall mean a non-employee Director eligible under the terms of the Plan.

1.5 Plan

The "Plan" shall mean The 1988 Stock Option Plan for Non-Employee Directors of Avery Dennison Corporation.

1.6 Pronouns

The masculine pronoun shall include the feminine and neuter, and the singular, and the plural, where the context so indicates.

1.7 Secretary

"Secretary" shall mean the Secretary of the Company.

1.8 Termination

"Termination" shall mean the time when the Optionee ceases to be a Director of the Company for any reason, including, but not limited to, a termination by resignation, removal, death, retirement, or failure to be elected.

1.9 Beneficiary

"Beneficiary" shall mean a person properly designated by the Optionee, including his/her spouse or heirs at law, to exercise such Optionee's rights under the Plan. Designation, revocation and redesignation of Beneficiaries must be made in writing in accordance with rules established by the Committee and shall be effective upon delivery to the Committee.

ARTICLE II

GRANT OF OPTION

2.1 Grant of Option

In consideration of Optionee's agreement to provide services as a director of the Company and for other good and valuable consideration, on the date hereof the Company irrevocably grants to Optionee the option to purchase any part or all of an aggregate of _____ shares of its \$1.00 par value common stock upon the terms and conditions set forth in this Agreement. Such Option is granted pursuant to the Plan and shall also be subject to the terms and conditions set forth in the Plan which is incorporated herein by reference.

2.2 Purchase Price

The purchase price of the shares of stock covered by the Option shall be _____ dollars (\$_____) per share without commission or other charge.

2.3 Consideration to Company

In consideration of the granting of this Option by the Company, the Optionee agrees to render services as a Director to the Company, for a period of at least one (1) year from the date this Option is granted. Nothing in this Agreement or in the Plan shall confer upon the Optionee any right to continue as a Director of the Company, nor shall it interfere with or restrict in any way, other than the loss of rights as provided in Article III of this Agreement, the right of the Optionee voluntarily to resign as a Director of the Company.

2.4 Adjustments in Option

In the event that the outstanding shares of the stock subject to the Option are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, or combination of shares, the Board shall make an appropriate and equitable adjustment in the number and kind of shares as to which the Option, or portions thereof then unexercised, shall be exercisable. Such adjustment shall be made with the intent that after the change or exchange of shares, the Optionee's proportionate interest shall be maintained as before the occurrence of such event. Such adjustment in the Option may include a necessary corresponding adjustment in the option price per share, but shall be made without change in the total price applicable to the unexercised portion of the Option (except for any change in the aggregate price resulting from rounding-off of share quantities or prices).

ARTICLE III

PERIOD OF EXERCISABILITY

3.1 Commencement of Exercisability

- (a) The Option shall become exercisable in two cumulative installments as follows:
- (i) The first installment shall consist of fifty percent (50%) of the shares covered by the Option and shall become exercisable on the first anniversary of the date the Option was granted.
 - (ii) The second installment shall consist of an additional fifty percent (50%) of the shares covered by the Option and shall become exercisable on the second anniversary of the date the Option was granted.
- The installments provided for in this Subsection (a) are cumulative. Each installment which becomes exercisable shall remain exercisable during the term of the Option, subject to Sections 3.3 and 3.4.
- (b) No portion of the Option which is an unexercisable installment under Subsection (a) above at Termination shall thereafter become exercisable.
- (c) Notwithstanding Subsection 3.1(a) above, upon a Change of Control, all Option installments not yet exercisable shall become immediately exercisable.
- (d) Notwithstanding Subsection 3.1(a) above, when the Optionee, who is a director, reaches his seventy-second birthday, all Option installments not yet exercisable shall become immediately exercisable.

3.2 Term of Option

The Option will expire and will not, under any condition, be exercisable after the tenth (10th) anniversary of the date the Option was granted. Such date shall be the Option's Expiration Date.

3.3 Exercise of Option after Termination

This Option is exercisable by the Optionee only while he is a Director of the Company, subject to the following exceptions:

- (a) If the Optionee dies while the Option is exercisable under the terms of this Agreement, the Optionee's Beneficiary may exercise such rights, subject to the limitation in Subsection 3.1(b). The Option must be exercised within twelve (12) months after the Optionee's death, but not later than the Option's Expiration Date.

- (b) If the Optionee ceases to be a Director due to his retirement, the Optionee may exercise the Option, subject to the limitation in Subsection 3.1(b), within twenty-four (24) months after Termination, but not later than the Option's Expiration Date.
- (c) If the Optionee ceases to be a Director other than for the reasons set forth in Subsections (a) or (b) above, the Optionee may exercise the Option, subject to the limitations of Subsection 3.1(b), within three (3) months after Termination, but not later than the Option's Expiration Date.

3.4 Exercise of Option Upon Merger or Consolidation

- (a) Notwithstanding Section 3.3, the Option may not be exercised to any extent by anyone after the effective date of either the merger or consolidation of the Company into another corporation, the exchange of all or substantially all of the assets of the Company for the securities of another corporation, the acquisition by another corporation of 80% or more of the Company's then outstanding voting stock, or the liquidation or dissolution of the Company. At least twenty (20) days prior to the effective date of such merger, consolidation, exchange, acquisition, liquidation, or dissolution, the Company shall give the Optionee notice of such event if the Option has then neither been fully exercised nor become unexercisable.
- (b) In the event of such merger, consolidation, exchange, acquisition, liquidation, or dissolution, then for a period of ten (10) days prior to the effective date of such event, the Option shall be exercisable as to all shares covered hereby, notwithstanding that the Option may not yet have become fully exercisable under Subsection 3.1(a).

ARTICLE IV

EXERCISE OF OPTIONS

4.1 Partial Exercise

Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.2. Each partial exercise shall be for not less than one hundred (100) shares (or a smaller number, if it is the maximum number which may be exercised under Section 3.1), and shall be for whole shares only.

4.2 Manner of Exercise

The Option, or any exercisable portion thereof, may be exercised solely by delivering to the Secretary or his office all of the following:

- (a) A written notice, complying with the applicable rules established by the Board, stating that the Option or portion is thereby exercised. The notice shall be signed by the Optionee or the other person then entitled to exercise the Option;

- (b) Full payment (in cash or by cashier's check) for the shares with respect to which the Option or portion is exercised. Payment may be made by surrendering Company common stock owned by the Optionee, with a fair market value (as defined in Paragraph 5(c) of the Plan) on the date the Option is exercised equal to the aggregate purchase price of the shares with respect to which the Option, or portion thereof, is exercised; and
- (c) In the event the Option or portion thereof shall be exercised by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option.

4.3 Conditions to Issuance of Stock Certificates

The shares of stock deliverable upon the exercise of the Option, or any part thereof, may be either previously authorized but unissued shares or issued shares which have then been reacquired by the Company. Such shares shall be fully paid and non-assessable. The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of the Option or part thereof prior to fulfillment of all of the following conditions:

- (a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;
- (b) The completion of any registration or other qualification of such shares under any state or federal law, or under rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Board shall, in its absolute discretion, deem necessary or advisable;
- (c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Board shall, in its absolute discretion, determine to be necessary or advisable;
- (d) The lapse of such reasonable period of time following the exercise of the Option as the Board may from time to time establish for reasons of administrative convenience; and
- (e) The receipt by the Company of full payment for such shares.

4.4 Rights as Stockholders

The holder of the Option shall not be, nor have any of the rights or privileges of, a stockholder of the Company in respect of any shares purchasable upon the exercise of any part of the Option unless and until certificates representing such shares shall have been issued by the Company to such holder.

ARTICLE V

MISCELLANEOUS

5.1 Administration

The Board shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Board in good faith shall be final and binding upon the Optionee, the Company and all other interested persons. No member of the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Option.

5.2 Option Not Transferable

Neither the Option nor any interest or right therein or part thereof may be sold, pledged, assigned or transferred in any manner other than by will or by the applicable laws of descent and distribution. The Option shall be exercised during the Optionee's lifetime only by the Optionee, or his guardian or legal representative.

5.3 Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary and any notice to be given to the Optionee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section, either party may hereafter designate a different address for notices to be given to him. Any notice which is required to be given to Optionee shall, if Optionee is then deceased, be given to Optionee's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section. Any notice shall have been deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

5.4 Adoption by the Board, Approval by Stockholders and Receipt of Interpretive Letter

The Plan was approved and adopted by the Board on January 28, 1988 and approved by the Company's stockholders on March 31, 1988. The Company received an interpretive letter dated April 22, 1988 from the Securities and Exchange Commission to the effect that the Plan meets the requirements of Rule 16b-3 of the Securities Exchange Act of 1934 and that non-employee directors receiving Options under the Plan are disinterested persons within the meaning of Rule 16b-3 for the purpose of administering certain compensation plans of the Company.

5.5 Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.6 Construction

This Agreement shall be administered and interpreted under the laws of the State of California.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

AVERY DENNISON CORPORATION

By _____*
Chairman and Chief Executive Officer

By _____*
Secretary

_____*
Optionee

Address: _____*

_____*
_____*
_____*

* Refer to attached Notice.

COMPLETE RESTATEMENT AND AMENDMENT
OF
AVERY DENNISON CORPORATION
EXECUTIVE VARIABLE DEFERRED
COMPENSATION PLAN

=====

December 23, 1994

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COMPLETE RESTATEMENT AND AMENDMENT OF
AVERY DENNISON CORPORATION
EXECUTIVE VARIABLE DEFERRED COMPENSATION PLAN

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ARTICLE I
PURPOSE

The purpose of this Executive Variable Deferred Compensation Plan (the "Plan") is to provide a means whereby Avery Dennison Corporation, a Delaware corporation (the "Company"), may afford financial security to a select group of key management employees of the Company and its subsidiaries who have rendered and continue to render valuable services to the Company or its subsidiaries which constitute an important contribution towards the Company's continued growth and success, by providing for additional future compensation so that these employees may be retained and their productive efforts encouraged.

ARTICLE 2
DEFINITIONS AND CERTAIN PROVISIONS

Annual Base Salary. "Annual Base Salary" means with respect to a

Participant for any Plan Year such Participant's fixed, basic, straight time, and regularly recurring wages and salary, any payments for overtime hours, vacation pay, compensation paid in lieu of vacation, and holiday pay; but

excluding all Bonus, long-term incentive cash awards, other discretionary bonuses, severance allowances, forms of incentive compensation, Savings Plan or

other qualified plan contributions made by the Company, Retirement Plan or other qualified plan benefits, retainers, insurance premiums or benefits, reimbursements, and all other payments.

Authorization Form. "Authorization Form" means the authorization form

which an Eligible Employee files with the Company to participate in a Benefit Unit under the Plan.

Beneficiary. "Beneficiary" means the person or persons designated

as such in accordance with Article 6.

Benefit Deferral Period. "Benefit Deferral Period" means that period

of one (1) to five (5) Plan Years as determined pursuant to Article 4 over which a Participant defers all or a portion of such Participant's Direct Cash Compensation with respect to a Benefit Unit.

Benefit Unit. "Benefit Unit" means a unit enrolled in by a Participant

pursuant to Article 4 providing the benefits described in Article 5. Each Benefit Unit will be covered by a separate Authorization Form.

Bonus. "Bonus" means with respect to a Participant for any Plan Year

the bonus paid to the Participant in such Plan Year under the Bonus Plan on account of services rendered to the Company during the immediately preceding Plan Year.

Bonus Plan. "Bonus Plan" means all annual bonus plans sponsored by

the Company from time to time.

Committee. "Committee" means the deferred compensation plan committee

appointed to administer the Plan pursuant to Article 3.

Cumulative Deferral Amount. "Cumulative Deferral Amount" means with

respect to each Benefit Unit the total cumulative amount by which a Participant's Direct Cash Compensation will be reduced over the Benefit Deferral Period.

Declared Rate. "Declared Rate" means the following rates of interest

for Deferral Options A and B, respectively:

Option A. "Declared Rate" means with respect to any Plan Year the one

hundred twenty (120) month rolling average rate of ten-year United States
Treasury Notes. The one hundred twenty (120) month rolling average rate will be
determined by an outside source selected by the Committee once for each Plan
Year. This rate will be determined for each Plan Year as of the end of the
month of September of the preceding Plan Year and will be the average of the
rates in effect at the end of each month (as so indicated in "Yield & Yield
Spreads-U.S. Government Securities by Maturity" published by Salomon Brothers)
for the one hundred twenty (120) months ending with that September.

Option B. "Declared Rate" means with respect to any quarter of a Plan

Year a rate of return (positive or negative) that is based on the actual
performance of a specific Pruco Variable Life Insurance Contract investment
fund. At the end of each quarter of a Plan Year, Prudential Life Insurance
Company will report to the Company the actual gross performance of each
investment fund. The rate of return determined based on such gross performance
for an investment fund, less an administrative charge of .3%, will be the
Declared Rate for the investment fund for the quarter. At the discretion of the
Committee, the Declared Rate may be determined on a monthly basis.

The Declared Rate choices for Option B are:

Declared Rate 1. This rate is based on the performance of the

Money Market Fund.

Declared Rate 2. This rate is based on the performance of the

Common Stock Fund.

Declared Rate 3. This rate is based on the performance of the

Conservatively Managed Fund.

Declared Rate 4. This rate is based on the performance of the Aggressively

Managed Fund.

Deferrals will not necessarily be invested by the Company in the foregoing investment funds, even though the actual performance of the investment fund will be used to measure the Declared Rate.

Deferral Account. "Deferral Account" means the account maintained on

the books of account of the Company for each Benefit Unit pursuant to Section 4.3.

Deferral Option. "Deferral Option" means the two deferral options

which are available under the Plan, Option A and Option B, as described in Articles 4 and 5.

Direct Cash Compensation. "Direct Cash Compensation" means for any

date within a Plan Year the sum of (a) the Participant's Annual Base Salary as of the first day of the Plan Year plus (b) the Participant's Bonus paid in such Plan Year, but before reduction pursuant to this Plan.

Disability. "Disability" means any inability on the part of an

Employee, commencing before age 64 1/2, as determined by the Committee, in its complete and sole discretion, to perform the substantial and material duties of his or her job due to injury or sickness lasting for more than one hundred eighty (180) consecutive days. Disability for purposes of this Plan shall be deemed to commence as of the first day following the end of such one hundred eighty (180) day period. If an Employee makes application for disability benefits under the Social Security Act, as now in effect or as hereafter amended, and qualifies for such benefits, the Employee shall be presumed to suffer from a Disability under this Plan. The Committee may require the Employee to submit to an examination by a physician or medical clinic selected by the Committee. On the basis of such medical evidence and in the absence of qualification for disability benefits under the Social Security Act, the determination of the Committee as to whether or not a condition of Disability

exists shall be conclusive. To constitute Disability, the same must commence after the Employee has become a Participant in the Plan.

Discounted Cash Out Election. "Discounted Cash Out Election" means the

written election by a Participant or Beneficiary in a form acceptable to the Committee to receive all or part of the Participant's Deferral Account pursuant to the terms and conditions of Section 5.9.

Early Payment Benefit. "Early Payment Benefit" means benefits payable

to a Participant pursuant to the provisions of Section 5.2.

Early Retirement. "Early Retirement" means with respect to any Benefit

Unit the termination of a Participant's employment with Employer for reasons other than death (a) between ages 55 and 65, and (b) after fifteen (15) years of employment with an Employer and (c) after completing deferrals of one hundred percent (100%) of the Cumulative Deferral Amount for such Benefit Unit, excluding deferrals under Option B which are elected as a percentage of Bonus.

Eligible Employee. "Eligible Employee" means an Employee who is

eligible to participate in Option A or Option B as provided in Section 4.1.

Emergency Benefit. "Emergency Benefit" means the benefit that is

payable pursuant to Section 5.6 of the Plan.

Employee. "Employee" means any person employed by the Employer on a

regular full-time salaried basis, including officers of the Employer.

Employer. "Employer" means the Company and any of its wholly-owned

subsidiaries.

Employer Augmentation Contribution. "Employer Augmentation

Contribution" means the contribution made by the Employer pursuant to Section 4.2 of the Plan.

Normal Retirement. "Normal Retirement" means with respect to any

Benefit Unit the termination of a Participant's employment with Employer for reasons other than death (a) on or after the Participant attains age 65 and (b) after completing deferrals of one hundred percent (100%) of the Cumulative Deferral Amount for such Benefit Unit, excluding deferrals under Option B which are elected as a percentage of Bonus.

Participant. "Participant" means an Eligible Employee who has filed a

completed and executed Authorization Form with the Committee and is participating in the Plan in accordance with the provisions of Article 4.

Plan Year. "Plan Year" means the fiscal year beginning December 1 and

ending November 30.

Rabbi Trust. "Rabbi Trust" means the trust described in Section 8.1.

Retirement Plan. "Retirement Plan" means the Retirement Plan for the

Employees of Avery Dennison Corporation, as amended from time to time.

Savings Plan. "Savings Plan" means the Avery Dennison Corporation

Employee Savings Plan, as amended from time to time.

Service. "Service" means the period of time during which an employment

relationship exists between an Employee and Employer.

Survivor Benefit. "Survivor Benefit" means those Plan benefits that

become payable upon the death of a Participant pursuant to the provisions of Section 5.5.

Termination Benefit. "Termination Benefit" means the lump sum amount

payable to a Participant who ceases to be an Employee pursuant to the provisions
of Section 5.4.

ARTICLE 3
ADMINISTRATION OF THE PLAN

A deferred compensation plan committee consisting of three or more members shall be appointed by the Company's Chairman and Chief Executive Officer to administer the Plan and establish, adopt, or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan and to interpret the provisions of the Plan, with any such interpretations to be conclusive. All decisions of the Committee shall be by vote of at least a majority of its members and shall be final and binding. Members of the Committee shall be eligible to participate in the Plan while serving as members of the Committee, but a member of the Committee shall not vote or act upon any matter which relates solely to such member's interest in the Plan as a Participant.

ARTICLE 4
PARTICIPATION

4.1 Election to Participate. Any Eligible Employee may enroll in a

Benefit Unit under the Plan effective as of the first day of a Plan Year by filing a completed and fully executed Authorization Form with the Committee prior to the beginning of such Plan Year. Pursuant to said Authorization Form, the Eligible Employee shall irrevocably elect a Cumulative Deferral Amount by which the aggregate Direct Cash Compensation of such Participant will be reduced over the Benefit Deferral Period.

(a) Option A. In order to participate in Option A, an Employee

must be at Salary Grade 12 or above. Under Option A, an Eligible Employee must elect a specific dollar amount of Direct Cash Compensation to be deferred each Plan Year for four years. An Eligible

Employee may specify in his Authorization Form the dollar amount of Annual Base Salary and Bonus to be deferred toward satisfaction of his annual deferral commitment. If the dollar amount of Bonus specified is not equal to his actual Bonus payment in any Plan Year, the shortfall will be deducted from his Annual Base Salary. The first Bonus payment that an Eligible Employee may defer will be the Bonus he will earn in fiscal year 1988 which is payable in fiscal year 1989. The minimum annual deferral under Option A is \$2,000, and the maximum annual deferral under Option A is \$20,000.

(b) Option B. In order to participate in Option B, an Employee

must participate either in Option A at the minimum deferral level (\$2,000 per year for each of four years) or in the Avery Dennison Executive Deferred Compensation Plan. Under Option B, an Eligible Employee may elect to defer (i) a specific dollar amount from his Annual Base Salary, and/or (ii) a percentage of his Bonus (up to 100%) to be deferred each Plan Year for one to five years. The first Bonus payment that an Eligible Employee may defer will be the Bonus he will earn in fiscal year 1988 which is payable in fiscal year 1989. The minimum annual deferral under Option B is \$5,000, and Option B is not subject to a maximum annual deferral.

(c) Accelerated Reduction. Prior to the beginning of any Plan

Year in any Benefit Deferral Period as to which there are two or more Plan Years remaining, a Participant may elect in a written notice filed with the Committee to increase the amount of the reduction of Direct Cash Compensation otherwise provided for any of the Plan Years remaining in such Benefit Deferral Period; provided, however, that any such increase in the reduction of Direct Cash Compensation for any remaining Plan Years in the Benefit Deferral Period shall not increase the Cumulative Deferral Amount for the Benefit Deferral Period, but shall act to shorten the length of the Benefit Deferral Period, unless the Participant elects in such written notice to apply the increased reduction in Direct Cash Compensation for any Plan Year as a credit against the

reductions in Direct Cash Compensation that otherwise would have resulted in subsequent Plan Years in the Benefit Deferral Period. In the event a Participant elects to increase the previously elected reduction of Direct Cash Compensation pursuant to this Section 4.1(c), the Participant, in his sole discretion, shall determine the allocation of any such increase as between said Participant's Annual Base Salary and Bonus paid during the year of such increase.

(d) Maximum Reduction in Direct Cash Compensation. A Participant

may not elect a Cumulative Deferral Amount or an increase in reduction of Direct Cash Compensation pursuant to Section 4.1(c), or any combination of

the two, that would cause the aggregate total reduction in Direct Cash Compensation in any Plan Year with respect to all Benefit Units to exceed one hundred percent (100%) of the excess of (i) the Direct Cash Compensation otherwise payable during such Plan Year, over (ii) the sum of amounts required by federal, state or local law to be withheld by the Employer from such Direct Cash Compensation. In the event that a Participant elects a Cumulative Deferral Amount or increase in reduction of Direct Cash Compensation in an amount in excess of the amount allowable pursuant to the previous sentence, the election shall be valid except that the Cumulative Deferral Amount or increase in reduction of Direct Cash Compensation so elected shall automatically be reduced to comply with such limitation, whichever is most appropriate in the sole discretion of the Committee.

(e) Enrollment in Benefit Unit. For purposes of the Plan, a

Benefit Unit shall be deemed to be a Benefit Unit in which a Participant is enrolled only as of and after the first day of the Benefit Deferral Period with respect to such Benefit Unit.

4.2 Employer Augmentation Contribution. For each Plan Year in a

Benefit Deferral Period, the Employer shall contribute to the Deferral Accounts of a Participant an aggregate amount equal to three percent (3%) of the Participant's annual deferrals under this Plan for the Plan Year (the

"Employer Augmentation Contribution"). The Employer Augmentation Contribution shall be credited to the Deferral Accounts of a Participant, at a rate equal to three percent (3%) of the Participant's deferrals, at the same time as the Participant's deferrals are credited to his Deferral Accounts. The Employer Augmentation Contribution is intended to compensate for the loss of any future benefits from the Retirement Plan and the Savings Plan which result from the reduction in the Participant's Direct Cash Compensation pursuant to this Plan.

4.3 Deferral Accounts. The Committee shall establish and maintain a

separate Deferral Account for each of a Participant's Benefit Units. The amount by which a Participant's Direct Cash Compensation is reduced pursuant to Section 4.1 with respect to each Benefit Unit shall be credited by the Employer to the Participant's Deferral Account for such Benefit Unit no later than the first day of the month following the month in which such Direct Cash Compensation would otherwise have been paid. The amount of Employer Augmentation Contribution provided for by Section 4.2 with respect to each Benefit Unit shall be credited to the Deferral Account for such Benefit Unit in accordance with Section 4.2. The Deferral Account for a Benefit Unit shall be debited by the amount of any payments made by the Employer to the Participant or the Beneficiary with respect to such Benefit Unit pursuant to this Plan.

(a) Interest on Deferral Accounts. Various types of returns will

be credited on Deferral Accounts prior to commencement of payment of benefits depending on the Deferral Option which a Participant chooses, as described below.

(i) Option A. Under Option A, the Declared Rate for Option A

established by Article 2 shall be credited monthly to Deferral Accounts at one-twelfth (1/12) of the Declared Rate, and all such interest shall be compounded to the Deferral Account annually.

(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. The Participant's Deferral Accounts will be credited with a rate of return (positive or negative) based on the Declared Rate(s) which he elects. The rate of return (positive or negative) will be credited monthly to Deferral Accounts at one-third of the quarterly Declared Rate(s). Notwithstanding the foregoing provision or any other provision of this Plan, the Committee, in its sole discretion, may credit a Participant's Deferral Accounts based on monthly Declared Rate(s) or may use monthly Declared Rate(s) for the months subsequent to the end of the preceding quarter whenever a lump sum payment will be made to the Participant or the Beneficiary.

A Participant may change his Declared Rate(s) election under Option B twice a year effective as of the following June 1 and December 1 of each year by filing a written notice with the Committee at least 30 days in advance. Under Option B, Deferral Accounts are subject to greater investment risk because the actual performance of the investment fund that is chosen to measure the Declared Rate may be either positive or negative and either more or less than the Option A Declared Rate. Deferral Account balances will not necessarily be invested in these investment funds by the Company, even though the actual performance of the investment fund that is chosen to measure the Declared Rate will determine the rate of return (positive or negative) on the Participant's Deferral Account.

4.4 Valuation of Accounts. The value of a Deferral Account as of any

date shall equal the amounts theretofore credited to such account, plus the interest deemed to be earned on such account in accordance with Section 4.3 through the day preceding such date, less the amounts theretofore debited to such account.

4.5 Statement of Accounts. The Committee shall submit to each

Participant, within one hundred twenty (120) days after the close of each Plan Year, a statement in such form as the Committee deems desirable setting forth the balance standing to the credit of each Participant in each of his Deferral Accounts. Each statement of account shall show the Participant's deferrals, the Employer Augmentation Contributions, and the interest credited to the Participant's Deferral Account.

ARTICLE 5
BENEFITS

5.1 Retirement Benefit. A Participant is eligible for a Retirement

Benefit under this Plan with respect to a Benefit Unit when he has satisfied all of the requirements for Normal Retirement or Early Retirement (as defined in Article 2) with respect to the Benefit Unit. The Retirement Benefit for a Benefit Unit will be based on the total value of the Deferral Account for the Benefit Unit. In addition to the interest credited under Section 4.3(a)(i), Deferral Accounts under Option A will be credited with additional interest equal to 25% of the Declared Rate for each Plan Year prior to commencement of payment of the Retirement Benefit.

The Retirement Benefit will be paid beginning on the date and in the manner which the Participant elects when he enrolls in a Benefit Unit. This election may not be changed at any time by the Participant. A Participant may elect to receive his Retirement Benefit at retirement or on a specified date in either a lump sum or installments over a specified number of years (not to exceed 20 years) or a combination of a lump sum payment and installment payments. 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 frequent than quarterly.

Under Option A, if a Participant elects to receive his Retirement Benefit in installment payments, interest will continue to be credited on the unpaid Deferral Account balance at a rate equal to 125% of the average of the Declared Rates for the five Plan Years prior to payment of the initial installment of the Retirement Benefit.

Under Option B, if a Participant elects to receive his Retirement Benefit in installment payments, the payments will be made in such intervals as may be determined by the Committee, provided that such intervals shall not be less frequent than quarterly, based on the Deferral Account balance at the beginning of the payment period. The payments will be redetermined annually by dividing the Participant's current Deferral Account balance at the beginning of the year by the number of remaining years in the payment period based on the Participant's retirement payment election. The rate of return (positive or negative) during any payment year will be credited during the year on the unpaid Deferral Account balance at the applicable Declared Rate(s). A Participant may continue to change his Declared Rate(s) election twice a year, effective as of the following June 1 or December 1 of each year by filing a written notice with the Company at least 30 days in advance, as long as he has a remaining Deferral Account balance.

5.2 Early Payment Benefit. A Participant may elect when he enrolls

in a Benefit Unit to receive an Early Payment Benefit with respect to the Benefit Unit beginning at any time after the end of his seventh year of participation in the Benefit Unit. The Participant may elect to receive all or any percentage of his Deferral Account balance as an Early Payment Benefit in either a lump sum payment or in annual payments over a specified number of years (not to exceed 20 years). If a Participant elects to receive his entire Deferral Account balance as an Early Payment Benefit, he will no longer be eligible for other benefits under this Plan after he has received his final installment of his Early Payment Benefit. If a Participant elects to receive only a

portion of his Deferral Account balance as an Early Payment Benefit, the remaining Deferral Account balance will continue to earn interest at the Declared Rate(s).

5.3 Disability. If a Participant suffers a Disability, Participant

deferrals and Employer contributions that otherwise would have been credited to the Participant's Deferral Accounts will cease during such Disability. The Participant's Deferral Accounts will continue to earn interest at the Declared Rate(s) which he has chosen. The Participant's Deferral Account balances will be distributed as a Retirement Benefit, Early Payment Benefit, Termination Benefit or Survivor Benefit, whichever is applicable, beginning on the date and in the form which the Participant elected in his Authorization Form. In the sole discretion of the Committee, the Employer may commence payments on an earlier date. For the sole purpose of determining eligibility to receive Retirement Benefits, deferrals which a Participant failed to make during a period of Disability will be disregarded in determining whether the Participant has completed deferrals of the full Cumulative Deferral Amount for a Benefit Unit. If a Participant recovers from a Disability and returns to employment with the Employer during the Benefit Deferral Period for a Benefit Unit, the Participant shall resume making deferrals for the remaining years of the Benefit Deferral Period, but the Benefit Deferral Period shall not be extended on account of the Disability.

5.4 Termination Benefit.

(a) Certain Terminations of Employment. With respect to any

Benefit Unit, if a Participant (i) ceases to be an Employee for any reason other than death, Disability or Normal or Early Retirement, or (ii) fails to return to the status of an Employee within sixty (60) days following recovery from a Disability prior to Normal or Early Retirement, the Employer shall pay to the Participant in one lump sum an amount (the "Termination Benefit") equal to the value of the Deferral Account for such Benefit Unit. In computing the Termination Benefit, the value of the Deferral Account will be based on interest at the applicable Declared

Rate, not including the value of the additional interest referred to in Section 5.1. The Participant shall be entitled to no further benefits under this Plan for such Benefit Units.

(b) Termination of a Benefit Unit. With the written consent of

the Committee, a Participant may terminate enrollment in a Benefit Unit by filing with the Committee a written request to so terminate the Benefit Unit. Upon termination of enrollment in a Benefit Unit, no further reductions shall be made in the Participant's Direct Cash Compensation pursuant to the Authorization Form with respect to such Benefit Unit, and the Participant shall immediately cease to be eligible for any benefits with respect to such Benefit Unit, other than the Termination Benefit. No other benefit shall be payable to either the Participant or any Beneficiary of such Participant with respect to the terminated Benefit Unit. In its sole discretion, the Committee may pay the Termination Benefit with respect to a terminated Benefit Unit on a date earlier than a Participant's termination of employment with the Employer, with such Termination Benefit to be calculated as if the Participant had terminated employment with the Employer on the date of such payment.

5.5 Survivor Benefits.

(a) Pre-Retirement. If a Participant dies and has not yet

commenced to receive Retirement Benefit payments with respect to a Benefit Unit, a Survivor Benefit will be paid to his Beneficiary in annual installments over five years. The aggregate Survivor Benefit will be equal to the Deferral Account balance for the Benefit Unit. The annual Survivor Benefit payments shall be redetermined each year based upon the value of the Deferral Account at that time, plus the expected interest based on the interest rate that is established by the Company each year for the remaining period of installment payments. Interest will be credited on the unpaid balance in the Deferral Account under Option A and Option B as follows:

(i) Option A. A Deferral Account under Option A will be

credited with interest for each Plan Year before and after the Participant's death equal to (A) 125% of the Declared Rate for balances for which the Participant had elected to receive a Retirement Benefit and (B) 100% of the Declared Rate for balances for which the Participant had elected to receive an Early Payment Benefit.

(ii) Option B. A Deferral Account under Option B will be

credited with interest equal to the Declared Rate for each Plan Year before the Participant's death. After the Participant's death, interest will be credited at a rate to be determined each year by the Company, but in no event less than 7% per annum.

(b) Post-Retirement. If a Participant dies after he has commenced

to receive a Retirement Benefit with respect to a Benefit Unit, his Beneficiary will be entitled to receive a Survivor Benefit with respect to the Benefit Unit under Option A and Option B as follows:

(i) Option A. The Beneficiary will be entitled to receive

the remaining installments of the Retirement Benefit which would have been paid to the Participant with respect to the Benefit Unit if the Participant had survived based upon interest that would have been credited on unpaid amounts if the Participant had survived.

(ii) Option B. The Beneficiary will be entitled to receive a

Survivor Benefit equal to the Deferral Account balance for the Benefit Unit, which will be paid in annual installments over five years. After the Participant's death, interest will be credited on the unpaid balance in the Deferral Account at a rate to be

determined each year by the Company, but in no event less than 7% per annum.

(c) Large Survivor Benefit. If the aggregate Deferral Account

balances which are payable to a Beneficiary as a Survivor Benefit for all of the Participant's Benefit Units exceed \$500,000, the Survivor Benefit for each Benefit Unit shall be payable to the Beneficiary over the number of years (if more than five years) which the Participant elected for payment of his Retirement Benefit or, if none, his Early Payment Benefit for each such Benefit Unit.

5.6 Emergency Benefit. In the event that the Committee, upon written

petition of the Participant or Beneficiary, determines, in its sole discretion, that the Participant or Beneficiary has suffered an unforeseeable financial emergency, the Employer shall pay to the Participant or Beneficiary, as soon as practicable following such determination, an amount necessary to meet the emergency not in excess of the Termination Benefit to which the Participant would have been entitled pursuant to Section 5.4 if said Participant had a termination of service on the date of such determination (the "Emergency Benefit"). For purposes of this Plan, an unforeseeable financial emergency is an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence. An unforeseeable financial emergency for purposes of this Plan shall exist for any Participant or Beneficiary who is deemed to be in constructive receipt of income on account of deferred benefits payable under the terms of the Plan, and in such event all deferred benefits giving rise to said constructive receipt of income shall be paid to the Participant or Beneficiary in question. Notwithstanding the foregoing, the final determination by the Internal Revenue Service ("IRS") or court of competent jurisdiction, all time for appeal having lapsed, that the Employer is not the owner of the assets of the Rabbi Trust, with the result that the income of the Rabbi Trust is not treated as income of the Company pursuant to Sections 671 through 679 of the Internal Revenue Code of 1986, as amended ("Code"), or the final determination by (i) the IRS, (ii) a court of competent jurisdiction, all time for appeal having lapsed, or (iii) counsel to the Company

that a federal tax is payable by the Participant or Beneficiary with respect to assets of the Rabbi Trust or the Participant's or Beneficiary's Deferral Accounts prior to the distribution of those assets or Deferral Accounts to the Participant or Beneficiary shall in any event constitute an unforeseeable financial emergency entitling such Participant or Beneficiary to an Emergency Benefit provided for in this Section. Cash needs arising from foreseeable events such as the purchase of a home or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency. The amount of benefits otherwise payable under the Plan shall thereafter be adjusted to reflect the reduction of a Deferral Account due to the early payment of the Emergency Benefit.

5.7 Small Benefit. In the event the Committee determines that the

balance of the Participant's Deferral Accounts is less than \$50,000 at the time of commencement of payment of his Retirement Benefit or Termination Benefit, or the portion of the balance of the Participant's Deferral Accounts payable to any Beneficiary is less than \$50,000 at the time of commencement of payment of a Survivor Benefit to such Beneficiary, the Employer may pay the benefit in the form of a lump sum payment, notwithstanding any provision of this Article 5 to the contrary. Such lump sum payment shall be equal to the balance of the Participant's Deferral Accounts, or portion thereof payable to a Beneficiary.

5.8 Withholding; Unemployment Taxes. To the extent required by the

law in effect at the time payments are made, the Employer shall withhold from payments made hereunder the minimum taxes required to be withheld by the federal or any state or local government.

5.9 Discounted Cash Out Election

(a) During the course of any Plan Year prior to the date on which a Participant ceases employment with the Company, the Participant may make one election to receive all or part of the Participant's Deferral Account(s) in a single lump-sum payment that shall be paid within

fifteen (15) days after the end of the month in which the Participant files a written election to receive a discounted lump sum payment pursuant to this Section 5.9 (a). Interest on the amount elected to be withdrawn from such Deferral Accounts shall cease to accrue at this end of the month in which the Discounted Cash Out Election is made. The requirements for a valid Discounted Cash Out Election and the manner of determining the amount to be paid to a Participant who makes a pre-retirement Discounted Cash Out Election are as follows:

(i) The Discounted Cash Out Election must be for an amount of \$200,000 or greater, unless a Participant has a Deferral Account for a Benefit Unit worth less than \$200,000 at the time of the Discounted Cash Out Election in which case the amount of the Discounted Cash Out Election may be equal to 100% of the Deferral Account for the Benefit Unit in question.

(ii) The amount available for the Discounted Cash Out Election shall be determined by establishing the value of the Participant's Deferral Account for the Benefit Unit (including the rate of interest to be credited pursuant to Section 4.3) as if the Participant ceased employment with the Company on the last day of the month during which the Participant executes a written Discounted Cash Out Election.

(iii) If a Participant elects to receive his entire Deferral Account for a Benefit Unit via a Discounted Cash Out Election, the Participant's Deferral Account for the Benefit Unit shall be deemed fully distributed to the Participant. The amount, however, actually distributed to the Participant shall be the amount of the Deferral Account for the Benefit Unit less a penalty equal to six percent (6%) of the amount otherwise distributable.

(iv) If a Participant elects to receive \$200,000, or some higher dollar amount of his Deferral Account for a Benefit

Unit, the amount elected shall be deemed distributed to the Participant. The amount, however, actually distributed to the Participant shall be the selected amount less a penalty equal to six percent (6%) of the elected amount.

(b) During the course of any Plan Year following a Participant's Early or Normal Retirement date, the Participant or the Beneficiary may make up to two elections to receive all or part of the Participant's Deferral Account(s) in single lump sum payments that shall be paid within fifteen (15) days after the end of the month in which the Participant or Beneficiary files a written election to receive a discounted lump sum payment pursuant to this Section 5.9(b). Interest on the amount elected to be withdrawn from such Deferral Account(s) shall cease to accrue at the end of the month in which the Discounted Cash Out Election is made. The requirements for a valid Discounted Cash Out Election and the manner of determining the amount to be paid to a Participant or Beneficiary who makes a post-retirement Discounted Cash Out Election are as follows:

(i) The Discounted Cash Out Election must be for an amount of \$200,000 or greater, unless a Participant or Beneficiary has a Deferral Account for a Benefit Unit worth less than \$200,000 at the time of the Discounted Cash Out Election in which case the amount of the Discounted Cash Out Election may be equal to 100% of the Deferral Account for the Benefit Unit in question.

(ii) If a Participant or Beneficiary elects to receive his entire Deferral Account for a Benefit Unit via a Discounted Cash Out Election, the Participant's or Beneficiary's Deferral Account for the Benefit Unit shall be deemed fully distributed to the Participant or Beneficiary. The amount, however, actually distributed to the electing Participant or Beneficiary shall be the amount of the Deferral Account for the

Benefit Unit less a penalty equal to six percent (6%) of the amount otherwise distributable.

(iii) If a Participant or Beneficiary elects to receive \$200,000 or some higher dollar amount of his Deferral Account, the amount elected shall be deemed fully distributed to the Participant or Beneficiary. The amount, however, actually distributed to the Participant or Beneficiary shall be the elected amount less a penalty equal to six percent (6%) of the elected amount.

(iv) If a Participant or Beneficiary makes a Discounted Cash Out Election(s) or receives payment(s) of an Emergency Benefit and a portion of a Deferral Account for a Benefit Unit remains unpaid, future monthly benefit payments shall be reduced to reflect the withdrawal of part of the Deferral Account and there shall be no reduction in the previously scheduled number of monthly benefit payments.

ARTICLE 6 BENEFICIARY DESIGNATION

Each Participant shall have the right, at any time, to designate any person or persons as Beneficiary or Beneficiaries to whom payment under this Plan shall be made in the event of Participant's death prior to complete distribution to Participant of the benefits due under the Plan. Each Beneficiary designation shall become effective only when filed in writing with the Committee during the Participant's lifetime on a form prescribed by the Committee.

The filing of a new Beneficiary designation form will cancel all Beneficiary 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 or a trust for said previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse or a trust for said new spouse had previously been designated as Beneficiary.

If a Participant fails to designate a Beneficiary as provided above, or if his Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Committee shall direct the distribution of such benefits to the Participant's estate.

ARTICLE 7
AMENDMENT OR TERMINATION OF PLAN

The Chairman and Chief Executive Officer of the Company may amend the Plan; provided, however, that (i) no such amendment shall be effective to decrease the benefits accrued by any Participant or Beneficiary of a deceased Participant (including, but not limited to, the rate of interest credited to the Deferral Accounts) prior to the Plan Year commencing after the date of such amendment; (ii) Section 5.1 may not be amended; (iii) the definition of Declared Rate may not be amended; and (iv) the other substantive provisions of the Plan related to the calculation of benefits or the manner or timing of payments to be made under the Plan shall not be amended so as to prejudice the rights of any Participant or Beneficiary of a deceased Participant.

Notwithstanding any terms herein to the contrary, the Company may not terminate the Plan. The Company shall not have any obligation to, but may, in its discretion, allow additional deferrals into this Plan.

ARTICLE 8
MISCELLANEOUS

8.1 Unsecured General Creditor. The Company intends to establish and

fund the Avery Dennison Corporation Executive Compensation Trust ("Rabbi Trust"). The assets of the Rabbi Trust shall be subject to the claims of the Company's creditors. To the extent any benefits provided under the Plan are actually paid from the Rabbi Trust, the Employer shall have no further obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by, the Employer. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in any specific property or assets of Employer, nor shall they be beneficiaries of, or have any rights, claims, or interests in any life insurance policies, annuity contracts, or the proceeds therefrom owned or which may be acquired by Employer ("Policies"). Apart from the Rabbi Trust, such Policies or other assets of Employer shall not 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 fulfilling of the obligations of Employer under this

Plan. Any and all of the Employer's assets and Policies shall be, and remain, the general, unpledged, unrestricted assets of Employer. Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise of Employer to pay money in the future.

8.2 Obligations To Employer. If a Participant becomes entitled to a

distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Employer, then the Employer may offset such amount owed to it against the amount of benefits otherwise distributable. Such determination shall be made by the Committee.

8.3 Nonassignability. Neither a Participant nor any other 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 amounts, if any, payable, hereunder, or any part thereof, or interest therein which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure 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 a Participant's or any other person's bankruptcy or insolvency.

8.4 Employment Not Guaranteed. Nothing contained in this Plan nor

any action taken hereunder shall be construed as a contract of employment or as giving any Employee any right to be retained in the employ of the Company.

8.5 Protective Provisions. Each Participant shall cooperate with the

Employer by furnishing any and all information requested by the Employer in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Employer may deem necessary and taking such other relevant action as may be requested by the Employer. If a Participant refuses so to cooperate, the Employer shall have no further obligation to the Participant under the Plan, other than payment to such Participant of the cumulative reductions in Direct Cash compensation theretofore made pursuant to this Plan. If a Participant commits suicide during the two (2) year period beginning on the later of (a) the first day on which he participates in the Plan or (b) the first day of the Participant's Benefit Deferral Period for any new Benefit Unit under the Plan, or if the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits with respect to any affected Benefit Unit will be payable hereunder to such Participant or his Beneficiary, other than payment to such Participant of the cumulative reductions in Direct Cash Compensation theretofore made pursuant to this Plan, provided, that in the Employer's sole discretion, benefits may be payable in an amount reduced to compensate the Employer for any loss, cost, damage or expense suffered or incurred by the Employer as a result in any way of any such action, misstatement or nondisclosure.

8.6 Gender, Singular & Plural. All pronouns and any variations

thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

8.7 Captions. The captions of the articles, sections, and paragraphs

of this Plan are for convenience only and shall not control or affect the
meaning or construction of any of its provisions.

8.8 Validity. In the event any provision of this Plan is held

invalid, void, or unenforceable, the same shall not affect, in any respect
whatsoever, the validity of any other provision of this Plan.

8.9 Notice. Any notice or filing required or permitted to be given to

the Committee under the Plan shall be sufficient if in writing and hand
delivered, or sent by registered or certified mail, to the principal office of
the Employer, directed to the attention of the President of the Employer. Such
notice shall be deemed given as of the date of delivery or, if delivery is made
by mail, as of the date shown on the postmark on the receipt for registration or
certification.

8.10 Applicable Law. This Plan shall be governed and construed in

accordance with the laws of the State of California.

COMPLETE RESTATEMENT AND AMENDMENT OF
AVERY DENNISON CORPORATION
DIRECTORS DEFERRED COMPENSATION PLAN

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December 23, 1994

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COMPLETE RESTATEMENT AND AMENDMENT OF
AVERY DENNISON CORPORATION
DIRECTORS DEFERRED COMPENSATION PLAN

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ARTICLE I
PURPOSE

The purpose of this Directors Deferred Compensation Plan (the "Plan") is to provide a means whereby Avery Dennison Corporation, a Delaware corporation (the "Company"), may afford financial security to a select group of Directors of the Company who have rendered and continue to render valuable services to the Company and its subsidiaries which constitute an important contribution towards the Company's continued growth and success, by providing for additional future compensation so that these Directors may be retained and their productive efforts encouraged.

ARTICLE 2
DEFINITIONS AND CERTAIN PROVISIONS

Beneficiary. "Beneficiary" means the person or persons designated as such in accordance with Article 6.

Benefit Unit. "Benefit Unit" means a unit enrolled in by a Participant pursuant to Article 4 providing the benefits described in Article 5.

Committee. "Committee" means the deferred compensation plan committee appointed to administer the Plan pursuant to Article 3.

Declared Rate. "Declared Rate" means with respect to any Plan Year Moody's Corporate Bond Yield Average - Monthly Average Corporates as published by Moody's Investor's Service, Inc. (or any successor thereto) for any

calendar month in the Plan Year next preceding such Plan Year as selected by the Committee in its sole discretion, or, if such yield is no longer published, a substantially similar average selected by the Committee.

Deferral Commitment. "Deferral Commitment" means with respect to each

Benefit Unit the total cumulative amount by which a Participant's Director's Fees will be reduced over the Deferral Period.

Deferral Period. "Deferral Period" means that period of eight (8) Plan

Years as determined pursuant to Article 4 over which a Participant defers all or a portion of such Participant's Director's Fees with respect to a Benefit Unit.

Deferred Compensation Account. "Deferred Compensation Account" means

the account maintained on the books of account of the Company for each Benefit Unit pursuant to Section 4.2.

Director. "Director" means a member of the Board of Directors of the

Company who is not also an employee of the Company.

Director's Fees. "Director's Fees" means the retainer and regular

Board of Directors meeting fees paid to a Director for service as a director of the Company, but before reduction pursuant to this Plan.

Disability. "Disability" means any inability on the part of a

Director, commencing before age 64 1/2, as determined by the Committee, in its complete and sole discretion, to perform the substantial and material duties of a Director due to injury or sickness lasting for more than one hundred eighty (180) consecutive days. Disability for purposes of this Plan shall be deemed to commence as of the first day following the end of such one hundred eighty (180) day period. If a Director makes application for disability benefits under the Social Security Act, as now in effect or as hereafter amended, and qualifies for such benefits, the Director shall be presumed to suffer from a Disability under this Plan. The Committee may require the Director to submit to an examination by a

physician or medical clinic selected by the Committee. On the basis of such medical evidence and in the absence of qualification for disability benefits under the Social Security Act, the determination of the Committee as to whether or not a condition of Disability exists shall be conclusive. To constitute Disability, the same must commence after the Director has become a Participant in the Plan.

Disability Benefit. "Disability Benefit" means benefits payable to a

Participant who suffers a Disability pursuant to the provisions of Section 5.3.

Discounted Cash Out Election. "Discounted Cash Out Election" means the

written election by a Participant or Beneficiary in a form acceptable to the Committee to receive all or part of the Participant's Deferred Compensation Account pursuant to the terms and conditions of Section 5.8.

Emergency Benefit. "Emergency Benefit" means the benefit that is

payable pursuant to Section 5.9 of the Plan.

Enrollment Agreement. "Enrollment Agreement" means the written

agreement substantially in the form attached hereto that shall be entered into by the Company and a Director pursuant to which the Director becomes a Participant in the Plan. In the sole discretion of the Company, authorization forms filed by any Participant for the first Plan Year as to which the Plan is effective and by which the Participant makes the elections provided for by this Plan may be treated as a completed and fully executed Enrollment Agreement for all purposes under the Plan.

Normal Retirement. "Normal Retirement" means with respect to any

Benefit Unit the termination of a Participant's status as a Director with the Company for reasons other than death on or after the date the Participant attains age 60.

Normal Retirement Benefit. "Normal Retirement Benefit" means benefits

payable to a Participant for a Benefit Unit pursuant to the provisions of
Section 5.1.

Participant. "Participant" means a Director who has filed a completed

and executed Enrollment Agreement with the Committee and is participating in the
Plan in accordance with the provisions of Article 4.

Plan Year. "Plan Year" means the fiscal year beginning December 1 and

ending November 30.

Pre-Retirement Benefit. "Pre-Retirement Benefit" means benefits

payable to a Participant pursuant to the provisions of Section 5.2.

Rabbi Trust. "Rabbi Trust" means the trust described in Section 8.1.

Termination Benefit. "Termination Benefit" means the lump sum amount

payable to a Participant who ceases to be a Director pursuant to the provisions
of Section 5.4.

ARTICLE 3 ADMINISTRATION OF THE PLAN

A deferred compensation plan committee consisting of three or more
members shall be appointed by the Company's Chairman and Chief Executive Officer
to administer the Plan and establish, adopt, or revise such rules and
regulations as it may deem necessary or advisable for the administration of the
Plan and to interpret the provisions of the Plan, with any such interpretations
to be conclusive. All decisions of the Committee shall be by vote of at least a
majority of its members and shall be final and binding. Members of the Committee
shall be eligible to participate in the Plan while serving as members of the
Committee, but a member of the Committee shall not vote or act

upon any matter which relates solely to such member's interest in the Plan as a Participant.

ARTICLE 4
PARTICIPATION

4.1 Election to Participate. Any Director may enroll in a Benefit

Unit under the Plan effective as of the first day of a Plan Year by filing a completed and fully executed Enrollment Agreement with the Committee prior to the beginning of such Plan Year. Any person who first becomes a Director on or after the first day of a Plan Year may enroll in a Benefit Unit under the Plan, effective as of the date of filing of a completed and fully executed Enrollment Agreement, by filing such Enrollment Agreement with the Committee. Any enrollment in a Benefit Unit beginning in any Plan Year other than the first Plan Year under this Plan may be made only with the consent of the Committee. Pursuant to said Enrollment Agreement, the Director shall irrevocably elect a Deferral Commitment by which the aggregate Director's Fees of such Participant will be reduced over the eight (8) Plan Years beginning with the Plan Year next following the execution of the Enrollment Agreement (the "Deferral Period"), provided, however, that:

(a) Minimum Deferral. The dollar amount by which the aggregate

Director's Fees may be reduced for any Benefit Unit for any Plan Year shall not be less than the equivalent as of the first day of such Plan Year of Two Thousand U.S. Dollars (U.S. \$2,000.00).

(b) Reduction in Director's Fees.

(i) In General. Except as otherwise provided in this

Section 4.1, the Director's Fees of the Participant for each of the Plan Years in the Deferral Period shall be reduced by an amount equal to the result of dividing the Deferral Commitment by the number of Plan Years in the Deferral Period. The Committee

shall make such exceptions to this requirement as may be necessary to accommodate persons who first become Directors on or after the first day of a Plan Year and elect to become Participants in the Plan.

(ii) Accelerated Reduction. Prior to the beginning of

any Plan Year in any Deferral Period as to which there are two (2) or more Plan Years remaining, a Participant may elect in a written notice filed with the Committee to increase the amount of the reduction of Director's Fees otherwise provided for by Section 4.1(b)(i) for any of the Plan Years remaining in such Deferral Period; provided, however, that any such increase in the reduction of Director's Fees for any remaining Plan Years in the Deferral Period shall not increase the Deferral Commitment for the Deferral Period, but shall act to shorten the length of the Deferral Period, unless the Participant elects in such written notice to apply the increased reduction in Director's Fees for any Plan Year as a credit against the reductions in Director's Fees that otherwise would have resulted in subsequent Plan Years in the Deferral Period pursuant to Section 4.1(b)(i). In the event a Participant elects to increase the previously elected reduction of Director's Fees pursuant to this Section 4.1(b), the Participant in his sole discretion shall determine the allocation as between said Participant's retainer and regular Board of Directors meeting fees paid during the year of such increase.

(c) Maximum Reduction in Director's Fees. A Participant may not

elect a Deferral Commitment or an increase in reduction of Director's Fees pursuant to Section 4.1(b)(ii), or any combination of the two, that would cause the aggregate total reduction in Director's Fees in any Plan Year with respect to all Benefit Units to exceed one hundred percent (100%) of the excess of (i) the Director's Fees otherwise payable during such Plan Year, over (ii) the sum of the amounts required by

federal, state or local law to be withheld by the Company from such Director's Fees. In the event that a Participant elects a Deferral Commitment or increase in reduction of Director's Fees in an amount in excess of the amount allowable pursuant to the previous sentence, the

election shall be valid except that the Deferral Commitment or increase in reduction of Director's Fees so elected shall automatically be reduced to comply with such limitation, whichever is most appropriate in the sole discretion of the Committee.

For purposes of the Plan, a Benefit Unit shall be deemed to be a Benefit Unit in which a Participant is enrolled only as of and after the first day of the Deferral Period with respect to such Benefit Unit.

4.2 Deferred Compensation Accounts. The Committee shall establish

and maintain a separate Deferred Compensation Account for each of a Participant's Benefit Units. The amount by which a Participant's Director's Fees are reduced pursuant to Section 4.1 with respect to any Benefit Unit shall be credited by the Company to the Participant's Deferred Compensation Account for such Benefit Unit no later than the first day of the month following the month in which such Director's Fees would otherwise have been paid. The Deferred Compensation Account for a Benefit Unit shall be debited by the amount of any payments made by the Company to the Participant or the Beneficiary with respect to such Benefit Unit pursuant to this Plan.

(a) Normal Retirement, Death, Disability and Pre-Retirement

Benefit Interest. Each Deferred Compensation Account of a Participant who

terminates service as a Director by reason of death, Disability or Normal Retirement or who elects and receives a Pre-Retirement Benefit shall be deemed to bear interest on the balance in such Deferred Compensation Account from the date such Deferred Compensation Account was established through the date of such death, Disability, Normal Retirement or commencement of payment of such Pre-Retirement Benefit at a rate equal to the sum of (i) the Declared Rate,

plus (ii) six percent (6%) per annum, compounded annually. Following the date of Normal Retirement, Disability or commencement of payment of such Pre-Retirement Benefit, each of a Participant's Deferred Compensation Accounts shall be deemed to bear interest on the balance in such Deferred Compensation Account at a rate equal to the sum of (i) the average of the Declared Rate for the five (5) Plan Years ending prior to such Normal Retirement, Disability or commencement of payment of such Pre-Retirement Benefit, plus (ii) six percent (6%) per annum, compounded annually. Following the date of Participant's death prior to commencement of payment of any Normal Retirement Benefit or Pre-Retirement Benefit with respect to a Benefit Unit, the Deferred Compensation Account for such Benefit Unit shall be deemed to bear interest on the balance in such Deferred Compensation Account at a rate determined by the Committee prior to the beginning of each Plan Year.

(B) Termination Interest. In the case of any termination of a

Participant's service as a Director other than by reason of death, Disability or Normal Retirement or prior to the commencement of any Pre-Retirement Benefit elected by the Participant, each of such Participant's Deferred Compensation Accounts, shall be deemed to bear interest, compounded annually, from the date such Deferred Compensation Account was established through the date of such termination of service on the balance in such Deferred Compensation Account at a rate equal to the Declared Rate; provided, however, that if a Participant shall so terminate service as a Director prior to the completion of the first Plan Year in the Deferral Period for any Benefit Unit, the Deferred Compensation Account for such Benefit Unit shall not be credited with interest in any amount.

Deemed interest will be credited (at one-twelfth [1/12] of the annual rate) to each Deferred Compensation Account on a monthly basis on the last day of each month and will be compounded annually.

4.3 Valuation of Accounts. The value of a Deferred Compensation

Account as of any date shall equal the amounts theretofore credited to such account plus the interest deemed to be earned on such account in accordance with Section 4.2 through the day preceding such date less amounts theretofore debited to such account.

4.4 Statement of Accounts. The Committee shall submit to each

Participant, within one hundred twenty (120) days after the close of each Plan Year, a statement in such form as the Committee deems desirable setting forth the balance standing to the credit of each Participant in each of his Deferred Compensation Accounts. Each statement of account shall show the Participant's deferrals and the interest credited to the Participant's Deferred Compensation Account.

ARTICLE 5
BENEFITS

5.1 Normal Retirement Benefit. Upon Normal Retirement, the Company

shall pay to the Participant with respect to each Benefit Unit in which the Participant is enrolled an equal amount each month for one hundred eighty (180) months beginning on the first day of the month next following the date of Normal Retirement the sum of which payments shall equal (a) the value as of the date of Normal Retirement of the Deferred Compensation Account for such Benefit Unit, plus (b) the interest that will accrue on the unpaid balance in such Deferred Compensation Account during such one hundred eighty (180) month period pursuant to Section 4.2 (the "Normal Retirement Benefit"). A Participant may instead elect in the Enrollment Agreement for any Benefit Unit to have the Normal Retirement Benefit for such Benefit Unit paid to him in either sixty (60) or one hundred twenty (120) equal monthly payments or to have payments made on an annual rather than a monthly basis, the amount of any such payments to be calculated in accordance with the principle stated in the preceding sentence, or may elect in such Enrollment Agreement to defer the making of such election until any time prior to sixty (60) days preceding the date of Normal Retirement.

5.2 Pre-Retirement Benefit. A Participant may elect in the

Enrollment Agreement for any Benefit Unit to receive with respect to such Benefit Unit an equal amount each month for one hundred eighty (180) months, beginning on a date set forth in the Enrollment Agreement which may be no earlier than the latest of (a) the date on which the Participant attains age sixty (60), (b) the ninth anniversary of the first day of the Deferral Period for such Benefit Unit and (c) the date on which the Deferral Commitment with respect to such Benefit Unit is completed, the sum of which amounts shall equal (x) the value as of the date of commencement of the payments of the Deferred Compensation Account for such Benefit Unit, plus (y) the interest that will accrue on the unpaid balance in such Deferred Compensation Account during such one hundred eighty (180) months period pursuant to Section 4.2 (the "Pre-Retirement Benefit"). A Participant may instead elect in the Enrollment Agreement for a Benefit Unit to have the Pre-Retirement Benefit for such Benefit Unit paid to him in either sixty (60) or one hundred twenty (120) equal monthly payments or to have the payments made on an annual rather than a monthly basis, the amount of any such payments to be calculated in accordance with the principle stated in the preceding sentence. A Participant who elects a Pre-Retirement Benefit with respect to a Benefit Unit shall not receive a Normal Retirement Benefit with respect to such Benefit Unit and a Participant who receives either a Termination Benefit or a Disability Benefit with respect to a Benefit Unit shall not receive a Pre-Retirement Benefit with respect to such Benefit Unit.

5.3 Disability Benefit. In the event that a Participant who has

completed the Deferral Commitment with respect to a Benefit Unit experiences a Disability prior to the commencement of payment of either the Normal Retirement Benefit or the Pre-Retirement Benefit with respect to such Benefit Unit, the Company shall pay to such Participant the Normal Retirement Benefit with respect to such Benefit Unit (the "Disability Benefit"), beginning on the commencement of the Disability. In the event that a Participant who has not completed the Deferral Commitment with respect to a Benefit Unit experiences a Disability, amounts that otherwise would have been credited to the Deferred Compensation Account for such Benefit Unit in accordance with Section 4.1 if

the Participant had not suffered such a Disability will continue to be credited to such Deferred Compensation Account for all purposes of this Plan. Upon completion of the Deferral Commitment with respect to a Benefit Unit, the Company shall commence payment to the Participant of the Disability Benefit with respect to such Benefit Unit. A Participant who receives a Disability Benefit with respect to a Benefit Unit shall not otherwise receive either a Normal Retirement Benefit or a Pre-Retirement Benefit with respect to such Benefit Unit.

5.4 Termination Benefit. If a Participant shall cease to be a

Director for purposes of a Benefit Unit for any reason other than death, Disability or Normal Retirement, and prior to the commencement of payment of either the Normal Retirement Benefit or the Pre-Retirement Benefit with respect to such Benefit Unit, the Company shall pay to the Participant in one lump sum an amount (the "Termination Benefit") equal to the value of the Deferred Compensation Account for such Benefit Unit in which the Participant is enrolled less any payments theretofore made by the Company to such Participant pursuant to this Plan and such Participant shall be entitled to no further benefits under this Plan for such Benefit Unit.

5.5 Survivor Benefits.

(a) If a Participant dies prior to commencement of any Normal Retirement Benefit or Pre-Retirement Benefit under the Plan with respect to a Benefit Unit in which the Participant is enrolled, the Company will pay to the Beneficiary with respect to such Benefit Unit an annual benefit for ten (10) years, beginning on the first day of the month next following the date of such Participant's death, equal to the sum of the following:

(i) An annual payment each year for ten (10) years the sum of which payments shall equal the sum of (A) the value as of the date of death of the Deferred Compensation Account for such Benefit Unit, plus (B) the interest that will accrue

on the unpaid balance in such Deferred Compensation Account during such ten (10) year period pursuant to Section 4.2; provided, however, that if the value of the Deferred Compensation Account for such Benefit Unit as of the date of the Participant's death is less than Twenty Five Thousand Dollars (\$25,000), the then value of the Deferred Compensation Account will be paid out to such Beneficiary in one lump sum rather than in ten (10) annual payments; plus

(ii) An annual payment each year for ten (10) years equal to one hundred percent (100%) of the initial annual amount by which Director's Fees were reduced with respect to such Benefit Unit as determined pursuant to Section 4.1(b) (i).

(b) If a Participant dies after the commencement of the payment of any Normal Retirement Benefit or Pre-Retirement Benefit with respect to a Benefit Unit under the Plan, the Company will pay to the Beneficiary the remaining installments of any such benefit that would have been paid to the Participant had the Participant survived.

5.6 Spousal Survivor Benefit. If a Participant dies after the

commencement of the payment of any Normal Retirement Benefit or Pre-Retirement Benefit with respect to a Benefit Unit under the Plan and such Participant has been married for at least one (1) year at the time of such Participant's death, the Company shall pay to such Participant's surviving spouse an annual benefit for a period of five (5) years equal to fifty percent (50%) of the annual Normal Retirement Benefit or Pre-Retirement Benefit otherwise payable to the Participant assuming an election to receive such payments over one hundred eighty (180) months, beginning on the first day of the month next following the later of (a) the date of such Participant's death or (b) the month in which the last payment of Normal Retirement Benefit or Pre-Retirement Benefit is paid pursuant to Section 5.5(b).

5.7 Withholding; Unemployment Taxes. To the extent required by the

law in effect at the time payments are made, the Company shall withhold from payments made hereunder the minimum taxes required to be withheld by the federal or any state or local government.

5.8 Discounted Cash Out Election

(a) During the course of any Plan Year prior to the date on which a Participant ceases to serve as a Director, the Participant may make one election to receive all or part of the Participant's Deferred Compensation Account(s) in a single lump-sum payment that shall be paid within fifteen (15) days after the end of the month in which the Participant files a written election to receive a discounted lump sum payment pursuant to this Section 5.8(a). Interest on the amount elected to be withdrawn from such Deferred Compensation Accounts shall cease to accrue at this end of the month in which the Discounted Cash Out Election is made. The requirements for a valid Discounted Cash Out Election and the manner of determining the amount to be paid to a Participant who makes a pre-retirement Discounted Cash Out Election are as follows:

(i) The Discounted Cash Out Election must be for an amount of \$200,000 or greater, unless a Participant has a Deferred Compensation Account for a Benefit Unit worth less than \$200,000 at the time of the Discounted Cash Out Election in which case the amount of the Discounted Cash Out Election may be equal to 100% of the Deferred Compensation Account for the Benefit Unit in question.

(ii) The amount available for the Discounted Cash Out Election shall be determined by establishing the value of the Participant's Deferred Compensation Account for the Benefit Unit (including the rate of interest to be credited pursuant to Section 4.2) as if the Participant ceased to serve as a Director on

the last day of the month during which the Participant executes a written Discounted Cash Out Election.

(iii) If a Participant elects to receive his entire Deferred Compensation Account for a Benefit Unit via a Discounted Cash Out Election, the Participant's Deferred Compensation Account for the Benefit Unit shall be deemed fully distributed to the Participant. The amount, however, actually distributed to the Participant shall be the amount of the Deferred Compensation Account for the Benefit Unit less a penalty equal to six percent (6%) of the amount otherwise distributable.

(iv) If a Participant elects to receive \$200,000, or some higher dollar amount of his Deferred Compensation Account for a Benefit Unit, the amount elected shall be deemed distributed to the Participant. The amount, however, actually distributed to the Participant shall be the elected amount less a penalty equal to six percent (6%) of the elected amount.

(b) During the course of any Plan Year following a Participant's Normal Retirement date, the Participant or the Beneficiary may make up to two elections to receive all or part of the Participant's Deferred Compensation Account(s) in single lump sum payments that shall be paid within fifteen (15) days after the end of the month in which the Participant or Beneficiary files a written election to receive a discounted lump sum payment pursuant to this Section 5.8(b). Interest on the amount elected to be withdrawn from such Deferred Compensation Account(s) shall cease to accrue at the end of the month in which the Discounted Cash Out Election is made. The requirements for a valid Discounted Cash Out Election and the manner of determining the amount to be paid to a Participant or Beneficiary who makes a post-retirement Discounted Cash Out Election are as follows:

(i) The Discounted Cash Out Election must be for an amount of \$200,000 or greater, unless a Participant or Beneficiary has a Deferred Compensation Account for a Benefit Unit worth less than \$200,000 at the time of the Discounted Cash Out Election in which case the amount of the Discounted Cash Out Election may be equal to 100% of the Deferred Compensation Account for the Benefit Unit in question.

(ii) If a Participant or Beneficiary elects to receive his entire Deferred Compensation Account for a Benefit Unit via a Discounted Cash Out Election, the Participant's or Beneficiary's Deferred Compensation Account for the Benefit Unit shall be deemed fully distributed to the Participant or Beneficiary. The amount, however, actually distributed to the electing Participant or Beneficiary shall be the amount of the Deferred Compensation Account for the Benefit Unit less a penalty equal to six percent (6%) of the amount otherwise distributable.

(iii) If a Participant or Beneficiary elects to receive \$200,000 or some higher dollar amount of his Deferred Compensation Account, the amount elected shall be deemed fully distributed to the Participant or Beneficiary. The amount, however, actually distributed to the Participant or Beneficiary shall be the elected amount less a penalty equal to six percent (6%) of the elected amount.

(iv) If a Participant or Beneficiary makes a Discounted Cash Out Election(s) or receives payment(s) of an Emergency Benefit and a portion of a Deferred Compensation Account for a Benefit Unit remains unpaid, future monthly benefit payments shall be reduced to reflect the withdrawal of part of the Deferred Compensation Account and there shall be no reduction in the previously scheduled number of monthly benefit payments.

5.9 Emergency Benefit. "Emergency Benefit". In the event that the

Committee, upon written petition of the Participant or Beneficiary, determines, in its sole discretion, that the Participant or Beneficiary has suffered an unforeseeable financial emergency, the Company shall pay to the Participant or Beneficiary, as soon as practicable following such determination, an amount necessary to meet the emergency not in excess of the Termination Benefit to which the Participant would have been entitled pursuant to Section 5.4 if said Participant had a termination of service on the date of such determination (the "Emergency Benefit"). For purposes of this Plan, an unforeseeable financial emergency is an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence. An unforeseeable financial emergency for purposes of this Plan shall exist for any Participant or Beneficiary who is deemed to be in constructive receipt of income on account of deferred benefits payable under the terms of the Plan, and in such event all deferred benefits giving rise to said constructive receipt of income shall be paid to the Participant or Beneficiary in question. Notwithstanding the foregoing, the final determination by the Internal Revenue Service ("IRS") or court of competent jurisdiction, all time for appeal having lapsed, that the Company is not the owner of the assets of the Rabbi Trust, with the result that the income of the Rabbi Trust is not treated as income of the Company pursuant to Sections 671 through 679 of the Internal Revenue Code of 1986, as amended ("Code"), or the final determination by (i) the IRS, (ii) a court of competent jurisdiction, all time for appeal having lapsed, or (iii) counsel to the Company that a federal tax is payable by the Participant or Beneficiary with respect to assets of the Rabbi Trust or the Participant's or Beneficiary's Deferral Accounts prior to the distribution of those assets or Deferral Accounts to the Participant or Beneficiary shall in any event constitute an unforeseeable financial emergency entitling such Participant or Beneficiary to an Emergency Benefit provided for in this Section. Cash needs arising from foreseeable events such as the purchase of a home or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency. The amount of benefits otherwise payable under the Plan shall thereafter be adjusted to reflect the reduction of a Deferral Account due to the early payment of the Emergency Benefit.

ARTICLE 6
BENEFICIARY DESIGNATION

Each Participant shall have the right, at any time, to designate any person or persons as Beneficiary or Beneficiaries to whom payment under this Plan shall be made in the event of Participant's death prior to complete distribution to Participant of the benefits due under the Plan. Each Beneficiary designation shall become effective only when filed in writing with the Committee during the Participant's lifetime on a form prescribed by the Committee.

The filing of a new Beneficiary designation form will cancel all Beneficiary 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 or a trust for said previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse or a trust for said new spouse had previously been designated as Beneficiary.

If a Participant fails to designate a Beneficiary as provided above, or if his Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Committee shall direct the distribution of such benefits to the Participant's estate.

ARTICLE 7
AMENDMENT OR TERMINATION OF PLAN

The Chairman and Chief Executive Officer of the Company may amend the Plan; provided, however, that (i) no such amendment shall be effective to decrease the benefits accrued by any Participant or Beneficiary of a deceased Participant (including, but not limited to, the rate of interest credited to

the Deferred Compensation Accounts) prior to the Plan Year commencing after the date of such amendment; (ii) Section 4.2(a) may not be amended; (iii) the definition of Declared Rate may not be amended; and (iv) the other substantive provisions of the Plan related to the calculation of benefits or the manner or timing of payments to be made under the Plan shall not be amended so as to prejudice the rights of any Participant or Beneficiary of a deceased Participant.

Notwithstanding any terms herein to the contrary, the Company may not terminate the Plan. The Company shall not have any obligation to, but may, in its discretion, allow additional deferrals into this Plan.

ARTICLE 8
MISCELLANEOUS

8.1 Unsecured General Creditor. The Company intends to establish and fund the Avery Dennison Corporation Directors Deferred Compensation Trust ("Rabbi Trust"). The assets of the Rabbi Trust shall be subject to the claims of the Company's creditors. To the extent any benefits provided under the Plan are actually paid from the Rabbi Trust, the Company shall have no further obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by, the Company. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in any specific property or assets of the Company, nor shall they be beneficiaries of, or have any rights, claims, or interests in any life insurance policies, annuity contracts, or the proceeds therefrom owned or which may be acquired by the Company ("Policies"). Apart from the Rabbi Trust, such Policies or other assets of the Company shall not 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 fulfilling of the obligations of the Company under this Plan. Any and all of the Company's assets and Policies shall be, and remain, the general, unpledged, unrestricted assets of the Company. The Company's obligation under the Plan shall be

merely that of an unfunded and unsecured promise of the Company to pay money in the future.

8.2 Obligations To The Company. If a Participant becomes entitled to

a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Company, then the Company may offset such amount owing it against the amount of benefits otherwise distributable. Such determination shall be made by the Committee.

8.3 Nonassignability. Neither a Participant nor any other 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 amounts, if any, payable, hereunder, or any part thereof, or interest therein which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure 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 a Participant's or any other person's bankruptcy or insolvency.

8.4 Board Membership Not Guaranteed. Nothing contained in this Plan

nor any action taken hereunder shall be construed as a contract for services of any Director as a director of the Company or as giving a Director any right to be retained as a director of the Company.

8.5 Protective Provisions. Each Participant shall cooperate with the

Company by furnishing any and all information requested by the Company in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Company may deem necessary and taking such other relevant action as may be requested by the Company. If a Participant refuses so to cooperate, the Company shall have no further obligation to the Participant under the Plan, other than payment to such Participant of the cumulative

reductions in Director's Fees theretofore made pursuant to this Plan. If a Participant commits suicide during the two (2) year period beginning on the later of (a) the date of adoption of this Plan or (b) the first day of the first Plan Year of such Participant's participation in the Plan, or if the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits will be payable hereunder to such Participant or his Beneficiary other than payment to such Participant of the cumulative reductions in Director's Fees theretofore made pursuant to this Plan, provided, that in the Company's sole discretion, benefits may be payable in an amount reduced to compensate the Company for any loss, cost, damage or expense suffered or incurred by the Company as a result in any way of misstatement or nondisclosure.

8.6 Gender, Singular and Plural. All pronouns and any variations

thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular .

8.7 Captions. The captions of the articles, sections, and paragraphs

of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

8.8 Validity. In the event any provision of this Plan is held

invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

8.9 Notice. Any notice or filing required or permitted to be given

to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Company, directed to the attention of the President of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

8.10 Applicable Law. This Plan shall be governed and construed in

accordance with the laws of the State of California.

COMPLETE RESTATEMENT AND AMENDMENT
OF
AVERY DENNISON CORPORATION
DIRECTORS VARIABLE DEFERRED
COMPENSATION PLAN
=====

December 23, 1994

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COMPLETE RESTATEMENT AND AMENDMENT OF
AVERY DENNISON CORPORATION
DIRECTORS VARIABLE DEFERRED COMPENSATION PLAN

ARTICLE I
PURPOSE

The purpose of this Directors Variable Deferred Compensation Plan (the "Plan") is to provide a means whereby Avery Dennison Corporation, a Delaware corporation (the "Company"), may afford financial security to a select group of Directors of the Company and its subsidiaries who have rendered and continue to render valuable services to the Company and its subsidiaries which constitute an important contribution towards the Company's continued growth and success, by providing for additional future compensation so that these Directors may be retained and their productive efforts encouraged.

ARTICLE 2
DEFINITIONS AND CERTAIN PROVISIONS

Authorization Form. "Authorization Form" means the authorization form

which a Director files with the Company to participate in a Benefit Unit under the Plan.

Beneficiary. "Beneficiary" means the person or persons designated as

such in accordance with Article 6.

Benefit Deferral Period. "Benefit Deferral Period" means that period

of one (1) to five (5) Plan Years as determined pursuant to Article 4 over which a Participant defers all or a portion of such Participant's Director's Fees with respect to a Benefit Unit.

Benefit Unit. "Benefit Unit" means a unit enrolled in by a Participant

pursuant to Article 4 providing the benefits described in Article 5. Each
Benefit Unit will be covered by a separate Authorization Form.

Committee. "Committee" means the deferred compensation plan committee

appointed to administer the Plan pursuant to Article 3.

Cumulative Deferral Amount. "Cumulative Deferral Amount" means with

respect to each Benefit Unit the total cumulative amount by which a
Participant's Director's Fees will be reduced over the Benefit Deferral Period.

Declared Rate. "Declared Rate" means the following rates of interest

for Deferral Options A and B, respectively:

Option A. "Declared Rate" means with respect to any Plan Year the

one hundred twenty (120) month rolling average rate of ten-year United
States Treasury Notes. The one hundred twenty (120) month rolling average
rate will be determined by an outside source selected by the Committee once
for each Plan Year. This rate will be determined for each Plan Year as of
the end of the month of September of the preceding Plan Year and will be
the average of the rates in effect at the end of each month (as so
indicated in "Yield & Yield Spreads-U.S. Government Securities by Maturity"
published by Salomon Brothers) for the one hundred twenty (120) months
ending with that September.

Option B. "Declared Rate" means with respect to any quarter of a

Plan Year a rate of return (positive or negative) that is based on the
actual performance of a specific Pruco Variable Life Insurance Contract
investment fund. At the end of each quarter of a Plan Year, Prudential Life
Insurance Company will report to the Company the actual gross performance
of each investment fund. The rate of return determined based on such gross
performance for an investment fund, less an administrative charge of .3%,
will be the Declared Rate for the

investment fund for the quarter. At the discretion of the Committee, the Declared Rate may be determined on a monthly basis.

The Declared Rate choices for Option B are:

Declared Rate 1. This rate is based on the performance of the

Money Market Fund.

Declared Rate 2. This rate is based on the performance of the

Common Stock Fund.

Declared Rate 3. This rate is based on the performance of the

Conservatively Managed Fund.

Declared Rate 4. This rate is based on the performance of the

Aggressively Managed Fund.

Deferrals will not necessarily be invested by the Company in the foregoing investment funds, even though the actual performance of the investment fund will be used to measure the Declared Rate.

Deferral Account. "Deferral Account" means the account maintained on

the books of account of the Company for each Benefit Unit pursuant to Section
4.3.

Deferral Option. "Deferral Option" means the two deferral options

which are available under the Plan, Option A and Option B, as described in
Articles 4 and 5.

Director. "Director" means a member of the Board of Directors of the

Company who is not also an employee of the Company.

Director's Fees. "Director's Fees" means the retainer and regular

Board of Directors meeting fees paid to a Director for service as a director of the Company, but before reduction pursuant to this Plan.

Disability. "Disability" means any inability on the part of a

Director, commencing before age 64 1/2, as determined by the Committee, in its complete and sole discretion, to perform the substantial and material duties of a Director due to injury or sickness lasting for more than one hundred eighty (180) consecutive days. Disability for purposes of this Plan shall be deemed to commence as of the first day following the end of such one hundred eighty (180) day period. If a Director makes application for disability benefits under the Social Security Act, as now in effect or as hereafter amended, and qualifies for such benefits, the Director shall be presumed to suffer from a Disability under this Plan. The Committee may require the Director to submit to an examination by a physician or medical clinic selected by the Committee. On the basis of such medical evidence and in the absence of qualification for disability benefits under the Social Security Act, the determination of the Committee as to whether or not a condition of Disability exists shall be conclusive. To constitute Disability, the same must commence after the Director has become a Participant in the Plan.

Disability Benefit. "Disability Benefit" means benefits payable to a

Participant who suffers a Disability pursuant to the provisions of Section 5.2

Discounted Cash Out Election. "Discounted Cash Out Election" means the

written election by a Participant or Beneficiary in a form acceptable to the Committee to receive all or part of the Participant's Deferral Account pursuant to the terms and conditions of Section 5.7.

Emergency Benefit. "Emergency Benefit" means the benefit that is

payable pursuant to Section 5.5 of the Plan.

Normal Retirement. "Normal Retirement" means with respect to any

Benefit Unit termination of a Participant's status as a Director with the

Company for reasons other than death on or after the date the Participant attains age 60.

Normal Retirement Benefit. "Normal Retirement Benefit" means benefits payable to a Participant for a Benefit Unit pursuant to the provisions of Section 5.1.

Participant. "Participant" means a Director who has filed a completed and executed Authorization Form with the Committee and is participating in the Plan in accordance with the provisions of Article 4.

Plan Year. "Plan Year" means the fiscal year beginning December 1 and ending November 30.

Rabbi Trust. "Rabbi Trust" means the trust described in Section 8.1.

Survivor Benefit. "Survivor Benefit" means those Plan benefits that become payable upon the death of a Participant pursuant to the provisions of Section 5.4.

Termination Benefit. "Termination Benefit" means the lump sum amount payable to a Participant who ceases to be a Director pursuant to the provisions of Section 5.3.

ARTICLE 3
ADMINISTRATION OF THE PLAN

A deferred compensation plan committee consisting of three or more members shall be appointed by the Company's Chairman and Chief Executive Officer to administer the Plan and establish, adopt, or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan and to interpret the provisions of the Plan, with any

such interpretations to be conclusive. All decisions of the committee shall be by vote of at least a majority of its members and shall be final and binding. Members of the Committee shall be eligible to participate in the Plan while serving as members of the Committee, but a member of the Committee shall not vote or act upon any matter which relates solely to such member's interest in the Plan as a Participant.

ARTICLE 4
PARTICIPATION

4.1 Election to Participate. Any Director may enroll in a Benefit

Unit under the Plan effective as of the first day of a Plan Year by filing a completed and fully executed Authorization Form with the Committee prior to the beginning of such Plan Year. Any person who first becomes a Director on or after the first day of a Plan Year may enroll in a Benefit Unit under the Plan, effective as of the date of filing of a completed and fully executed Authorization Form with the Committee. Any enrollment in a Benefit Unit beginning in any Plan Year other than the first Plan Year under this Plan may be made only with the consent of the Committee. Pursuant to said Authorization Form, the Director shall irrevocably elect a Cumulative Deferral Amount by which the aggregate Director's Fees of such Participant will be reduced over the Benefit Deferral Period.

(a) Option A. Under Option A, a Director must elect a specific

dollar amount of Director's Fees to be deferred each Plan Year for four years. A Director may specify in his Authorization Form the dollar amount of his Director's Fees to be deferred toward satisfaction of his annual deferral commitment. The minimum annual deferral under Option A is \$2,000, and the maximum annual deferral under Option A is \$20,000.

(b) Option B. In order to participate in Option B, a Director

must participate in Option A at the minimum deferral level (\$2,000 per year for each of four years). Under Option B, a Director may

elect to defer a specific dollar amount from his Director's Fees to be deferred each Plan Year for one to five years. The minimum annual deferral under Option B is \$5,000 and Option B is not subject to a maximum annual deferral.

(c) Accelerated Reduction. Prior to the beginning of any Plan

Year in any Benefit Deferral Period as to which there are two or more Plan Years remaining, a Participant may elect in a written notice filed with the Committee to increase the amount of the reduction of Director's Fees otherwise provided for any of the Plan Years remaining in such Benefit Deferral Period; provided, however, that any such increase in the reduction of Director's Fees for any remaining Plan Years in the Benefit Deferral Period shall not increase the Cumulative Deferral Amount for the Benefit Deferral Period unless the Participant elects in such written notice to apply the increased reduction in Director's Fees for any Plan Year as a credit against the reductions in Director's Fees that otherwise would have resulted in subsequent Plan Years in the Benefit Deferral Period pursuant to Section 4.1. In the event a Participant elects to increase the previously elected reduction of Director's Fees pursuant to this Section 4.1(c), the Participant in his sole discretion shall determine the allocation as between said Participant's retainer and regular Board of Directors meeting fees paid during the year of such increase.

(d) Maximum Reduction in Director's Fees. A Participant may not

elect a Cumulative Deferral Amount or an increase in reduction of Director's Fees pursuant to Section 4.1(c), or any combination of the two, that would cause the aggregate total reduction in Director's Fees in any Plan Year with respect to all Benefit Units to exceed one hundred percent (100%) of the excess of (i) the Director's Fees otherwise payable during such Plan Year, over (ii) the sum of amounts required by federal, state or local law to be withheld by the Company from such Director's Fees. In the event that a Participant elects a Cumulative Deferral Amount or increase in reduction of Director's Fees in an amount in excess of the

amount allowable pursuant to the previous sentence, the election shall be valid except that the Cumulative Deferral Amount or increase in reduction of Director's Fees so elected shall automatically be reduced to comply with such limitation, whichever is most appropriate in the sole discretion of the Committee.

(e) Enrollment in Benefit Unit. For purposes of the Plan, a

Benefit Unit shall be deemed to be a Benefit Unit in which a Participant is enrolled only as of and after the first day of the Benefit Deferral Period with respect to such Benefit Unit.

4.2 Deferral Accounts. The Committee shall establish and maintain a

separate Deferral Account for each of a Participant's Benefit Units. The amount by which a Participant's Director's Fees are reduced pursuant to Section 4.1 with respect to each Benefit Unit shall be credited by the Company to the Participant's Deferral Account for such Benefit Unit no later than the first day

of the month following the month in which such Director's Fees would otherwise have been paid. The Deferral Account for a Benefit Unit shall be debited by the amount of any payments made by the Company to the Participant or the Beneficiary with respect to such Benefit Unit pursuant to this Plan.

(a) Interest on Deferral Accounts. Various types of returns will

be credited on Deferral Accounts prior to commencement of payment of benefits depending on the Deferral Option which a Participant chooses, as described below.

(i) Option A. Under Option A, the Declared Rate for Option

established by Article 2 shall be credited monthly to Deferral Accounts at one-twelfth (1/12) of the Declared Rate, and all such interest shall be compounded annually.

(ii) Option B. Under Option B, a Participant may elect one

of four Declared Rates (as defined in Article 2) to be

credited on 100% of his Deferral Account balance or two of the four Declared Rates with each to be credited on 50% of his Deferral Account balance. The Participant's Deferral Accounts will be credited with a rate of return (positive or negative) based on the Declared Rate(s) which he elects. The rate of return (positive or negative) will be credited monthly to Deferral Accounts at one-third of the quarterly Declared Rate(s). Notwithstanding the foregoing provision or any other provision of this Plan, the Committee, in its sole discretion, may credit a Participant's Deferral Accounts based on monthly Declared Rate(s) or may use monthly Declared Rate(s) for the months subsequent to the end of the preceding quarter whenever a lump sum payment will be made to the Participant or the Beneficiary.

A Participant may change his Declared Rate(s) election under Option B twice a year effective as of the following June 1 or December 1 of each year by filing a written notice with the Company at least 30 days in advance. Under Option B, Deferral Accounts are subject to greater investment risk because the actual performance of the investment fund that is chosen to measure the Declared Rate may be either positive or negative and either more or less than the Option A Declared Rate. Deferral Account balances will not necessarily be invested in these investment funds by the Company, even though the actual performance of the investment fund that is chosen to measure the Declared Rate will determine the rate of return (positive or negative) on the Participant's Deferral Account.

4.3 Valuation of Accounts. The value of a Deferral Account as of any

date shall equal the amounts theretofore credited to such account, plus the interest deemed to be earned on such account in accordance with Section 4.2 through the day preceding such date, less the amounts theretofore debited to such account.

4.4 Statement of Accounts. The Committee shall submit to each

Participant, within one hundred twenty (120) days after the close of each Plan Year, a statement in such format the Committee deems desirable setting forth the balance standing to the credit of each Participant in each of his Deferral Accounts. Each statement of account shall show the Participant's deferrals and the interest credited to the Participant's Deferral Account.

ARTICLE 5
BENEFITS

5.1 Normal Retirement Benefit. A Participant is eligible for a

Retirement Benefit under this Plan with respect to a Benefit Unit when he has satisfied all of the requirements for Normal Retirement (as defined in Article 2) with respect to the Benefit Unit. The Normal Retirement Benefit for a Benefit Unit will be based on the total value of the Deferral Account for the Benefit Unit. In addition to the interest credited under Section 4.2(a)(i), Deferral Accounts under Option A will be credited with additional interest equal to 25% of the Declared Rate for each Plan Year prior to commencement of payment of the Normal Retirement Benefit.

The Normal Retirement Benefit will be paid beginning on the date and in the manner which the Participant elects when he enrolls in a Benefit Unit. This election may not be changed at any time by the Participant. A Participant may elect to receive his Normal Retirement Benefit at retirement or on a specified date in either a lump sum or installments over a specified number of years (not to exceed 20 years) or a combination of a lump sum payment and installment payments. 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 frequent than quarterly.

Under Option A, if a Participant elects to receive his Normal Retirement Benefit in installment payments, interest will continue to be credited on the unpaid Deferral Account balance at a rate equal to 125% of the average

of the Declared Rates for the five Plan Years prior to payment of the initial installment of the Normal Retirement Benefit.

Under Option B, if a Participant elects to receive his Normal Retirement Benefit in installment payments, the payments will be made in such intervals as may be determined by the Committee, provided that such intervals shall not be less frequent than quarterly, based on the Deferral Account balance at the beginning of the payment period. The payments will be redetermined annually by dividing the Participant's current number of remaining years in the payment period based on the Participant's retirement payment election. The rate of return (positive or negative) during any payment year will be credited during the year on the unpaid Deferral Account balance at the applicable Declared Rate(s). A Participant may continue to change his Declared Rate(s) election twice a year, effective as of the following June 1 or December 1 by filing a written notice with the Company at least 30 days in advance, as long as he has a remaining Deferral Account balance.

5.2 Disability Benefit. In the event that a Participant who has

completed the Cumulative Deferral Amount with respect to a Benefit Unit experiences a Disability prior to the commencement of payment of either the Normal Retirement Benefit or the Survivor Benefit with respect to such Benefit Unit, the Company shall pay to such Participant the Normal Retirement Benefit with respect to such Benefit Unit (the "Disability Benefit") beginning on the commencement of the Disability. In the event that a Participant who has not completed the Cumulative Deferral Amount with respect to a Benefit Unit experiences a Disability, amounts that otherwise would have been credited to the Deferral Account for such Benefit Unit in accordance with Section 4.1 if the Participant had not suffered such a Disability will continue to be credited to such Deferral Account for all purposes of this Plan. Upon completion of the Cumulative Deferral Amount with respect to a Benefit Unit, the Company shall commence payment to the Participant of the Disability Benefit with respect to such Benefit Unit. A Participant who receives a Disability Benefit with respect to

a Benefit Unit shall not otherwise receive either a Normal Retirement Benefit or a Survivor Benefit with respect to such Benefit Unit.

5.3 Termination Benefit.

(a) Certain Terminations. With respect to any Benefit Unit, if a

Participant (i) ceases to be a Director for any reason other than death, Disability or Normal Retirement, or (ii) fails to return to the status of a Director within one hundred eighty (180) days following recovery from a Disability prior to Normal Retirement, the Company shall pay to the Participant in one lump sum an amount (the "Termination Benefit") equal to the value of the Deferral Account for such Benefit Unit. In computing the Termination Benefit, the value of the Deferral Account will be based on interest at the applicable Declared Rate, not including the value of the additional interest referred to in Section 5.1. The Participant shall be entitled to no further benefits under this Plan for such Benefit Units.

(b) Termination of a Benefit Unit. With the written consent of the

Committee, a Participant may terminate enrollment in a Benefit Unit by filing with the Committee a written request to so terminate the Benefit Unit. Upon termination of enrollment in a Benefit Unit, no further reductions shall be made in the Participant's Director's Fees pursuant to the Authorization Form with respect to such Benefit Unit, and the Participant shall immediately cease to be eligible for any benefits with respect to such Benefit Unit, other than the Termination Benefit. No other benefit shall be payable to either the Participant or any Beneficiary of such Participant with respect to the terminated Benefit Unit. In its sole discretion, the Committee may pay the Termination Benefit with respect to a terminated Benefit Unit on a date earlier than a Participant's termination of employment with the Company, with such Termination Benefit to be calculated as if the Participant had terminated employment with the Company on the date of such payment.

5.4 Survivor Benefits.

(a) Pre-Retirement. If a Participant dies and has not yet

commenced to receive Normal Retirement Benefit payments with respect to a Benefit Unit, a Survivor Benefit will be paid to his Beneficiary in annual installments over five years. The aggregate Survivor Benefit will be equal to the Deferral Account balance for the Benefit Unit. The annual Survivor Benefit payments shall be redetermined each year based upon the value of the Deferral Account at that time, plus the expected interest based on the interest rate that is established by the Company each year for the remaining period of installment payments. Interest will be credited on the unpaid balance in the Deferral Account under Option A and Option B as follows:

(i) Option A. A Deferral Account under Option A will be

credited with interest for each Plan Year before and after the Participant's death equal to 125% of the Declared Rate for balances for which the Participant had elected to receive a Normal Retirement Benefit.

(ii) Option B. A Deferral Account under Option B will be

credited with interest equal to the Declared Rate for each Plan Year before the Participant's death. After the Participant's death, interest will be credited at a rate to be determined each year by the Company, but in no event less than 7% per annum.

(b) Post-Retirement. If a Participant dies after he has commenced

to receive a Normal Retirement Benefit with respect to a Benefit Unit, his Beneficiary will be entitled to receive a Survivor Benefit with respect to the Benefit Unit under Option A and Option B as follows:

(i) Option A. The Beneficiary will be entitled to receive

the remaining installments of the Normal Retirement Benefit which would

have been paid to the Participant with respect to the Benefit Unit if the Participant had survived based upon interest that would have been credited on unpaid amounts if the Participant had survived.

(ii) Option B. The Beneficiary will be entitled to receive a

Survivor Benefit equal to the Deferral Account balance for the Benefit Unit, which will be paid in annual installments over five years. After the Participant's death, interest will be credited on the unpaid balance in the Deferral Account at a rate to be determined each year by the Company, but in no event less than 7% per annum.

(c) Large Survivor Benefit. If the aggregate Deferral Account

balances which are payable to a Beneficiary as a Survivor Benefit for all of the Participant's Benefit Units exceed \$500,000, the Survivor Benefit for each Benefit Unit shall be payable to the Beneficiary over the number of years (if more than five years) which the Participant elected for payment of his Normal Retirement Benefit for each such Benefit Unit.

5.5 Emergency Benefit. In the event that the Committee, upon written

petition of the Participant or Beneficiary determines, in its sole discretion, that the Participant or Beneficiary has suffered an unforeseeable financial emergency, the Company shall pay to the Participant or Beneficiary, as soon as practicable following such determination, an amount necessary to meet the emergency not in excess of the Termination Benefit to which the Participant would have been entitled pursuant to Section 5.3 if said Participant had a termination of service on the date of such determination (the "Emergency Benefit"). For purposes of this Plan, an unforeseeable financial emergency is an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence. An unforeseeable financial emergency for purposes of this Plan shall exist for any Participant or Beneficiary who is deemed to be in constructive receipt of income on account of deferred

benefits payable under the terms of the Plan, and in such event all deferred benefits giving rise to said constructive receipt of income shall be paid to the Participant or Beneficiary in question. Notwithstanding the foregoing, the final determination by the Internal Revenue Service ("IRS") or court of competent jurisdiction, all time for appeal having lapsed, that the Company is not the owner of the assets of the Rabbi Trust, with the result that the income of the Rabbi Trust is not treated as income of the Company pursuant to Sections 671 through 679 of the Internal Revenue Code of 1986, as amended ("Code"), or the final determination by (i) the IRS, (ii) a court of competent jurisdiction, all time for appeal having lapsed, or (iii) counsel to the Company that a federal tax is payable by the Participant or Beneficiary with respect to assets of the Rabbi Trust or the Participant's or Beneficiary's Deferral Accounts prior to the distribution of those assets or Deferral Accounts to the Participant or Beneficiary shall in any event constitute an unforeseeable financial emergency entitling such Participant or Beneficiary to an Emergency Benefit provided for in this Section. Cash needs arising from foreseeable events such as the purchase of a home or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency. The amount of benefits otherwise payable under the Plan shall thereafter be adjusted to reflect the reduction of a Deferral Account due to the early payment of the Emergency Benefit.

5.6 Small Benefit Payment. In the event the Committee determines that

the balance of the Participant's Deferral Accounts is less than \$50,000 at the time of commencement of payment of his Normal Retirement Benefit or Termination Benefit, or the portion of the balance of the Participant's Deferral Account payable to any Beneficiary is less than \$50,000 at the time of commencement of payment of a Survivor Benefit to such Beneficiary, the Company may pay the benefit in the form of a lump sum payment, notwithstanding any provision of this Article 5 to the contrary. Such lump sum payment shall be equal to the balance of the Participant's Deferral Accounts, or portions thereof payable to a Beneficiary.

5.7 Discounted Cash Out Election

(a) During the course of any Plan Year prior to the date on which a Participant ceases to serve as a Director, the Participant may make one election to receive all or part of the Participant's Deferral Account(s) in a single lump-sum payment that shall be paid within fifteen (15) days after the end of the month in which the Participant files a written election to receive a discounted lump sum payment pursuant to this Section 5.7(a). Interest on the amount elected to be withdrawn from such Deferral Accounts shall cease to accrue at this end of the month in which the Discounted Cash Out Election is made. The requirements for a valid Discounted Cash Out Election and the manner of determining the amount to be paid to a Participant who makes a pre-retirement Discounted Cash Out Election are as follows:

(i) The Discounted Cash Out Election must be for an amount of \$200,000 or greater, unless a Participant or Beneficiary has a Deferral Account for a Benefit Unit worth less than \$200,000 at the time of the Discounted Cash Out Election in which case the amount of the Discounted Cash Out Election may be equal to 100% of the Deferral Account for the Benefit Unit in question.

(ii) The amount available for the Discounted Cash Out Election shall be determined by establishing the value of the Participant's Deferral Account for the Benefit Unit (including the rate of interest to be credited pursuant to Section 4.2) as if the Participant ceased to serve as a Director on the last day of the month during which the Participant executes a written Discounted Cash Out Election.

(iii) If a Participant elects to receive his entire Deferral Account for a Benefit Unit via a Discounted Cash Out

Election, the Participant's Deferral Account for the Benefit Unit shall be deemed fully distributed to the Participant. The amount, however, actually distributed to the Participant shall be the amount of the Deferral Account for the Benefit Unit less a penalty equal to six percent (6%) of the amount otherwise distributable.

(iv) If a Participant elects to receive \$200,000, or some higher dollar amount of his Deferral Account for a Benefit Unit, the amount elected shall be deemed distributed to the Participant. The amount, however, actually distributed to the Participant shall be the elected amount less a penalty equal to six percent (6%) of the elected amount.

(b) During the course of any Plan Year following a Participant's Normal Retirement date, the Participant or the Beneficiary may make up to two elections to receive all or part of the Participant's Deferral Account(s) in single lump sum payments that shall be paid within fifteen (15) days after the end of the month in which the Participant or Beneficiary files a written election to receive a discounted lump sum payment pursuant to this Section 5.7(b). Interest on the amount elected to be withdrawn from such Deferral Account(s) shall cease to accrue at the end of the month in which the Discounted Cash Out Election is made. The requirements for a valid Discounted Cash Out Election and the manner of determining the amount to be paid to a Participant or Beneficiary who makes a post-retirement Discounted Cash Out Election are as follows:

(i) The Discounted Cash Out Election must be for an amount of \$200,000 or greater, unless a Participant or Beneficiary has a Deferral Account for a Benefit Unit worth less than \$200,000 at the time of the Discounted Cash Out Election in which case the amount of the Discounted Cash Out Election may be equal to 100% of the Deferral Account for the Benefit Unit in question.

(ii) If a Participant or Beneficiary elects to receive his entire Deferral Account for a Benefit Unit via a Discounted Cash Out Election, the Participant's or Beneficiary's Deferral Account for the Benefit Unit shall be deemed fully distributed to the Participant or Beneficiary. The amount, however, actually distributed to the electing Participant or Beneficiary shall be the amount of the Deferral Account for the Benefit Unit less a penalty equal to six percent (6%) of the amount otherwise distributable.

(iii) If a Participant or Beneficiary elects to receive \$200,000 or some higher dollar amount of his Deferral Account, the amount elected shall be deemed fully distributed to the Participant or Beneficiary. The amount, however, actually distributed to the Participant or Beneficiary shall be the elected amount less a penalty equal to six percent (6%) of the elected amount.

(iv) If a Participant or Beneficiary makes a Discounted Cash Out Election(s) or receives payment(s) of an Emergency Benefit and a portion of a Deferral Account for a Benefit Unit remains unpaid, future monthly benefit payments shall be reduced to reflect the withdrawal of part of the Deferral Account and there shall be no reduction in the previously scheduled number of monthly benefit payments.

5.8 Withholding; Unemployment Taxes. To the extent required by the law in effect at the time payments are made, the Company shall withhold from payments made hereunder the minimum taxes required to be withheld by the federal or any state or local government.

ARTICLE 6
BENEFICIARY DESIGNATION

Each Participant shall have the right, at any time, to designate any person or persons as Beneficiary or Beneficiaries to whom payment under this Plan shall be made in the event of Participant's death prior to complete distribution to Participant of the benefits due under the Plan. Each Beneficiary designation shall become effective only when filed in writing with the Committee during the Participant's lifetime on a form prescribed by the Committee.

The filing of a new Beneficiary designation form will cancel all Beneficiary 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 or a trust for said previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse or a trust for said new spouse had previously been designated as Beneficiary.

If a Participant fails to designate a Beneficiary as provided above, or if his Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Committee shall direct the distribution of such benefits to the Participant's estate.

ARTICLE 7
AMENDMENT OR TERMINATION OF PLAN

The Chairman and Chief Executive Officer of the Company may amend the Plan; provided, however, that (i) no such amendment shall be effective to decrease the benefits accrued by any Participant or Beneficiary of a deceased Participant (including, but not limited to, the rate of interest credited to

the Deferral Accounts) prior to the Plan Year commencing after the date of such amendment; (ii) Section 5.1 may not be amended; (iii) the definition of Declared Rate may not be amended; and (iv) the other substantive provisions of the Plan related to the calculation of benefits or the manner or timing of payments to be made under the Plan shall not be amended so as to prejudice the rights of any Participant or Beneficiary of a deceased Participant.

Notwithstanding any terms herein to the contrary, the Company may not terminate the Plan. The Company shall not have any obligation to, but may, in its discretion, allow additional deferrals into this Plan.

ARTICLE 8
MISCELLANEOUS

8.1 Unsecured General Creditor. The Company intends to establish

and fund the Avery Dennison Corporation Directors Deferred Compensation Trust ("Rabbi Trust"). The assets of the Rabbi Trust shall be subject to the claims of the Company's creditors. To the extent any benefits provided under the Plan are actually paid from the Rabbi Trust, the Company shall have no further obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by, the Company. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in any specific property or assets of the Company, nor shall they be beneficiaries of, or have any rights, claims, or interests in any life insurance policies, annuity contracts, or the proceeds therefrom owned or which may be acquired by the Company ("Policies"). Apart from the Rabbi Trust, such Policies or other assets of the Company shall not 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 fulfilling of the obligations of the Company under this Plan. Any and all of the Company's assets and Policies shall be, and remain, the general, unpledged, unrestricted assets of the Company. The Company's obligation under the Plan shall be

merely that of an unfunded and unsecured promise of the Company to pay money in the future.

8.2 Obligations To The Company. If a Participant becomes entitled to

a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Company, the Company may offset such amount owed to it against the amount of benefits otherwise distributable. Such determination shall be made by the Committee.

8.3 Nonassignability. Neither a Participant nor any other 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 amounts, if any, payable, hereunder, or any part thereof, or interest therein which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure 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 a Participant's or any other person's bankruptcy or insolvency .

8.4 Board Membership Not Guaranteed. Nothing contained in this Plan

nor any action taken hereunder shall be construed as a contract for services of any Director as a director of the Company or as giving a Director any right to be retained as a director of the Company.

8.5 Protective Provisions. Each Participant shall cooperate with the

Company by furnishing any and all information requested by the Company in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Company may deem necessary and taking such other relevant action as may be requested by the Company. If a Participant refuses so to cooperate, the Company shall have no further obligation to the Participant under the Plan, other than payment to such Participant of the cumulative

reduction in Director's Fees theretofore made pursuant to this Plan. If a Participant commits suicide during the two (2) year period beginning on the later of (a) the first day on which he participates in the Plan or (b) the first day of the Participant's Benefit Deferral Period for any new Benefit Unit under the Plan, or if the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits with respect to any affected Benefit Unit will be payable hereunder to such Participant or his Beneficiary other than payment to such Participant of the cumulative reductions in Director's Fees theretofore made pursuant to this Plan, provided, that in the Company's sole discretion, benefits may be payable in an amount reduced to compensate the Company for any loss, cost, damage or expense suffered or incurred by the Company as a result in any way of any such action, misstatement or nondisclosure.

8.6 Gender, Singular & Plural. All pronouns and any variations

thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

8.7 Captions. The captions of the articles, sections, and paragraphs

of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

8.8 Validity. In the event any provision of this Plan is held

invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

8.9 Notice. Any notice or filing required or permitted to be given

to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Company, directed to the attention of the Vice President, General Counsel and Secretary of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

8.10 Applicable Law. This Plan shall be governed and construed in

accordance with the laws of the State of California.

AVERY DENNISON CORPORATION

NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT, dated _____, is made by and between Avery Dennison Corporation, a Delaware corporation, hereinafter referred to as the "Company," and *, an employee of Company or a Subsidiary of Company, hereinafter referred to as "Employee".

WHEREAS, Company wishes to afford Employee the opportunity to purchase shares of its \$1.00 par value common stock under the terms of The 1990 Stock Option and Incentive Plan for Key Employees of Avery Dennison Corporation; and

WHEREAS, the Compensation Committee of the Company's Board of Directors (hereinafter referred to as the "Committee"), appointed to administer said Plan, has determined that it would be to the advantage and best interest of Company and its shareholders to grant the Option provided for herein to Employee as an inducement to remain in the service of Company or its Subsidiaries and as an incentive for increased efforts during such service;

WHEREAS, the Committee has advised the Company of its determination and instructed the undersigned officers to issue said Option, which the Committee has determined should be a Non-Qualified Stock Option, as authorized under the Plan;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, Company and Employee do hereby agree as follows:

ARTICLE I

DEFINITIONS

Whenever the following terms are used in this Agreement they shall have the meaning specified below unless the context clearly indicates to the contrary.

1.1 Option

"Option" shall mean the option to purchase common stock of the Company granted under the Stock Option Agreement.

1.2 Plan

The "Plan" shall mean The 1990 Stock Option and Incentive Plan for Key Employees of Avery Dennison Corporation.

* Refer to attached Notice.

1.3 Pronouns

The masculine pronoun shall include the feminine and neuter, and the singular and plural, where the context so indicates.

1.4 Secretary

"Secretary" shall mean the Secretary of the Company.

1.5 Subsidiary

"Subsidiary" shall mean any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

1.6 Termination of Employment

"Termination of Employment" shall mean the time when the employee-employer relationship between the Employee and the Company or a Subsidiary is terminated for any reason, including, but not limited to, a termination by resignation, discharge, death or retirement, but excluding terminations where there is a simultaneous reemployment or continuing employment by the Company or a Subsidiary, and, at the discretion of the Committee, terminations which result in the severance of the employee-employer relationship that do not exceed one year. The Committee, in its absolute discretion, shall determine the effect of all other matters and questions relating to Termination of Employment.

1.7 Change of Control

"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 in effect on the date of this Agreement or, if Item 6(e) 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 of Directors of the Company immediately prior to a meeting of the shareholders of the Company involving a contest or the election of the directors shall not constitute a majority of the Board of Directors following such election.

1.8 Beneficiary

"Beneficiary" shall mean a person properly designated by the Employee, including his/her spouse or heirs at law, to exercise such Employee's rights under the Plan. Designation, revocation and redesignation of Beneficiaries must be made in writing in accordance with rules established by the Committee and shall be effective upon delivery to the Committee.

ARTICLE II

GRANT OF OPTION

2.1 Grant of Option

In consideration of Employee's agreement to remain in the employ of Company or its subsidiaries and for other good and valuable consideration, on the date hereof the Company irrevocably grants to Employee the option to purchase any part or all of an aggregate of * shares of its \$1.00 par value common stock upon the terms and conditions set forth in this Agreement. Such Option is granted pursuant to the Plan and shall also be subject to the terms and conditions set forth in the Plan.

2.2 Purchase Price

The purchase price of the shares of stock covered by the Option shall be _____ dollars (\$_____) per share without commission or other charge.

2.3 Consideration to Company

In consideration of the granting of this Option by the Company, the Employee agrees to render faithful and efficient service to the Company or a Subsidiary, with such duties and responsibilities as the Company shall from time to time prescribe, for a period of at least one (1) year from the date this Option is granted. Nothing in this Agreement or in the Plan shall confer upon the Employee any right to continue in the employ of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which are hereby expressly reserved, to discharge the Employee at any time for any reason whatsoever, with or without good cause. Nor shall it interfere with or restrict in any way, other than the forfeiture of all rights under this Agreement, the right of the Employee voluntarily to terminate his employment with the Company or a Subsidiary.

2.4 Adjustments in Option

In the event that the outstanding shares of the stock subject to the Option are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, or combination of shares, the Committee shall make an appropriate and

* Refer to attached Notice

equitable adjustment in the number and kind of shares as to which the Option, or portions thereof then unexercised, shall be exercisable. Such adjustment shall be made with the intent that after the change or exchange of shares, the Employee's proportionate interest shall be maintained as before the occurrence of such event. Such adjustment in the Option may include a necessary corresponding adjustment in the option price per share, but shall be made without change in the total price applicable to the unexercised portion of the Option (except for any change in the aggregate price resulting from rounding-off of share quantities or prices).

ARTICLE III

PERIOD OF EXERCISABILITY

3.1 Commencement of Exercisability

- (a) The Option shall become exercisable in four cumulative installments as follows:
 - (i) The first installment shall consist of twenty-five percent (25%) of the shares covered by the Option and shall become exercisable on the first anniversary of the date the Option was granted.
 - (ii) The second installment shall consist of an additional twenty five percent (25%) of the shares covered by the Option and shall become exercisable on the second anniversary of the date the Option was granted.
 - (iii) The third installment shall consist of an additional twenty-five percent (25%) of the shares covered by the Option and shall become exercisable on the third anniversary of the date the Option was granted.
 - (iv) The fourth installment shall consist of twenty-five percent (25%) of the shares covered by the Option and shall become exercisable on the fourth anniversary of the date the Option was granted.

The installments provided for in this Subsection (a) are cumulative. Each installment which becomes exercisable shall remain exercisable during the term of the Option.

- (b) No portion of the Option which is an unexercisable installment under Subsection (a) above at Termination of Employment shall thereafter become exercisable.
- (c) Notwithstanding Subsections 3.1(a) and 3.1(b) above, and Section 3.4 below, upon a Change of Control, all Option installments not yet exercisable shall become immediately exercisable; provided, however, that if all or a portion of the Option installments which otherwise would become exercisable pursuant to this Subsection 3.1(c) is determined by the Committee to constitute, when exercised, a "parachute payment" as defined by Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), such Option installments or portion thereof shall not become exercisable upon the Change of Control. In making this determination pursuant to the preceding sentence the

Committee shall first take into account any payments to the Employee contingent on a change in the ownership or control of the Company or its assets (as provided in said Section 280G) under any other agreement or arrangement between the Company and Employee, exclusive of any agreement which is not subject to Section 280G because of Section 67(e) of the Tax Reform Act of 1984. Subsection 3.1(c) shall be final and binding upon Employee.

3.2 Term of Option

The Option will expire and will not, under any condition, be exercisable after the tenth (10th) anniversary of the date the Option was granted. Such date shall be the Option's Expiration Date.

3.3 Exercise of Option after Termination of Employment

This Option is exercisable by the Employee only while he is employed by the Company or a Subsidiary, subject to the following exceptions:

- (a) If the Employee dies while the Option is exercisable under the terms of this Agreement, the Employee's Beneficiary may exercise such rights, subject to the limitation in Subsection 3.1(b). The Option must be exercised within twelve (12) months after the Employee's death, and the Committee may in its discretion extend the Expiration Date of the Option to accommodate such exercise.
- (b) If the Employee's employment is terminated due to his permanent and total disability, as defined in Section 22(c)(3) of the Code, the Employee may exercise the Option, subject to the limitation in Subsection 3.1(b), within twelve (12) months after Termination of Employment, but not later than the Option's Expiration Date.
- (c) If the Employee's employment is terminated due to his retirement at or after age fifty-five (55), the Employee may exercise the Option, subject to the limitations of Subsection 3.1(b), within twenty-four (24) months after Termination of Employment, but not later than the Option's Expiration Date.
- (d) If the Employee's employment is terminated due to his retirement at or after age fifty-five (55) and such Employee continues as a director of the Company, the Employee may exercise the Option to the same extent as he would be able to exercise it if he continued to be employed, until the earlier of two (2) years after he ceases to be a director of the Company or the Option's Expiration Date.
- (e) If the Employee's employment is terminated other than for good cause or the reasons set forth in Subsections (a) through (d) above, the Employee may exercise the Option, subject to the limitations of Subsection 3.1(b), within three (3) months after Termination of Employment, but not later than the Option's Expiration Date.

3.4 Exercise of Option Upon Merger or Consolidation

-
- (a) Notwithstanding Section 3.3, the Option may not be exercised to any extent by anyone after the effective date of either the merger or consolidation of the Company into another corporation, the exchange of all or substantially all of the assets of the Company for the securities of another corporation, the acquisition by another corporation of 80% or more of the Company's then outstanding voting stock, or the liquidation or dissolution of the Company. At least ten (10) days prior to the effective date of such merger, consolidation, exchange, acquisition, liquidation, or dissolution, the Committee shall give the Employee notice of such event if the Option has then neither been fully exercised nor become unexercisable due to the passage of the specified time period in Subsection (b) below.
 - (b) In the event of such merger, consolidation, exchange, liquidation, or dissolution, the Committee may, in its absolute discretion and on such terms and conditions as it deems appropriate, provide by resolution adopted prior to such event and incorporated in the notice referred to in Subsection (a) above, that for a specified period of time prior to the effective date of such event, the Option shall be exercisable as to all shares covered hereby, notwithstanding that the Option may not yet have become fully exercisable under Subsection 3.1(a).

ARTICLE IV

EXERCISE OF OPTIONS

4.1 Partial Exercise

Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.2. Each partial exercise shall be for not less than twenty-five (25) shares (or a smaller number, if it is the maximum number which may be exercised under Section 3.1), and shall be for whole shares only.

4.2 Manner of Exercise

The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary or his office of all of the following:

- (a) A written notice, complying with the applicable rules established by the Committee, stating that the Option or portion is thereby exercised. The notice shall be signed by the Employee or the other person then entitled to exercise the Option; and
- (b) Full payment for the shares with respect to which the option or portion thereof is exercised. Payment may be made in cash (or by certified or bank cashier's check), or by actual or constructive delivery to the Company, in accordance with the procedures established by the Company, of Company Common Stock then owned by the Employee

with a fair market value on the date the option is exercised equal to the aggregate exercise purchase price of the shares with respect to which the option or portion thereof is exercised, or by a combination of cash and surrender of stock in the manner herein specified; and

- (c) Full payment to the Company of any federal, state or local taxes required to be withheld in connection with the exercise, which payment may be made in cash (or by certified or bank cashier's check) or by actual or constructive delivery and surrender to the Company in accordance with procedures established by the Company, of Company Common Stock then owned by the Employee with a fair market value on the date the option is exercised equal to the total of such taxes due in connection with the exercise, or by a combination of cash and surrender of stock in the manner herein specified; and
- (d) In the event the Option or portion thereof shall be exercised by any person or persons other than the Employee, appropriate proof of the right of such person or persons to exercise the Option.

4.3 Conditions to Issuance of Stock Certificates

The shares of stock deliverable upon the exercise of the Option, or any part thereof, may be either previously authorized but unissued shares or issued shares which have then been reacquired by the Company. Such shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of the Option or part thereof prior to fulfillment of all of the following conditions:

- (a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;
- (b) The completion of any registration or other qualification of such shares under any state or federal law, or under rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Committee shall, in its absolute discretion, deem necessary or advisable;
- (c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its absolute discretion, determine to be necessary or advisable;
- (d) The lapse of such reasonable period of time following the exercise of the Option as the Committee may from time to time establish for reasons of administrative convenience; and
- (e) The receipt by the Company of full payment for such shares.

4.4 Rights as Shareholders

The holder of the Option shall not be, nor have any of the rights or privileges of, a shareholder of the Company in respect of any shares purchasable upon the exercise of any part of the Option unless and until certificates representing such shares shall have been issued by the Company to such holder.

ARTICLE V

MISCELLANEOUS

5.1 Administration

The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon the Employee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Option. In its absolute discretion, the Board of Directors of the Company may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

5.2 Option Not Transferable

Neither the Option nor any interest or right therein or part thereof may be sold, pledged, assigned or transferred in any manner other than by will or by the applicable laws of descent and distribution. The Option shall be exercised during the Employee's lifetime only by the Employee, or his guardian or legal representative.

5.3 Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary and any notice to be given to the Employee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section, either party may hereafter designate a different address for notices to be given to him. Any notice which is required to be given to Employee shall, if Employee is then deceased, be given to Employee's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section. Any notice shall have been deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

5.4 Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.5 Construction

This Agreement shall be administered and interpreted under the laws of the State of California.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

AVERY DENNISON CORPORATION

by: _____
Chairman & Chief Executive Officer

by: _____
Secretary

by: _____
Optionee

Address

Social Security Number

* Refer to attached Notice

AVERY DENNISON CORPORATION

NON-QUALIFIED STOCK OPTION AGREEMENT (LTIP PARTICIPANTS)

THIS AGREEMENT, dated _____, is made by and between Avery Dennison Corporation, a Delaware corporation, hereinafter referred to as the "Company," and *, an employee of Company or a Subsidiary of Company, hereinafter referred to as "Employee".

WHEREAS, Company wishes to afford Employee the opportunity to purchase shares of its \$1.00 par value common stock under the terms of The 1990 Stock Option and Incentive Plan for Key Employees of Avery Dennison Corporation; and

WHEREAS, the Compensation Committee of the Company's Board of Directors (hereinafter referred to as the "Committee"), appointed to administer said Plan, has determined that it would be to the advantage and best interest of Company and its shareholders to grant the Option provided for herein to Employee as an inducement to remain in the service of Company or its Subsidiaries and as an incentive for increased efforts during such service;

WHEREAS, the Committee has advised the Company of its determination and instructed the undersigned officers to issue said Option, which the Committee has determined should be a Non-Qualified Stock Option, as authorized under the Plan;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, Company and Employee do hereby agree as follows:

ARTICLE I

DEFINITIONS

Whenever the following terms are used in this Agreement they shall have the meaning specified below unless the context clearly indicates to the contrary.

1.1 Option

"Option" shall mean the option to purchase common stock of the Company granted under the Stock Option Agreement.

1.2 Plan

The "Plan" shall mean The 1990 Stock Option and Incentive Plan for Key Employees of Avery Dennison Corporation.

* Refer to attached Notice.

1.3 Pronouns

The masculine pronoun shall include the feminine and neuter, and the singular and plural, where the context so indicates.

1.4 Secretary

"Secretary" shall mean the Secretary of the Company.

1.5 Subsidiary

"Subsidiary" shall mean any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

1.6 Termination of Employment

"Termination of Employment" shall mean the time when the employee-employer relationship between the Employee and the Company or a Subsidiary is terminated for any reason, including, but not limited to, a termination by resignation, discharge, death or retirement, but excluding terminations where there is a simultaneous reemployment or continuing employment by the Company or a Subsidiary, and, at the discretion of the Committee, terminations which result in the severance of the employee-employer relationship that do not exceed one year. The Committee, in its absolute discretion, shall determine the effect of all other matters and questions relating to Termination of Employment.

1.7 Change of Control

"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 in effect on the date of this Agreement or, if Item 6(e) 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 of Directors of the Company immediately prior to a meeting of the shareholders of the Company involving a contest or the election of the directors shall not constitute a majority of the Board of Directors following such election.

1.8 Beneficiary

"Beneficiary" shall mean a person properly designated by the Employee, including his/her spouse or heirs at law, to exercise such Employee's rights under the Plan. Designation, revocation and redesignation of Beneficiaries must be made in writing in accordance with rules established by the Committee and shall be effective upon delivery to the Committee.

ARTICLE II

GRANT OF OPTION

2.1 Grant of Option

In consideration of Employee's agreement to remain in the employ of Company or its subsidiaries and for other good and valuable consideration, on the date hereof the Company irrevocably grants to Employee the option to purchase any part or all of an aggregate of * shares of its \$1.00 par value common stock upon the terms and conditions set forth in this Agreement. Such Option is granted pursuant to the Plan and shall also be subject to the terms and conditions set forth in the Plan.

2.2 Purchase Price

The purchase price of the shares of stock covered by the Option shall be _____ dollars (\$_____) per share without commission or other charge.

2.3 Consideration to Company

In consideration of the granting of this Option by the Company, the Employee agrees to render faithful and efficient service to the Company or a Subsidiary, with such duties and responsibilities as the Company shall from time to time prescribe, for a period of at least one (1) year from the date this Option is granted. Nothing in this Agreement or in the Plan shall confer upon the Employee any right to continue in the employ of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which are hereby expressly reserved, to discharge the Employee at any time for any reason whatsoever, with or without good cause. Nor shall it interfere with or restrict in any way, other than the forfeiture of all rights under this Agreement, the right of the Employee voluntarily to terminate his employment with the Company or a Subsidiary.

2.4 Adjustments in Option

In the event that the outstanding shares of the stock subject to the Option are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, or combination of shares, the Committee shall make an appropriate and equitable adjustment in the number and kind of shares as to which the Option, or portions

* Refer to the attached Notice

thereof then unexercised, shall be exercisable. Such adjustment shall be made with the intent that after the change or exchange of shares, the Employee's proportionate interest shall be maintained as before the occurrence of such event. Such adjustment in the Option may include a necessary corresponding adjustment in the option price per share, but shall be made without change in the total price applicable to the unexercised portion of the Option (except for any change in the aggregate price resulting from rounding-off of share quantities or prices).

ARTICLE III

PERIOD OF EXERCISABILITY

3.1 Commencement of Exercisability

- (a) The Option will vest (become available for exercise) nine years and nine months from the date the Option was granted. However, if certain conditions are met, as described in the Avery Dennison Corporation Amended and Restated Key Executive Long-Term Incentive Plan (Sections IV. B (3) and IX. B), the Option will become eligible for accelerated or early vesting three years from the date the Option was granted or on subsequent anniversary dates thereafter.
- (b) No portion of the Option which is unexercisable under Subsection (a) above at Termination of Employment shall thereafter become exercisable.
- (c) Notwithstanding Subsections 3.1(a) and 3.1(b) above, and Section 3.4 below, upon a Change of Control, all Option installments not yet exercisable shall become immediately exercisable; provided, however, that if all or a portion of the Option installments which otherwise would become exercisable pursuant to this Subsection 3.1(c) is determined by the Committee to constitute, when exercised, a "parachute payment" as defined by Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), such Option installments or portion thereof shall not become exercisable upon the Change of Control. In making this determination pursuant to the preceding sentence the Committee shall first take into account any payments to the Employee contingent on a change in the ownership or control of the Company or its assets (as provided in said Section 280G) under any other agreement or arrangement between the Company and Employee, exclusive of any agreement which is not subject to Section 280G because of Section 67(e) of the Tax Reform Act of 1984. Subsection 3.1(c) shall be final and binding upon Employee.

3.2 Term of Option

The Option will expire and will not, under any condition, be exercisable after the tenth (10th) anniversary of the date the Option was granted. Such date shall be the Option's Expiration Date.

3.3 Exercise of Option after Termination of Employment

This Option is exercisable by the Employee only while he is employed by the Company or a Subsidiary, subject to the following exceptions:

- (a) If the Employee dies while the Option is exercisable under the terms of this Agreement, the Employee's Beneficiary may exercise such rights, subject to the limitation in Subsection 3.1(b). The Option must be exercised within twelve (12) months after the Employee's death, and the Committee may in its discretion extend the Expiration Date of the Option to accommodate such exercise.
- (b) If the Employee's employment is terminated due to his permanent and total disability, as defined in Section 22(c)(3) of the Code, the Employee may exercise the Option, subject to the limitation in Subsection 3.1(b), within twelve (12) months after Termination of Employment, but not later than the Option's Expiration Date.
- (c) If the Employee's employment is terminated due to his retirement at or after age fifty-five (55), the Employee may exercise the Option, subject to the limitations of Subsection 3.1(b), within twenty-four (24) months after Termination of Employment, but not later than the Option's Expiration Date.
- (d) If the Employee's employment is terminated due to his retirement at or after age fifty-five (55) and such Employee continues as a director of the Company, the Employee may exercise the Option to the same extent as he would be able to exercise it if he continued to be employed, until the earlier of two (2) years after he ceases to be a director of the Company or the Option's Expiration Date.
- (e) If the Employee's employment is terminated other than for good cause or the reasons set forth in Subsections (a) through (d) above, the Employee may exercise the Option, subject to the limitations of Subsection 3.1(b), within three (3) months after Termination of Employment, but not later than the Option's Expiration Date.

3.4 Exercise of Option Upon Merger or Consolidation

- (a) Notwithstanding Section 3.3, the Option may not be exercised to any extent by anyone after the effective date of either the merger or consolidation of the Company into another corporation, the exchange of all or substantially all of the assets of the Company for the securities of another corporation, the acquisition by another corporation of 80% or more of the Company's then outstanding voting stock, or the liquidation or dissolution of the Company. At least ten (10) days prior to the effective date of such merger, consolidation, exchange, acquisition, liquidation, or dissolution, the Committee shall give the Employee notice of such event if the Option has then neither been fully exercised nor become unexercisable due to the passage of the specified time period in Subsection (b) below.
- (b) In the event of such merger, consolidation, exchange, liquidation, or dissolution, the

Committee may, in its absolute discretion and on such terms and conditions as it deems appropriate, provide by resolution adopted prior to such event and incorporated in the notice referred to in Subsection (a) above, that for a specified period of time prior to the effective date of such event, the Option shall be exercisable as to all shares covered hereby, notwithstanding that the Option may not yet have become fully exercisable under Subsection 3.1(a).

ARTICLE IV

EXERCISE OF OPTIONS

4.1 Partial Exercise

Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.2. Each partial exercise shall be for not less than twenty-five (25) shares (or a smaller number, if it is the maximum number which may be exercised under Section 3.1), and shall be for whole shares only.

4.2 Manner of Exercise

The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary or his office of all of the following:

- (a) A written notice, complying with the applicable rules established by the Committee, stating that the Option or portion is thereby exercised. The notice shall be signed by the Employee or the other person then entitled to exercise the Option; and
- (b) Full payment for the shares with respect to which the option or portion thereof is exercised. Payment may be made in cash (or by certified or bank cashier's check), or by actual or constructive delivery to the Company, in accordance with the procedures established by the Company, of Company Common Stock then owned by the Employee with a fair market value on the date the option is exercised equal to the aggregate exercise purchase price of the shares with respect to which the option or portion thereof is exercised, or by a combination of cash and surrender of stock in the manner herein specified; and
- (c) Full payment to the Company of any federal, state or local taxes required to be withheld in connection with the exercise, which payment may be made in cash (or by certified or bank cashier's check) or by actual or constructive delivery and surrender to the Company in accordance with procedures established by the Company, of Company Common Stock then owned by the Employee with a fair market value on the date the option is exercised equal to the total of such taxes due in connection with the exercise, or by a combination of cash and surrender of stock in the manner herein specified; and

(d) In the event the Option or portion thereof shall be exercised by any person or persons other than the Employee, appropriate proof of the right of such person or persons to exercise the Option.

4.3 Conditions to Issuance of Stock Certificates

The shares of stock deliverable upon the exercise of the Option, or any part thereof, may be either previously authorized but unissued shares or issued shares which have then been reacquired by the Company. Such shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of the Option or part thereof prior to fulfillment of all of the following conditions:

- (a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;
- (b) The completion of any registration or other qualification of such shares under any state or federal law, or under rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Committee shall, in its absolute discretion, deem necessary or advisable;
- (c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its absolute discretion, determine to be necessary or advisable;
- (d) The lapse of such reasonable period of time following the exercise of the Option as the Committee may from time to time establish for reasons of administrative convenience; and
- (e) The receipt by the Company of full payment for such shares.

4.4 Rights as Shareholders

The holder of the Option shall not be, nor have any of the rights or privileges of, a shareholder of the Company in respect of any shares purchasable upon the exercise of any part of the Option unless and until certificates representing such shares shall have been issued by the Company to such holder.

ARTICLE V

MISCELLANEOUS

5.1 Administration

The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent

therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon the Employee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Option. In its absolute discretion, the Board of Directors of the Company may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

5.2 Option Not Transferable

Neither the Option nor any interest or right therein or part thereof may be sold, pledged, assigned or transferred in any manner other than by will or by the applicable laws of descent and distribution. The Option shall be exercised during the Employee's lifetime only by the Employee, or his guardian or legal representative.

5.3 Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary and any notice to be given to the Employee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section, either party may hereafter designate a different address for notices to be given to him. Any notice which is required to be given to Employee shall, if Employee is then deceased, be given to Employee's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section. Any notice shall have been deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

5.4 Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.5 Construction

This Agreement shall be administered and interpreted under the laws of the State of California.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

AVERY DENNISON CORPORATION

by: _____
Chairman & Chief Executive Officer

by: _____
Secretary

by: _____
Optionee

* Refer to attached Notice.

COMPLETE RESTATEMENT AND AMENDMENT
OF
AVERY DENNISON CORPORATION
EXECUTIVE DEFERRED RETIREMENT PLAN
=====

December 23, 1994

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COMPLETE RESTATEMENT AND AMENDMENT OF
AVERY DENNISON CORPORATION
EXECUTIVE DEFERRED RETIREMENT PLAN
=====

ARTICLE I
PURPOSE

The purpose of this Executive Deferred Retirement Plan (the "Plan") is to provide a means whereby Avery Dennison Corporation, a Delaware corporation (the "Company"), may afford financial security to a select group of key management employees of the Company and its subsidiaries who have rendered and continue to render valuable services to the Company or its subsidiaries which constitute an important contribution towards the Company's continued growth and success, by providing for additional future compensation so that these employees may be retained and their productive efforts encouraged.

ARTICLE 2
DEFINITIONS AND CERTAIN PROVISIONS

Annual Base Salary. "Annual Base Salary" means with respect to a

Participant for any Plan Year such Participant's fixed, basic, straight time, and regularly recurring wages and salary, any payments for overtime hours, vacation pay, compensation paid in lieu of vacation, and holiday pay; but

excluding all Bonus, long-term incentive cash awards, other discretionary bonuses, severance allowances, forms of incentive compensation, Savings Plan or

other qualified plan contributions made by the Company, Retirement Plan or other qualified plan benefits, retainers, insurance premiums or benefits, reimbursements, and all other payments.

Authorization Form. "Authorization Form" means the authorization form

which an Eligible Employee files with the Company to participate in a Benefit
Unit under the Plan.

Beneficiary. "Beneficiary" means the person or persons designated as

such in accordance with Article 6.

Benefit Deferral Period. "Benefit Deferral Period" means that period

of four (4) or eight (8) Plan Years as determined pursuant to Article 4 over
which a Participant defers all or a portion of such Participant's Direct Cash
Compensation with respect to a Benefit Unit.

Benefit Unit. "Benefit Unit" means a unit enrolled in by a Participant

pursuant to Article 4 providing the benefits described in Article 5. Each
Benefit Unit will be covered by a separate Authorization Form.

Bonus. "Bonus" means with respect to a Participant for any Plan Year

the bonus paid to the Participant in such Plan Year under the Bonus Plan on
account of services rendered to the Company during the immediately preceding
Plan Year.

Bonus Plan. "Bonus Plan" means all annual bonus plans sponsored by the

Company from time to time.

Committee. "Committee" means the deferred compensation plan committee

appointed to administer the Plan pursuant to Article 3.

Cumulative Deferral Amount. "Cumulative Deferral Amount" means with

respect to each Benefit Unit the total cumulative amount by which a
Participant's Direct Cash Compensation will be reduced over the Benefit Deferral
Period.

Declared Rate. "Declared Rate" means the following rates of interest

for Deferral Options A and B, respectively:

Option A. "Declared Rate" means with respect to any Plan

Year the one hundred twenty (120) month rolling average rate of ten-year United States Treasury Notes. The one hundred twenty (120) month rolling average rate will be determined by an outside source selected by the Committee once for each Plan Year. This rate will be determined for each Plan Year as of the end of the month of October of the preceding Plan Year and will be the average of the rates in effect at the end of each month (as so indicated in "Yield & Yield Spreads-U.S. Government Securities by Maturity" published by Salomon Brothers unless the Committee elects to use another outside source) for the one hundred twenty (120) months ending with that October.

Option B. "Declared Rate" means with respect to any quarter

of a Plan Year a rate of return (positive or negative) that is based on the actual performance of a specific Pacific Mutual Life Insurance Contract investment fund. At the end of each quarter of a Plan Year, Pacific Mutual Life Insurance Company will report to the Company the actual gross performance of each investment fund. The rate of return determined based on such gross performance for an investment fund, less an administrative charge of 0.2%, will be the Declared Rate for the investment fund for the quarter. At the discretion of the Committee, the Declared Rate may be determined on a monthly basis.

The Declared Rate choices for Option B are:

Declared Rate 1. This rate is based on the performance of the

Money Market Fund.

Declared Rate 2. This rate is based on the performance of the

Managed Bond Fund.

Declared Rate 3. This rate is based on the performance of the

Equity Index Fund.

Declared Rate 4. This rate is based on the performance of the

International Equity Fund.

Deferrals will not necessarily be invested by the Company in the foregoing investment funds, even though the actual performance of the investment fund will be used to measure the Declared Rate.

Deferral Account. "Deferral Account" means the account maintained on -----
the books of account of the Company for each Benefit Unit pursuant to Section 4.3.

Deferral Option. "Deferral Option" means the two deferral options -----
which are available under the Plan, Option A and Option B, as described in Articles 4 and 5.

Direct Cash Compensation. "Direct Cash Compensation" means for any -----
date within a Plan Year the sum of (a) the Participant's Annual Base Salary as of the first day of the Plan Year plus (b) the Participant's Bonus paid in such Plan Year, but before reduction pursuant to this Plan.

Disability. "Disability" means any inability on the part of an -----
Employee, commencing before age 64 1/2, as determined by the Committee, in its complete and sole discretion, to perform the substantial and material duties of his or her job due to injury or sickness lasting for more than one hundred eighty (180) consecutive days. Disability for purposes of this Plan shall be deemed to commence as of the first day following the end of such one hundred eighty (180) day period. If an Employee makes application for disability benefits under the Social Security Act, as now in effect or as hereafter amended, and qualifies for such benefits, the Employee shall be presumed to suffer from a Disability under this Plan. The Committee may require the Employee to submit to an examination by a physician or medical clinic selected by the Committee. On the basis of such medical evidence and in the absence of qualification for disability benefits under the Social Security Act, the determination of the Committee as to whether or not a condition of Disability exists shall be conclusive. To constitute Disability, the same must commence after the Employee has become a Participant in the Plan.

Discounted Cash Out Election. "Discounted Cash Out Election" means the

written election by a Participant or Beneficiary in a form acceptable to the
Committee to receive all or part of the Participant's Deferral Account pursuant
to the terms and conditions of Section 5.9.

Early Retirement. "Early Retirement" means with respect to any Benefit

Unit the termination of a Participant's employment with Employer for reasons
other than death (a) between ages 55 and 65, and (b) after fifteen (15) years of
employment with Employer and (c) after completing deferrals of one hundred
percent (100%) of the Cumulative Deferral Amount for such Benefit Unit,
excluding deferrals under Options A and B which are elected as a percentage of
Bonus.

Eligible Employee. "Eligible Employee" means an Employee who is

eligible to participate in Option A or Option B as provided in Section 4.1.

Emergency Benefit. "Emergency Benefit" means the benefit that is

payable pursuant to Section 5.5 of the Plan.

Employee. "Employee" means any person employed by the Employer on a

regular full-time salaried basis, including officers of the Employer.

Employer. "Employer" means the Company and any of its wholly-owned

subsidiaries.

Employer Augmentation Contribution. "Employer Augmentation

Contribution" means the contribution made by the Employer pursuant to Section
4.2 of the Plan.

Employer Special Contribution. "Employer Special Contribution" means

an Employer contribution to a Deferral Account required by Section 4.6 hereof.

New Corporate Officer. "New Corporate Officer" means a Participant

with an Outstanding Benefit Unit who becomes a corporate officer of the Company.

Non-Overlapping Benefit Deferral Period. "Non-Overlapping Benefit

Deferral Period" means the portion of the Benefit Deferral Period with respect
to an Overlapping Benefit Unit remaining after the expiration of the Benefit
Deferral Period with respect to the Outstanding Benefit Unit with which the
Overlapping Benefit Unit overlaps.

Normal Retirement. "Normal Retirement" means with respect to any

Benefit Unit the termination of a Participant's employment with Employer for
reasons other than death (a) on or after the Participant attains age 65 and (b)
after completing deferrals of one hundred percent (100%) of the Cumulative
Deferral Amount for such Benefit Unit, excluding deferrals under Options A and B
which are elected as a percentage of Bonus.

Outstanding Benefit Unit. "Outstanding Benefit Unit" means a Benefit

Unit, or a Benefit Unit under the Company's Executive Deferred Compensation
Plan, with respect to which the Benefit Deferral Period has not yet expired.

Overlapping Benefit Unit. "Overlapping Benefit Unit" means an

Outstanding Benefit Unit entered into by a Participant at a time when the
Participant is a Participant in another Outstanding Benefit Unit.

Participant. "Participant" means an Eligible Employee who has filed a

completed and executed Authorization Form with the Committee and is
participating in the Plan in accordance with the provisions of Article 4.

Plan Year. "Plan Year" means the fiscal year beginning December 1 and

ending November 30.

Rabbi Trust. "Rabbi Trust" means the trust described in Section 8.1.

Retirement Age. "Retirement Age" means the age attained by a

Participant on the birthday that precedes the date when Participant ceases to be
an Employee.

Retirement Benefit. "Retirement Benefit" means benefits payable to a

Participant for a Benefit Unit when Participant has satisfied all of the
requirements for Normal or Early Retirement (as defined in Article 2) with
respect to that Benefit Unit.

Retirement Plan. "Retirement Plan" means the Retirement Plan for the

Employees of Avery Dennison Corporation, as amended from time to time.

Savings Plan. "Savings Plan" means the Avery Dennison Corporation

Employee Savings Plan, as amended from time to time.

Survivor Benefit. "Survivor Benefit" means those Plan benefits that

become payable upon the death of a Participant pursuant to the provisions of
Section 5.4.

Termination Benefit. "Termination Benefit" means the lump sum amount

payable to a Participant who ceases to be an Employee pursuant to the provisions
of Section 5.3.

ARTICLE 3
ADMINISTRATION OF THE PLAN

A deferred compensation plan committee consisting of three or more
members shall be appointed by the Company's Chairman and Chief Executive Officer
to administer the Plan and establish, adopt, or revise such rules and
regulations as it may deem necessary or advisable for the administration of the
Plan and to interpret the provisions of the Plan, with any

such interpretations to be conclusive. All decisions of the committee shall be by vote of at least a majority of its members and shall be final and binding. Members of the Committee shall be eligible to participate in the Plan while serving as members of the Committee, but a member of the Committee shall not vote or act upon any matter which relates solely to such member's interest in the Plan as a Participant.

ARTICLE 4
PARTICIPATION

4.1 Election to Participate. Any Eligible Employee may enroll in a

Benefit Unit under the Plan effective as of the first day of a Plan Year by filing a completed and fully executed Authorization Form with the Committee during enrollment periods established by the Committee. Pursuant to said Authorization Form, the Eligible Employee shall irrevocably elect a Cumulative Deferral Amount by which the aggregate Direct Cash Compensation of such Participant will be reduced over the Benefit Deferral Period.

(a) Option A. In order to participate in Option A, an Employee

must be at Salary Grade 12 or above, or selected by the Committee. Under Option A, an Eligible Employee must elect (i) a specific dollar amount of Annual Base Salary and/or (ii) a specific dollar amount and/or percentage of Bonus to be deferred each Plan Year for four years or eight years. If an Eligible Employee specifies a dollar amount of Bonus to be deferred and the dollar amount of Bonus is not equal to his actual Bonus payment in any Plan Year, the shortfall will be deducted from his Annual Base Salary over the remainder of the Plan Year in which such Bonus shortfall occurs. The first Bonus payment that an Eligible Employee may defer will be the Bonus he will earn in fiscal year 1992 which is payable in fiscal year 1993. The minimum annual deferral under Option A is \$2,000. Deferrals made under Option A may not be switched to Option B.

(b) Option B. In order to participate in Option B, an Employee

must be salary grade 12 or above, or be selected by the Committee. Under Option B, an Eligible Employee may elect to defer (i) a specific dollar amount from his Annual Base Salary and/or (ii) a specific dollar amount and/or percentage of Bonus for either four years or eight years. If an Eligible Employee specifies a dollar amount of Bonus to be deferred, and the dollar amount of Bonus is not equal to his actual Bonus payment in any Plan Year, the shortfall will be deducted from his Annual Base Salary over the remainder of the Plan Year in which such Bonus shortfall occurs. The first Bonus payment that an Eligible Employee may defer will be the Bonus he will earn in fiscal year 1992 which is payable in fiscal year 1993. The minimum annual deferral under Option B is \$2,000. Deferrals made under Option B may not be switched to Option A.

(c) Maximum Deferral. The maximum amount of Direct Cash

Compensation that may be deferred under Option A plus Option B shall be (i) 100% of current Annual Base Salary for an Eligible Employee who defers for four years; and (ii) 150% of current Annual Base Salary for an Eligible Employee who defers for eight years.

(d) Accelerated Reduction. Prior to the beginning of any Plan

Year in any Benefit Deferral Period as to which there are two or more Plan Years remaining, a Participant may elect in a written notice filed with the Committee to increase the amount of the reduction of Direct Cash Compensation otherwise provided for any of the Plan Years remaining in such Benefit Deferral Period; provided, however, that any such increase in the reduction of Direct Cash Compensation for any remaining Plan Years in the Benefit Deferral Period shall not increase the Cumulative Deferral Amount for the Benefit Deferral Period, but shall act to shorten the length of the Benefit Deferral Period, unless the Participant elects in such written notice to apply the increased reduction in Direct Cash Compensation for any Plan Year as a credit against the reductions in Direct Cash Compensation that otherwise would have resulted in subsequent Plan Years in the Benefit Deferral Period. In the event a

Participant elects to increase the previously elected reduction of Direct Cash Compensation pursuant to this Section 4.1(d), the Participant, in his sole discretion, shall determine the allocation of any such increase as between said Participant's Annual Base Salary and Bonus paid during the year of such increase.

(e) Maximum Reduction in Direct Cash Compensation. A Participant

may not elect a Cumulative Deferral Amount or an increase in reduction of Direct Cash Compensation pursuant to Section 4.1(d), or any combination of the two, that would cause the aggregate total reduction in Direct Cash Compensation in any Plan Year with respect to all Benefit Units to exceed one hundred percent (100%) of the excess of (i) the Direct Cash Compensation otherwise payable during such Plan Year, over (ii) the sum of amounts required by federal, state or local law to be withheld by the Employer from such Direct Cash Compensation. In the event that a Participant elects a Cumulative Deferral Amount or increase in reduction of Direct Cash Compensation in an amount in excess of the amount allowable pursuant to the previous sentence, the elected amount shall automatically be reduced to comply with such limitation.

(f) Enrollment in Benefit Unit. For purposes of the Plan, a

Benefit Unit shall be deemed to be a Benefit Unit in which a Participant is enrolled only as of and after the first day of the Benefit Deferral Period with respect to such Benefit Unit.

4.2 Employer Augmentation Contribution. For each Plan Year in a

Benefit Deferral Period, the Employer shall contribute to the Deferral Accounts of a Participant an aggregate amount equal to four and one-quarter percent (4.25%) of the Participant's annual deferrals under this Plan for the Plan Year (the "Employer Augmentation Contribution"). The Employer Augmentation Contribution shall be credited to the Deferral Accounts of a Participant, at a rate equal to four and one-quarter percent (4.25%) of the Participant's deferrals, at the same time as the Participant's deferrals are credited to his Deferral Accounts. The Employer Augmentation Contribution is intended to compensate for the loss

of any future benefits from the Retirement Plan and the Savings Plan which result from the reduction in the Participant's Direct Cash Compensation pursuant to this Plan. No Employer Augmentation Contribution will be made to any Participant's Deferral Account for any Plan Year in which the Participant is receiving an Employer Special Contribution.

4.3 Deferral Accounts. The Committee shall establish and maintain a

separate Deferral Account for each of a Participant's Benefit Units. The amount by which a Participant's Direct Cash Compensation is reduced pursuant to Section 4.1 with respect to each Benefit Unit shall be credited by the Employer to the Participant's Deferral Account for such Benefit Unit no later than the first day of the month following the month in which such Direct Cash Compensation would otherwise have been paid. The amount of Employer Augmentation Contribution provided for by Section 4.2 with respect to each Benefit Unit shall be credited to the Deferral Account for such Benefit Unit in accordance with Section 4.2. The Deferral Account for a Benefit Unit shall be debited by the amount of any payments made by the Employer to the Participant or the Beneficiary with respect to such Benefit Unit pursuant to this Plan.

(a) Interest on Deferral Accounts. Various types of returns will

be credited on Deferral Accounts prior to commencement of payment of benefits depending on the Deferral Option which a Participant chooses, as described below.

(i) Option A. Under Option A, the Declared Rate for Option A

established by Article 2 shall be credited monthly to the Deferral Account at the rate of one-twelfth (1/12) of the Declared Rate, and all such interest shall be compounded to the Deferral Account annually.

(ii) Option B. Under Option B, a Participant may elect to

credit the deferrals to any combination of Declared Rates in 25% increments, as long as the total does not exceed 100% of the deferrals. The Participant's Deferral Accounts will be credited

with a rate of return (positive or negative) based on the Declared Rate(s) which he elects. The rate of return (positive or negative) will be credited monthly to Deferral Accounts at one-third of the quarterly Declared Rate(s). Notwithstanding the foregoing provision or any other provision of this Plan, the Committee, in its sole discretion, may credit a Participant's Deferral Accounts based on monthly Declared Rate (s).

A Participant may change his Declared Rate(s) election under Option B twice a year effective as of the following June 1 and December 1 of each year by filing a written notice with the Committee at least 30 days in advance. Under Option B, Deferral Accounts are subject to greater investment risk because the actual performance of the investment fund that is chosen to measure the Declared Rate may be either positive or negative and either more or less than the Option A Declared Rate. Deferral Account balances will not necessarily be invested in these investment funds by the Company, even though the actual performance of the investment fund that is chosen to measure the Declared Rate will determine the rate of return (positive or negative) on the Participant's Deferral Account.

4.4 Valuation of Accounts. The value of a Deferral Account as of any

date shall equal the amounts theretofore credited to such account, plus the interest deemed to be earned on such account in accordance with Section 4.3 through the day preceding such date, less the amounts theretofore debited to such account.

4.5 Statement of Accounts. The Committee shall submit to each

Participant, within one hundred twenty (120) days after the close of each Plan Year, a statement in such form as the Committee deems desirable setting forth the balance standing to the credit of each Participant in each of his Deferral Accounts. Each statement of account shall show the Participant's deferrals, the Employer Augmentation Contributions, and the interest credited to the Participant's Deferral Account.

4.6 Employer Special Contributions. Beginning with the 1995 Plan

Year, a Participant who meets the eligibility requirements set forth in Section 4.6(a) below shall be entitled to annual Employer contributions for each Plan Year in the Benefit Deferral Period to the Participant's Deferral Account with respect to an Outstanding Benefit Unit in an amount to be determined in accordance with Section 4.6(b) below ("Employer Special Contributions").

(a) Eligibility Requirements. No Employer Special Contribution

shall be made to a Participant's Deferral Account with respect to an Outstanding Benefit Unit for a particular Plan Year unless:

(i) the Participant was a corporate officer of the Employer on the date of the Authorization Form with respect to the Outstanding Benefit Unit, except as provided in Section 4.6(e) below; and

(ii) the Cumulative Deferral Amount for the Outstanding Benefit Unit plus the product of (A) the maximum pre-tax contribution allowable for the Participant under the Savings Plan for the first Plan Year in the Benefit Deferral Period for such Outstanding Benefit Unit (or, for Participants who are not eligible to participate in the Savings Plan during the first Plan Year of the Benefit Deferral Period, the maximum pre-tax contribution that would be allowable for such Participant under the Savings Plan if the Participant were eligible) and (B) the number of Plan Years in such Benefit Deferral Period, is at least equal to the product of (X) six percent (6%) times (Y) the Participant's Annual Base Salary on the date of the Authorization Form with respect to the Outstanding

Benefit Unit times (Z) the number of Plan Years in the Benefit Deferral Period (excluding the 1993 Plan Year); and

(iii) the Participant is employed by the Employer on the last day of the Plan Year in question.

(b) Amount of Employer Special Contributions. The amount of an

Employer Special Contribution for a particular Plan Year shall equal three percent (3%) of (i) the Participant's combined Annual Base Salary and Bonus which would have been paid during the Plan Year before reduction for contributions to this Plan and the Savings Plan minus (ii) an amount which is equal to the limit on annual compensation (as adjusted from time to time) which may be taken into account under the Savings Plan for such Plan Year pursuant to Section 401(a)(17) of the Internal Revenue Code of 1986, as amended ("Code").

(c) Timing of Employer Special Contributions. The Employer

Special Contributions shall be credited to the Deferral Account for the Outstanding Benefit Unit for each of the Plan Years in the Benefit Deferral Period as of the last day of the Plan Year.

(d) Special Provisions for Overlapping Benefit Units. The

foregoing provisions of this Section 4.6 will apply to all Outstanding Benefit Units, including any Overlapping Benefit Unit; provided, however, that (i) the Employer Special Contributions relating to the Overlapping Benefit Unit shall not begin until the first Plan Year of the Non-Overlapping Benefit Deferral Period, and (ii) in order to be eligible for Employer Special Contributions during the Non-Overlapping Benefit Period, the Participant will be deemed to have met the eligibility requirement set forth in Section 4.6(a)(ii) if the Cumulative Deferral Amount for the Overlapping Benefit Unit plus the product of (A) the maximum pre-tax contribution allowable for the Participant under the Savings Plan for the first Plan Year in the Benefit Deferral Period for such Overlapping Benefit Unit (or, for Participants who are not eligible to participate in the Savings Plan during the first Plan Year of the Benefit Deferral Period, the maximum pre-tax contribution that would be allowable

for such Participant under the Savings Plan if the Participant were eligible) and (B) the number of Plan Years in the Benefit Deferral Period, is at least equal to the product of (X) six percent (6%) times (Y) the Participant's Annual Base Salary on the date of the Authorization Form with respect to the Outstanding Benefit Unit times (Z) the number of Plan Years in the Non-Overlapping Benefit Deferral Period.

(e) Special Provisions for New Corporate Officers.

A New Corporate Officer who otherwise meets the eligibility requirements set forth in Section 4.6(a) shall be entitled to the Employer Special Contributions provided for in this Section 4.6 as of the first day of the Plan Year immediately following the Plan Year in which the Participant becomes a New Corporate Officer; provided, however, that for purposes of determining whether the requirement of Section 4.6(a)(ii) has been met, (i) the Company will add to the Cumulative Deferral Amount for the Outstanding Benefit Unit any additional Cumulative Deferral Amount that the New Corporate Officer may elect pursuant to any new Benefit Unit which shall be offered to the New Corporate Officer at the time he or she becomes a New Corporate Officer, and (ii) the Annual Base Salary to be used for the New Corporate Officer shall be such New Corporate Officer's Annual Base Salary on the date that he or she becomes a New Corporate Officer. The Company shall be required to offer a new Benefit Unit to the New Corporate Officer if his or her Outstanding Benefit Units at the time he or she becomes a New Corporate Officer would not otherwise qualify such New Corporate Officer for Employer Special Contributions under this Section 4.6(a).

(f) Termination of Employer Special Contributions. The

Employer's obligation to make Employer Special Contributions shall cease upon the Participant's termination of employment with the Company for any reason or upon the Participant's termination pursuant to Section 5.3(b) of the Outstanding Benefit Unit.

(g) Plan Years 1993 and 1994. Nothing in this Section 4.6 shall

be construed to alter Savings Plan Alternative Contributions and interest
thereon previously credited to Participants' Deferral Accounts in the 1993
and 1994 Plan Years.

ARTICLE 5
BENEFITS

5.1 Retirement Benefit. A Participant is eligible for a Retirement

Benefit under this Plan with respect to a Benefit Unit when he has satisfied all
of the requirements for Normal Retirement or Early Retirement (as defined in
Article 2) with respect to the Benefit Unit. The Retirement Benefit for a
Benefit Unit will be based on the total value of the Deferral Account for the
Benefit Unit. In addition to the interest credited under Section 4.3(a)(i),
Deferral Accounts under Option A will be credited with additional interest equal
to 25% of the Declared Rate for each Plan Year prior to commencement of payment
of the Retirement Benefit.

The Retirement Benefit will be paid beginning on the date and in the
manner which the Participant elects when he enrolls in a Benefit Unit. This
election may not be changed at any time by the Participant. A Participant may
elect to receive his Retirement Benefit at retirement or on a specified date
after retirement in either a lump sum or installments over a specified number of
years or a combination of a lump sum payment and installment payments; provided,
however, that the maximum payout period for Retirement Benefits shall be subject
to Section 5.8. In the event a payout election period exceeds the maximum period
permitted by Section 5.8, the elected payout period shall be reduced to the
maximum period permitted by Section 5.8. 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 frequent than
quarterly.

Under Option A, if a Participant elects to receive his Retirement
Benefit in installment payments, interest will continue to be credited

on the unpaid Deferral Account balance at a rate equal to 125% of the average of the Declared Rates for the five Plan Years prior to payment of the initial installment of the Retirement Benefit.

Under Option B, if a Participant elects to receive his Retirement Benefit in installment payments, the payments will be made in such intervals as may be determined by the Committee, provided that such intervals shall not be less frequent than quarterly, based on the Deferral Account balance at the beginning of the payment period. The payments will be redetermined annually by dividing the Participant's current Deferral Account balance at the beginning of the year by the number of remaining years in the payment period based on the Participant's retirement payment election. The rate of return (positive or negative) during any payment year will be credited during the year on the unpaid Deferral Account balance at the applicable Declared Rate(s). A Participant may continue to change his Declared Rate(s) election twice a year, effective as of the following June 1 or December 1 of each year by filing a written notice with the Company at least 30 days in advance, as long as he has a remaining Deferral Account balance.

5.2 Disability. If a Participant suffers a Disability, Participant

deferrals and Employer Augmentation Contributions that otherwise would have been credited to the Participant's Deferral Accounts will cease during such Disability. The Participant's Deferral Accounts will continue to earn interest at the Declared Rate(s) which he has chosen. The Participant's Deferral Account balances will be distributed as a Retirement Benefit, Termination Benefit or Survivor Benefit, whichever is applicable, beginning on the date and in the form which the Participant elected in his Authorization Form. In the sole discretion of the Committee, the Employer may commence payments on an earlier date. For the sole purpose of determining eligibility to receive Retirement Benefits, deferrals which a Participant failed to make during a period of Disability will be disregarded in determining whether the Participant has completed deferrals of the full Cumulative Deferral Amount for a Benefit Unit. If a Participant recovers from a Disability and returns to employment with the Employer during the Benefit Deferral Period for a Benefit Unit, the Participant shall resume making deferrals

for the remaining years of the Benefit Deferral Period, but the Benefit Deferral Period shall not be extended on account of the Disability.

5.3 Termination Benefit.

(a) Certain Terminations of Employment. With respect to any

Benefit Unit, if a Participant (i) ceases to be an Employee for any reason other than death, Disability or Normal or Early Retirement, or (ii) fails to return to the status of an Employee within sixty (60) days following recovery from a Disability prior to Normal or Early Retirement, the Employer shall pay to the Participant in one lump sum an amount (the "Termination Benefit") equal to the value of the Deferral Account for such Benefit Unit. In computing the Termination Benefit, the value of the Deferral Account will be based on interest at the applicable Declared Rate, not including the value of the additional interest referred to in Section 5.1. The Participant shall be entitled to no further benefits under this Plan for such Benefit Units.

(b) Termination of a Benefit Unit. With the written consent of

the Committee, a Participant may terminate enrollment in a Benefit Unit by filing with the Committee a written request to so terminate the Benefit Unit. Upon termination of enrollment in a Benefit Unit, no further reductions shall be made in the Participant's Direct Cash Compensation pursuant to the Authorization Form with respect to such Benefit Unit, and the Participant shall immediately cease to be eligible for any benefits with respect to such Benefit Unit, other than the Termination Benefit. No other benefit shall be payable to either the Participant or any Beneficiary of such Participant with respect to the terminated Benefit Unit. In its sole discretion, the Committee may pay the Termination Benefit with respect to a terminated Benefit Unit on a date earlier than a Participant's termination of employment with the Employer, with such Termination Benefit to be calculated as if the Participant had terminated employment with the Employer on the date of such payment.

5.4 Survivor Benefits.

(a) Pre-Retirement. If a Participant dies and has not yet

commenced to receive Retirement Benefit payments with respect to a Benefit Unit, a Survivor Benefit will be paid to his Beneficiary in annual installments over five years except as set forth below. The aggregate Survivor Benefit will be equal to the Deferral Account balance for the Benefit Unit. The annual Survivor Benefit payments shall be redetermined each year based upon the value of the Deferral Account at that time, plus the expected interest based on the interest rate that is established by the Company each year for the remaining period of installment payments. Interest will be credited on the unpaid balance in the Deferral Account under Option A and Option B as follows:

(i) Option A. A Deferral Account under Option A will be

credited with interest for each Plan Year before the Participant's death equal to 125% of the Declared Rate. If the Deferral Account credited with interest pursuant to the previous sentence is \$50,000 or less for a Beneficiary, the Company, in its sole discretion, may elect to pay said amount in a lump sum. If the aforementioned lump sum payment is not made, or if the Deferral Account for a Beneficiary exceeds \$50,000, said Beneficiaries shall receive their Survivor Benefits in five (5) annual installments with interest credited after the Participant's death on the unpaid balance at a rate to be determined each year by the Company, but in no case less than 7% per annum. All such interest shall be credited and compounded as is required for Option A deferrals.

(ii) Option B. A Deferral Account under Option B will be

credited with interest equal to the Declared Rate for each Plan Year before the Participant's death. If the Deferral Account credited with interest pursuant to the previous sentence is \$50,000 or less for a Beneficiary, the Company, in its sole discretion, may elect to pay said amount in a lump sum. If the aforementioned

lump sum payment is not made, or if the Deferral Account for a Beneficiary exceeds \$50,000, said Beneficiaries shall receive their Survivor Benefits in five (5) annual installments with interest credited after the Participant's death on the unpaid balance at a rate to be determined each year by the Company, but in no case less than 7% per annum. All such interest shall be credited and compounded as is required for Option A deferrals.

(b) Post-Retirement. If a Participant dies after he has commenced

to receive a Retirement Benefit with respect to a Benefit Unit, his Beneficiary will be entitled to receive a Survivor Benefit with respect to the Benefit Unit under Option A and Option B as follows:

(i) Option A. The Participant's Beneficiary will be entitled

to receive the remaining installments of the Retirement Benefit which would have been paid to the Participant with respect to the Benefit Unit if the Participant had survived based upon interest that would have been credited on unpaid amounts if the Participant had survived.

(ii) Option B. The Participant's Beneficiary will be

entitled to receive a Survivor Benefit equal to the Deferral Account balance for the Benefit Unit, which will be paid in annual installments over five years. After the Participant's death, interest will be credited on the unpaid balance in the Deferral Account at a rate to be determined each year by the Company, but in no event less than 7% per annum.

(c) Large Survivor Benefit. If the aggregate Deferral Account

balances which are payable to a Beneficiary as a Survivor Benefit for all of the Participant's Benefit Units exceed \$500,000, the Survivor Benefit for each Benefit Unit shall be payable to the Beneficiary over the number of years (if more than five years) which the Participant elected for payment of his Retirement Benefit.

5.5 Emergency Benefit. In the event that the Committee, upon written

petition of the Participant or Beneficiary, determines, in its sole discretion, that the Participant or Beneficiary has suffered an unforeseeable financial emergency, the Employer shall pay to the Participant or Beneficiary, as soon as practicable following such determination, an amount necessary to meet the emergency not in excess of the Termination Benefit to which the Participant would have been entitled pursuant to Section 5.3 if said Participant had a termination of service on the date of such determination (the "Emergency Benefit"). For purposes of this Plan, an unforeseeable financial emergency is an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence. An unforeseeable financial emergency for purposes of this Plan shall exist for any Participant or Beneficiary who is deemed to be in constructive receipt of income on account of deferred benefits payable under the terms of the Plan, and in such event all deferred benefits giving rise to said constructive receipt of income shall be paid to the Participant or Beneficiary in question. Notwithstanding the foregoing, the final determination by the Internal Revenue Service ("IRS") or court of competent jurisdiction, all time for appeal having lapsed, that the Employer is not the owner of the assets of the Rabbi Trust, with the result that the income of the Rabbi Trust is not treated as income of the Company pursuant to Sections 671 through 679 of the Code, or the final determination by (i) the IRS, (ii) a court of competent jurisdiction, all time for appeal having lapsed, or (iii) counsel to the Company that a federal tax is payable by the Participant or Beneficiary with respect to assets of the Rabbi Trust or the Participant's or Beneficiary's Deferral Accounts prior to the distribution of those assets or Deferral Accounts to the Participant or Beneficiary shall in any event constitute an unforeseeable financial emergency entitling such Participant or Beneficiary to an Emergency Benefit provided for in this Section. Cash needs arising from foreseeable events such as the purchase of a home or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency. The amount of benefits otherwise payable under the Plan shall thereafter be adjusted to reflect the reduction of a Deferral Account due to the early payment of the Emergency Benefit.

5.6 Small Benefit. Notwithstanding anything herein to the contrary,

in the event the total amount owed to a Participant or a Beneficiary after the Participant ceases to be an Employee is \$50,000 or less, the Company, in its sole discretion, may elect to distribute any such amount in a single lump sum payment.

5.7 Withholding; Unemployment Taxes. To the extent required by the

law in effect at the time payments are made, the Employer shall withhold from payments made hereunder the minimum taxes required to be withheld by the federal or any state or local government.

5.8 Maximum Payout Period. Notwithstanding any Eligible Employee's

election to the contrary, the maximum number of years over which benefits may be paid from the Plan shall be limited as follows: (i) Retirement Age 55 receives lump sum; (ii) Retirement Ages 56 and 57 may receive benefits in a lump sum or for five years; (iii) Retirement Ages 58 and 59 may receive benefits in a lump sum or for five or ten years; (iv) Retirement Ages 60 and 61 may receive benefits in a lump sum or for five, ten, or fifteen years; and (v) Retirement Ages 62 and above may receive benefits in a lump sum or for five, ten, fifteen or twenty years.

5.9 Discounted Cash Out Election

(a) During the course of any Plan Year prior to the date on which a Participant ceases employment with the Company, the Participant may make one election to receive all or part of the Participant's Deferral Account(s) in a single lump-sum payment that shall be paid within fifteen (15) days after the end of the month in which the Participant files a written election to receive a discounted lump sum payment pursuant to this Section 5.9 (a). Interest on the amount elected to be withdrawn from such Deferral Accounts shall cease to accrue at this end of the month in which the Discounted Cash Out Election is made. The requirements for a valid Discounted Cash Out Election and the manner of determining the amount

to be paid to a Participant who makes a pre-retirement Discounted Cash Out Election are as follows:

(i) The Discounted Cash Out Election must be for an amount of \$200,000 or greater, unless a Participant has a Deferral Account for a Benefit Unit worth less than \$200,000 at the time of the Discounted Cash Out Election in which case the amount of the Discounted Cash Out Election may be equal to 100% of the Deferral Account for the Benefit Unit in question.

(ii) The amount available for the Discounted Cash Out Election shall be determined by establishing the value of the Participant's Deferral Account for the Benefit Unit (including the rate of interest to be credited pursuant to Section 4.3) as if the Participant ceased employment with the Company on the last day of the month during which the Participant executes a written Discounted Cash Out Election.

(iii) If a Participant elects to receive his entire Deferral Account for a Benefit Unit via a Discounted Cash Out Election, the Participant's Deferral Account for the Benefit Unit shall be deemed fully distributed to the Participant. The amount, however, actually distributed to the Participant shall be the amount of the Deferral Account for the Benefit Unit less a penalty equal to six percent (6%) of the amount otherwise distributable.

(iv) If a Participant elects to receive \$200,000, or some higher dollar amount of his Deferral Account for a Benefit Unit, the amount elected shall be deemed distributed to the Participant. The amount, however, actually distributed to the Participant shall be the elected amount less a penalty equal to six percent (6%) of the elected amount.

(b) During the course of any Plan Year following a Participant's Early or Normal Retirement date, the Participant or the Beneficiary may make up to two elections to receive all or part of the Participant's Deferral Account(s) in single lump sum payments that shall be paid within fifteen (15) days after the end of the month in which the Participant or Beneficiary files a written election to receive a discounted lump sum payment pursuant to this Section 5.9(b). Interest on the amount elected to be withdrawn from such Deferral Account(s) shall cease to accrue at the end of the month in which the Discounted Cash Out Election is made. The requirements for a valid Discounted Cash Out Election and the manner of determining the amount to be paid to a Participant or Beneficiary who makes a post-retirement Discounted Cash Out Election are as follows:

(i) The Discounted Cash Out Election must be for an amount of \$200,000 or greater, unless a Participant or Beneficiary has a Deferral Account for a Benefit Unit worth less than \$200,000 at the time of the Discounted Cash Out Election in which case the amount of the Discounted Cash Out Election may be equal to 100% of the Deferral Account for the Benefit Unit in question.

(ii) If a Participant or Beneficiary elects to receive his entire Deferral Account for a Benefit Unit via a Discounted Cash Out Election, the Participant's or Beneficiary's Deferral Account for the Benefit Unit shall be deemed fully distributed to the Participant or Beneficiary. The amount, however, actually distributed to the electing Participant or Beneficiary shall be the amount of the Deferral Account for the Benefit Unit less a penalty equal to six percent (6%) of the amount otherwise distributable.

(iii) If a Participant or Beneficiary elects to receive \$200,000 or some higher dollar amount of his Deferral

Account, the amount elected shall be deemed fully distributed to the Participant or Beneficiary. The amount, however, actually distributed to the Participant or Beneficiary shall be the elected amount less a penalty equal to six percent (6%) of the elected amount.

(iv) If a Participant or Beneficiary makes a Discounted Cash Out Election(s) or receives payment(s) of an Emergency Benefit and a portion of a Deferral Account for a Benefit Unit remains unpaid, future monthly benefit payments shall be reduced to reflect the withdrawal of part of the Deferral Account and there shall be no reduction in the previously scheduled number of monthly benefit payments.

ARTICLE 6
BENEFICIARY DESIGNATION

Each Participant shall have the right, at any time, to designate any person or persons as Beneficiary or Beneficiaries to whom payment under this Plan shall be made in the event of Participant's death prior to complete distribution to Participant of the benefits due under the Plan. Each Beneficiary designation shall become effective only when filed in writing with the Committee during the Participant's lifetime on a form prescribed by the Committee.

The filing of a new Beneficiary designation form will cancel all Beneficiary 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 or a trust for said previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse or a trust for said new spouse had previously been designated as Beneficiary.

If a Participant fails to designate a Beneficiary as provided above, or if his Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Committee shall direct the distribution of such benefits to the Participant's estate.

ARTICLE 7
AMENDMENT OR TERMINATION OF PLAN

The Chairman and Chief Executive Officer of the Company may amend the Plan; provided, however, that (i) no such amendment shall be effective to decrease the benefits accrued by any Participant or Beneficiary of a deceased Participant (including, but not limited to, the rate of interest credited to the Deferral Accounts) prior to the Plan Year commencing after the date of such amendment; (ii) no such amendment shall decrease the Declared Rates established by Section 4.3(a); (iii) Section 5.1 may not be amended; (iv) the definition of Declared Rate may not be amended; and (v) the other substantive provisions of the Plan related to the calculation of benefits or the manner or timing of payments to be made under the Plan shall not be amended so as to prejudice the rights of any Participant or Beneficiary of a deceased Participant.

Notwithstanding any terms herein to the contrary, the Company may not terminate the Plan. The Company shall not have any obligation to, but may, in its discretion, allow additional deferrals into this Plan.

ARTICLE 8
MISCELLANEOUS

8.1 Unsecured General Creditor. The Company intends to establish

and fund the Avery Dennison Corporation Executive Compensation Trust ("Rabbi Trust"). The assets of the Rabbi Trust shall be subject to the claims of the Company's creditors. To the extent any benefits provided under the Plan are actually paid from the Rabbi Trust, the Employer shall have no further

obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by, the Employer. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in any specific property or assets of Employer, nor shall they be beneficiaries of, or have any rights, claims, or interests in any life insurance policies, annuity contracts, or the proceeds therefrom owned or which may be acquired by Employer ("Policies"). Apart from the Rabbi Trust, such Policies or other assets of Employer shall not 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 fulfilling of the obligations of Employer under this

Plan. Any and all of the Employer's assets and Policies shall be, and remain, the general, unpledged, unrestricted assets of Employer. Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise of Employer to pay money in the future.

8.2 Obligations To Employer. If a Participant becomes entitled to a

distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Employer, then the Employer may offset such amount owed to it against the amount of benefits otherwise distributable. Such determination shall be made by the Committee.

8.3 Nonassignability. Neither a Participant nor any other 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 amounts, if any, payable, hereunder, or any part thereof, or interest therein which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure 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 a Participant's or any other person's bankruptcy or insolvency.

8.4 Employment Not Guaranteed. Nothing contained in this Plan nor

any action taken hereunder shall be construed as a contract of employment or as giving any Employee any right to be retained in the employ of the Company.

8.5 Protective Provisions. Each Participant shall cooperate with the

Employer by furnishing any and all information requested by the Employer in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Employer may deem necessary and taking such other relevant action as may be requested by the Employer. If a Participant refuses so to cooperate, the Employer shall have no further obligation to the Participant under the Plan, other than payment to such Participant of the cumulative reductions in Direct Cash compensation theretofore made pursuant to this Plan. If a Participant commits suicide during the two (2) year period beginning on the later of (a) the first day on which he participates in the Plan or (b) the first day of the Participant's Benefit Deferral Period for any new Benefit Unit under the Plan, or if the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits with respect to any affected Benefit Unit will be payable hereunder to such Participant of the cumulative reductions in Direct Cash Compensation theretofore made pursuant to this Plan, provided, that in the Employer's sole discretion, benefits may be payable in an amount reduced to compensate the Employer for any loss, cost, damage or expense suffered or incurred by the Employer as a result in any way of any such action, misstatement or nondisclosure.

8.6 Gender, Singular & Plural. All pronouns and any variations

thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

8.7 Captions. The captions of the articles, sections, and

paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

8.8 Validity. In the event any provision of this Plan is held

invalid, void, or unenforceable, the same shall not affect, in any respect
whatsoever, the validity of any other provision of this Plan.

8.9 Notice. Any notice or filing required or permitted to be given

to the Committee under the Plan shall be sufficient if in writing and hand
delivered, or sent by registered or certified mail, to the principal office of
the Employer, directed to the attention of the Vice President, General Counsel
and Secretary of the Employer. Such notice shall be deemed given as of the date
of delivery or, if delivery is made by mail, as of the date shown on the
postmark on the receipt for registration or certification.

8.10 Applicable Law. This Plan shall be governed and construed in

accordance with the laws of the State of California

EXHIBIT 11

AVERY DENNISON CORPORATION AND SUBSIDIARIES

COMPUTATION OF NET INCOME PER SHARE AMOUNTS

	1994	1993	1992
	-----	-----	-----
(A) Weighted average number of common shares outstanding.....	55,559,318	57,953,287	60,425,531
Additional common shares issuable under employee stock options using the treasury stock method.....	1,290,606	776,241	549,674
	-----	-----	-----
(B) Weighted average number of common shares outstanding assuming the exercise of stock options.....	56,849,924	58,729,528	60,975,205
	=====	=====	=====
(C) Net income applicable to common stock	\$109,400,000	\$84,400,000	\$80,100,000
	=====	=====	=====
Net income per share as reported (C / A).	\$1.97	\$1.46	\$1.33
	=====	=====	=====
Net income per share giving effect to the exercise of outstanding stock options (C / B).....	\$1.92	\$1.44	\$1.31
	=====	=====	=====

ELEVEN-YEAR SUMMARY

(Dollars and shares in millions)	Compound Growth Rate						
	5 Year	10 Year	1994	1993 /(1)/	1992	1991	1990 /(2)/
FOR THE YEAR							
Net sales	2.8	6.0	\$2,856.7	\$ 2,608.7	\$2,622.9	\$2,545.1	\$ 2,590.2
Gross profit	2.4	5.2	907.8	818.1	838.2	796.2	808.3
Marketing, general and administrative expense /(2)/, /(4)/, /(5)/	3.2	5.9	691.9	642.7	665.7	653.9	752.7
Operating profit	-	3.2	215.9	175.4	172.5	142.3	55.6
Interest expense	4.1	8.5	43.0	43.2	42.3	37.5	40.0
Income before taxes	(.9)	2.2	172.9	132.2	130.2	104.8	15.6
Taxes on income	(.9)	1.1	63.5	48.9	50.1	41.8	9.7
Net income /(1)/	(.9)	2.9	109.4	84.4	80.1	63.0	5.9
Research and development expense	(.8)	4.2	49.1	45.5	46.7	48.7	53.7
Depreciation	4.2	8.5	87.9	84.1	83.8	83.1	80.8
Average shares outstanding	(2.2)	(.2)	55.6	58.0	60.4	61.9	62.0
PER SHARE INFORMATION							
Net income /(1)/	1.4	3.0	1.97	1.46	1.33	1.02	.10
Dividends /(3)/	12.9	13.9	.99	.90	.82	.76	.64
Book value at year end	.8	4.3	13.61	12.80	13.63	13.47	13.65
Market price at year end	2.2	8.9	35.50	29.38	28.75	25.38	21.50
Market price range			26.63 to 35.75	25.50 to 31.13	23.25 to 28.88	19.38 to 25.50	15.63 to 33.00
AT YEAR END							
Working capital			122.8	141.6	222.6	226.0	298.8
Property, plant and equipment, net			831.6	758.5	779.9	814.2	821.7
Total assets			1,763.1	1,639.0	1,684.0	1,740.4	1,890.3
Long-term debt			347.3	311.0	334.8	329.5	376.0
Total debt			420.7	397.5	427.5	424.0	510.4
Shareholders' equity			729.0	719.1	802.6	825.0	846.3
Number of employees			15,400	15,750	16,550	17,095	18,816
STATISTICS							
Gross profit margin (percent)			31.8	31.4	32.0	31.3	31.2
Marketing, general and administrative expense as a percent of sales			24.2	24.6	25.4	25.7	25.2
Operating profit margin (percent)			7.6	6.7	6.6	5.6	2.1
Pretax profit margin (percent)			6.1	5.1	5.0	4.1	.6
Net profit margin (percent)			3.8	3.2	3.1	2.5	.2
Effective tax rate (percent)			36.7	37.0	38.5	39.9	62.2
Research and development expense as a percent of sales			1.7	1.7	1.8	1.9	2.1
Long-term debt as a percent of total long-term capital			32.3	30.2	29.4	28.5	30.8
Total debt as a percent of total capital			36.6	35.6	34.8	33.9	37.6
Return on average shareholders' equity (percent)			14.8	11.0	9.7	7.7	.7
Return on average total capital (percent)			12.1	9.3	8.3	6.7	1.5

/(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.

ELEVEN-YEAR SUMMARY (CONTINUED)

(Dollars and shares in millions)	1989	1988 /(3)/	1987 /(4)/	1986	1985 /(5)/	1984
FOR THE YEAR						
Net sales	\$2,490.9	\$ 2,291.4	\$ 2,165.1	\$1,828.4	\$ 1,590.5	\$1,593.1
Gross profit	806.7	780.2	734.6	620.1	533.9	546.7
Marketing, general and administrative expense /(2)/,(4)/,(5)/	591.0	554.7	571.2	460.6	428.9	388.4
Operating profit	215.7	225.5	163.4	159.5	105.0	158.3
Interest expense	35.1	35.5	32.4	26.6	21.6	19.0
Income before taxes	180.6	190.0	131.0	132.9	83.4	139.3
Taxes on income	66.4	73.0	60.8	61.0	35.1	56.9
Net income /(1)/	114.2	117.0	70.2	71.9	48.3	82.4
Research and development expense	51.0	47.4	41.5	37.3	37.1	32.4
Depreciation	71.5	63.8	58.8	49.9	43.3	38.8
Average shares outstanding	62.1	61.7	60.3	57.3	57.0	56.5
PER SHARE INFORMATION						
Net income /(1)/	1.84	1.90	1.16	1.25	.85	1.46
Dividends /(3)/	.54	.465	.41	.35	.31	.27
Book value at year end	13.06	12.48	11.48	10.25	9.43	8.96
Market price at year end	31.88	22.00	18.63	18.69	18.00	15.13
Market price range	21.00 to 31.88	17.13 to 26.00	16.00 to 29.13	17.25 to 23.75	14.13 to 19.69	11.50 to 15.82
AT YEAR END						
Working capital	323.9	314.3	325.8	319.8	299.3	263.1
Property, plant and equipment, net	714.1	667.3	574.2	512.8	433.6	373.6
Total assets	1,715.9	1,652.2	1,558.5	1,352.4	1,089.8	936.6
Long-term debt	317.8	298.8	301.0	320.3	195.0	126.4
Total debt	418.9	411.3	393.2	384.3	255.5	161.0
Shareholders' equity	811.3	769.6	705.9	585.8	534.2	502.4
Number of employees	19,215	19,114	19,360	19,156	17,650	16,874
STATISTICS						
Gross profit margin (percent)	32.4	34.0	33.9	33.9	33.6	34.3
Marketing, general and administrative expense as a percent of sales	23.7	24.2	26.4	25.2	27.0	24.4
Operating profit margin (percent)	8.7	9.8	7.5	8.7	6.6	9.9
Pretax profit margin (percent)	7.3	8.3	6.1	7.3	5.2	8.7
Net profit margin (percent)	4.6	5.1	3.2	3.9	3.0	5.2
Effective tax rate (percent)	36.8	38.4	46.4	45.9	42.1	40.8
Research and development expense as a percent of sales	2.0	2.1	1.9	2.0	2.3	2.0
Long-term debt as a percent of total long-term capital	28.1	28.0	29.9	35.3	26.7	20.1
Total debt as a percent of total capital	34.1	34.8	35.8	39.6	32.4	24.3
Return on average shareholders' equity (percent)	14.7	16.0	10.5	12.8	9.4	17.3
Return on average total capital (percent)	12.0	12.7	8.3	10.6	8.5	14.9

/(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.

(Dollars in millions)	1994	1993
-----	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3.1	\$ 5.8
Trade accounts receivable, less allowance for doubtful accounts of \$18.5 and \$16.7 for 1994 and 1993, respectively	391.8	356.7
Inventories	206.4	184.1
Other receivables	26.7	32.6
Prepaid expenses	16.5	13.5
Deferred taxes	32.4	21.9
	-----	-----
Total current assets	676.9	614.6
Property, plant and equipment, at cost:		
Land	32.4	28.7
Buildings	375.1	360.9
Machinery and equipment	1,021.6	953.8
Construction-in-progress	103.2	69.3
	-----	-----
	1,532.3	1,412.7
Accumulated depreciation	700.7	654.2
	-----	-----
	831.6	758.5
Intangibles resulting from business acquisitions, net	127.6	129.2
Non-current deferred taxes	13.7	23.9
Other assets	113.3	112.8
	-----	-----
	\$1,763.1	\$1,639.0
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term and current portion of long-term debt	\$ 73.4	\$ 86.5
Accounts payable	181.5	140.8
Accrued payroll and employee benefits	106.2	91.0
Other accrued liabilities	164.4	124.7
Income taxes payable	26.9	26.4
Deferred taxes	1.7	3.6
	-----	-----
Total current liabilities	554.1	473.0
Long-term debt	347.3	311.0
Long-term pension and other retirement benefits	92.7	91.1
Non-current deferred taxes	40.0	44.8
Shareholders' equity:		
Common stock, \$1 par value; authorized - 200,000,000 shares; issued - 62,063,312 shares at year end 1994 and 1993	62.1	62.1
Capital in excess of par value	193.0	194.4
Retained earnings	753.2	698.9
Cumulative foreign currency translation adjustment	16.7	(10.1)
Cost of unallocated ESOP shares	(37.6)	(53.2)
Minimum pension liability	(5.0)	(8.9)
Treasury stock at cost, 8,513,642 shares and 5,869,683 shares at year end 1994 and 1993, respectively	(253.4)	(164.1)
	-----	-----
Total shareholders' equity	729.0	719.1
	-----	-----
	\$1,763.1	\$1,639.0
	=====	=====

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME

Avery Dennison Corporation

(In millions, except per share amounts)

	1994	1993	1992
Net sales	\$2,856.7	\$2,608.7	\$2,622.9
Cost of products sold	1,948.9	1,790.6	1,784.7
Gross profit	907.8	818.1	838.2
Marketing, general and administrative expense	691.9	642.7	665.7
Operating profit	215.9	175.4	172.5
Interest expense	43.0	43.2	42.3
Income before taxes on income and cumulative effect of changes in accounting principles	172.9	132.2	130.2
Taxes on income	63.5	48.9	50.1
Income before cumulative effect of changes in accounting principles	109.4	83.3	80.1
Cumulative effect of changes in accounting principles	-	1.1	-
Net income	\$ 109.4	\$ 84.4	\$ 80.1
PER COMMON SHARE AMOUNTS			
Income before cumulative effect of changes in accounting principles	\$ 1.97	\$ 1.44	\$ 1.33
Cumulative effect of changes in accounting principles	-	.02	-
Net income	\$ 1.97	\$ 1.46	\$ 1.33
Average shares outstanding	55.6	58.0	60.4
Shares outstanding at year end	53.5	56.2	58.9

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 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, net of tax, and dividends paid on stock held by leveraged ESOPs		1.8					5.2
Net income			80.1				
Dividends: \$.82 per share			(49.6)				
Translation adjustments, net of tax ESOP transactions, net				.8	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, net of tax, and dividends paid on stock held by leveraged ESOPs		(2.4)					6.4
Net income			84.4				
Dividends: \$.90 per share			(52.1)				
Translation adjustments, net of tax ESOP transactions, net				(39.7)	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)
Repurchase of 3,223,966 shares for treasury							(105.7)
Stock issued under option plans, net of tax, and dividends paid on stock held by leveraged ESOPs		(1.4)					16.4
Net income			109.4				
Dividends: \$.99 per share			(55.1)				
Translation adjustments, net of tax ESOP transactions, net				26.8	15.6		
Minimum pension liability						3.9	
Fiscal year ended 1994	\$ 62.1	\$193.0	\$753.2	\$ 16.7	\$ (37.6)	\$(5.0)	\$(253.4)

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Avery Dennison Corporation

(In millions)	1994	1993	1992
-----	-----	-----	-----
OPERATING ACTIVITIES			
Net income	\$ 109.4	\$ 84.4	\$ 80.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	87.9	84.1	83.8
Amortization	14.6	11.3	10.1
Cumulative effect of changes in accounting principles	--	(1.1)	--
Non-current deferred taxes and other long-term liabilities	13.8	(15.0)	(3.5)
Changes in assets and liabilities, net of the effect of foreign currency translation and business divestitures:			
Trade accounts receivable, net	(24.6)	(8.6)	(4.4)
Inventories	(19.2)	32.4	24.6
Other receivables	2.8	(5.0)	8.0
Prepaid expenses	(2.6)	2.8	1.4
Accounts payable and accrued liabilities	96.4	32.0	(28.5)
Taxes on income and current deferred taxes	(13.5)	29.7	6.0
	-----	-----	-----
Net cash provided by operating activities	265.0	247.0	177.6
	-----	-----	-----
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(163.3)	(100.6)	(87.8)
Proceeds from sale of assets and business divestitures	16.2	4.9	26.5
Other	(10.2)	(6.2)	(9.8)
	-----	-----	-----
Net cash used in investing activities	(157.3)	(101.9)	(71.1)
	-----	-----	-----
FINANCING ACTIVITIES			
Additions to long-term debt	100.5	101.0	70.6
Reductions in long-term debt	(49.3)	(111.9)	(60.0)
Net decrease in short-term debt	(16.0)	(1.0)	(1.9)
Dividends paid	(55.1)	(52.1)	(49.6)
Purchase of treasury stock	(105.7)	(82.9)	(74.0)
Other	15.0	4.0	7.0
	-----	-----	-----
Net cash used in financing activities	(110.6)	(142.9)	(107.9)
	-----	-----	-----
Effect of foreign currency translation on cash balances	.2	(.3)	--
	-----	-----	-----
(Decrease) increase in cash and cash equivalents	(2.7)	1.9	(1.4)
	-----	-----	-----
Cash and cash equivalents, beginning of period	5.8	3.9	5.3
	-----	-----	-----
Cash and cash equivalents, end of period	\$ 3.1	\$ 5.8	\$ 3.9
	=====	=====	=====

See Notes to Consolidated Financial Statements

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 by the equity method of accounting. Certain prior year amounts have been reclassified to conform with current year presentation.

FISCAL YEAR

The Company's financial reporting calendar for fiscal years 1994, 1993 and 1992 reflected 52-week periods ending December 31, 1994, January 1, 1994, and January 2, 1993, respectively. Normally each fiscal year consists of 52 weeks, but every fifth or sixth fiscal year consists of 53 weeks.

CHANGES IN ACCOUNTING PRINCIPLES

During 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	\$ 16.3	\$.28
Accounting for postretirement benefits, net of tax	(14.2)	(.24)
Accounting for postemployment benefits, net of tax	(1.0)	(.02)
Increase in net income for 1993	\$ 1.1	\$.02
	=====	=====

The adoption of these accounting standards had no effect on cash flow. The 1992 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)	1994	1993	1992
Interest, net of capitalized amounts	\$42.7	\$39.8	\$42.1
Income taxes, net of refunds	70.6	42.0	57.4
	=====	=====	=====

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 41 percent, 38 percent and 39 percent of inventories before LIFO adjustment at year end 1994, 1993 and 1992, respectively.

During 1993 and 1992, 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 the cost of products sold by \$11.4 million and \$17.8 million during 1993 and 1992, respectively. The liquidation of LIFO inventory was not significant in 1994.

Inventories at year end were as follows:

(In millions)	1994	1993	1992
Raw materials	\$ 81.6	\$ 75.7	\$ 91.1
Work in process	55.9	43.2	51.5
Finished goods	105.2	101.9	129.8
LIFO adjustment	(36.3)	(36.7)	(47.3)

-----	-----	-----
\$206.4	\$184.1	\$225.1
=====	=====	=====

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.

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 amortized over a 25- to 40- year period using the straight-line method. The Company evaluates the carrying value of its goodwill on an ongoing basis and recognizes an impairment when the estimated future undiscounted cash flows from operations are less than the carrying value of the goodwill. Accumulated amortization at year end 1994 and 1993 was \$35.3 million and \$30.4 million, respectively.

ENVIRONMENTAL EXPENDITURES

Environmental expenditures that do not contribute to current or future revenue generation are expensed. Expenditures for newly acquired assets and those which

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

FOREIGN CURRENCY TRANSLATION

Financial statements of non-U.S. subsidiaries are translated into U.S. dollars at current rates, 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 those transactions described below, are included in income currently. Gains and losses resulting from hedging the value of investments in certain non- U.S. subsidiaries 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 reduced net income in 1994, 1993 and 1992, by \$1.5 million, \$3.4 million and \$4.2 million, respectively.

FINANCIAL INSTRUMENTS

The Company enters into forward exchange and interest rate contracts to manage exposure to fluctuations in foreign currency exchange and interest rates.

Gains and losses on contracts that hedge specific foreign currency commitments are deferred and subsequently recognized in net income in the period in which the underlying transaction is consummated.

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

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred. Research and development expense for 1994, 1993 and 1992 was \$49.1 million, \$45.5 million and \$46.7 million, respectively.

NOTE 2. DEBT

Long-term debt at year end was as follows:

(In millions)	1994	1993
-----	-----	-----
Domestic variable-rate short-term borrowings to be refinanced on a long-term basis (6.3% at year end)	\$ 31.0	\$ 23.6
Medium-term notes (6.1% to 8.6% at year end)	280.0	200.0
Leveraged ESOP borrowings (8.4% at year end)	8.4	57.1
Industrial Revenue Bonds (5.6% to 9.9% at year end)	22.0	22.0
Other long-term debt, principally non-U.S. (6% to 12.2% at year end)	30.3	41.2
	-----	-----
	371.7	343.9
Less: amount classified as current	(24.4)	(32.9)
	-----	-----
	\$347.3	\$311.0
	=====	=====

The Company has a revolving credit agreement with four domestic banks to provide up to \$150 million in borrowings through July 1, 1999, with all amounts borrowed under this agreement due on the same date. The Company may extend the revolving period and due date under certain conditions with approval of the banks. 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 1994, the Company issued \$100 million in principal amount of medium-term notes in increments of \$500,000 to \$10 million. The notes have a weighted average interest rate of 7.7 percent and maturities from 2002 through 2004. A portion of the proceeds from the medium-term notes were used to retire a majority of the leveraged ESOP borrowings. The Company's remaining medium-term notes have maturities from 1995 through 2005.

The amount of long-term debt outstanding at the end of 1994, which matures during 1995 through 1999, is \$24.4 million, \$77.2 million, \$22.9 million, \$4.8 million and \$.8 million, respectively.

The Company had short-term lines of credit available aggregating \$329.7 million at the end of 1994, of which \$49 million was utilized at variable interest rates ranging from 5.8 to 16.3 percent.

The fair value of the Company's debt is estimated based on the discounted amount of future cash flows using current rates offered to the Company for debt of the same remaining maturities. At year end 1994 and 1993, the fair value of the Company's total debt was \$395.8 million and \$404.9 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, \$149 million of retained earnings was not restricted at the end of 1994.

The Company incurred total interest cost in 1994, 1993 and 1992 of \$45.7 million, \$45.5 million and \$44.9 million, respectively, of which \$2.7 million, \$2.3 million and \$2.6 million, respectively, was capitalized as part of the cost of assets constructed for the Company's use. Included in interest expense was \$5.6 million for 1994, \$8.5 million for 1993 and \$4.7 million for 1992 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 1994 and 1993, the Company had forward exchange contracts with a notional value of \$141.8 million and \$143.2 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, 90 percent have maturities within 12 months. The remainder have maturities ranging from one to four years. The carrying value approximates the fair value, which, based on quoted market prices of comparable instruments, was a net asset of approximately \$1 million and a net liability of approximately \$2 million at the end of 1994 and 1993, respectively.

The Company enters into interest rate swap agreements to exchange fixed and variable-rate interest payment obligations without the exchange of the underlying principal amounts in order to manage interest rate exposures. Net payments or receipts under the agreements are recorded as adjustments to interest expense.

During 1994, the Company entered into a \$20 million 1-year interest rate swap agreement under which it pays interest based on LIBOR (the rate at year end was 5.7 percent). The Company receives interest at a rate of 5.8 percent.

During 1993, the Company entered into five 2-year interest rate swap agreements for an aggregate of \$100 million under which it pays interest based on LIBOR (the weighted average rate at year end was 5.6 percent). The Company receives 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 pays interest based on LIBOR (the weighted average rate at year end was 5.9 percent). The Company receives 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 pays interest at a rate of 9.4 percent. The Company receives interest based on LIBOR (the rate at year end was 5.4 percent).

During 1990, the Company entered into four 5-year interest rate swap agreements for an aggregate of \$100 million under which it pays a weighted average rate of 9 percent. The Company receives interest based on LIBOR (the weighted average rate at year end was 6.3 percent).

The fair value of all interest rate swap agreements was estimated by obtaining dealer quotes and was a net liability of approximately \$6 million and \$13 million at year end 1994 and 1993, respectively.

During 1994, the Company entered into an interest rate cap agreement to protect itself from rising interest rates. The agreement effectively sets a ceiling interest rate of 7.6 percent on \$40 million of the Company's variable-rate borrowings commencing December 1995 for a period of three years. The fair value of this agreement at the end of 1994 was estimated based on dealer quotes and was a net asset of approximately \$1.2 million, while the carrying value was approximately \$1 million.

The counterparties to forward exchange contracts and interest rate agreements 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 1994, the Company had letters of credit outstanding totaling \$22 million which guaranteed various trade activities. The aggregate contract amount of all outstanding letters of credit approximates fair value.

As of year end 1994, approximately 20 percent of trade accounts receivables were from six domestic customers. While the Company does not require its customers to provide collateral, the financial position and operations of these customers are monitored on an ongoing basis. Although the Company may be exposed to losses in the event of nonpayment, it does not anticipate such losses.

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 1994 and 1993, \$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 1995 to 1999 are \$31.8 million, \$25.5 million, \$18.3 million, \$14 million and \$11.4 million, respectively.

Rent expense for 1994, 1993 and 1992 was \$39.7 million, \$41.6 million and \$42.2 million, respectively. Rent expense for 1994 by category of property consisted of buildings (primarily office and warehouse facilities), \$19.9 million; transportation equipment, \$8.3 million; EDP and office equipment, \$9.7 million; and other property, \$1.8 million.

NOTE 5. TAXES BASED ON INCOME

Taxes based on income were as follows:

(In millions)	1994	1993	1992
-----	----	----	----
Current:			
U.S. Federal tax	\$34.9	\$ 36.2	\$40.6
State taxes	6.8	6.2	6.4
Non-U.S. taxes	28.0	18.9	6.6
	-----	-----	-----
	69.7	61.3	53.6
	-----	-----	-----
Deferred:			
U.S. taxes	(2.1)	(7.1)	(3.1)
Non-U.S. taxes	(4.1)	(5.3)	(.4)
	-----	-----	-----
	(6.2)	(12.4)	(3.5)
	-----	-----	-----
	\$63.5	\$ 48.9	\$50.1
	=====	=====	=====

The deferred tax expense in 1992 resulted primarily from pension and restructuring costs, net of 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)	1994	1993	1992
-----	----	----	----
Computed tax at 35% for 1994 and 1993 and 34% for 1992 of income before taxes	\$60.5	\$46.3	\$44.3
Increase (decrease) in taxes resulting from:			
State taxes, net of federal tax benefits	4.4	4.0	4.2
Other items, net	(1.4)	(1.4)	1.6
	-----	-----	-----
	\$63.5	\$48.9	\$50.1
	=====	=====	=====

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

(In millions)	1994	1993	1992
-----	----	----	----
U.S.	\$ 97.6	\$ 88.0	\$ 90.5
Non-U.S.	75.3	44.2	39.7
	-----	-----	-----
	\$172.9	\$132.2	\$130.2
	=====	=====	=====

U.S. income taxes have not been provided on undistributed earnings of non-U.S. subsidiaries (\$331.1 million at year end 1994) 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 non-U.S. subsidiaries aggregating \$64.4 million are available to reduce income taxes payable for tax purposes, of which \$34.5 million will expire over the period from 1995 through 2001, while \$29.9 million can be carried forward indefinitely.

Statement of Financial Accounting Standards ("SFAS") No. 109 was adopted as of the beginning of 1993 and superseded the Company's previous practice of accounting for income taxes under APB 11. In accordance with SFAS No. 109, deferred income taxes for 1994 and 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 was to increase net income in 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 1994 and 1993 were as follows:

(In millions) -----	1994 -----	1993 -----
Accrued expenses not currently deductible	\$ 43.0	\$ 37.6
Net operating loss	21.2	21.4
Postretirement and postemployment benefits	9.9	9.1
Pension costs	4.9	4.7
Valuation allowance	(15.0)	(14.9)
	-----	-----
Deferred tax assets	64.0	57.9
Depreciation	(60.1)	(60.4)
Other items, net	.5	(.1)
	-----	-----
Deferred tax liabilities	(59.6)	(60.5)
Total net deferred tax assets (liabilities)	\$ 4.4	\$ (2.6)
	=====	=====

NOTE 6. SHAREHOLDERS' 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 15.2 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 1994, approximately 9.9 million shares had been repurchased pursuant to this authorization.

The Company maintains various stock option and incentive plans. Under the plans, incentive stock options and stock options granted to directors 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 granted to executives 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 1994 were 1.6 million. The following table sets forth stock option information relative to all plans:

(In thousands, except per share amounts)	1994	1993	1992
-----	-----	-----	-----
Options outstanding, beginning of fiscal year	4,398.3	4,189.2	3,975.3
Options granted	1,391.5	614.9	727.9
Options exercised	(782.5)	(307.8)	(508.8)
Options cancelled/expired	(182.2)	(98.0)	(5.2)
	-----	-----	-----
Options outstanding, end of fiscal year	4,825.1	4,398.3	4,189.2
	=====	=====	=====
Options exercisable, end of fiscal year	2,482.3	2,750.4	2,490.2
	=====	=====	=====
	1994	1993	1992
	-----	-----	-----
Option prices per share:			
Exercised	\$12.22 to \$28.00	9.52 to \$28.00	5.80 to \$24.78
Outstanding	\$16.63 to \$32.50	12.22 to \$28.00	9.52 to \$28.00
Exercisable	\$16.63 to \$28.00	12.22 to \$28.00	9.52 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 20 percent or more of the Company's common stock, 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 threshold may be reduced by the Company to as low as 10 percent at any time prior to a person's acquiring a percent of Company stock equal to the lowered threshold.

NOTE 7. CONTINGENCIES

The Company has been designated by the U.S. Environmental Protection Agency ("EPA") and/or other responsible state agencies as a potentially responsible party ("PRP") at 16 waste disposal or waste recycling sites which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination and for which no settlement of the Company's liability has been agreed upon. Litigation has been initiated by a governmental authority with respect to three of these sites, but the Company does not believe that any such proceedings will result in the imposition of monetary sanctions. The Company is participating with other PRPs at all such sites, and anticipates that its share of cleanup costs will be determined pursuant to remedial agreements entered into in the normal course of negotiations with the EPA or other governmental authorities.

The Company has accrued liabilities for all sites, including sites in which governmental agencies have designated the Company as a PRP, where it is probable that a loss will be incurred and the minimum cost or amount of loss can be reasonably estimated. However, because of the uncertainties associated with environmental assessment and remediation activities, future expense to remediate the currently identified sites, and sites which could be identified in the future for cleanup, could be higher than the liability currently accrued.

The Company 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 opinion of management, the resolution of these other matters will not materially affect the financial position, results of operations or liquidity of the Company.

NOTE 8. EMPLOYEE RETIREMENT PLANS

DEFINED BENEFIT PLANS

The Company sponsors a number of defined benefit plans covering substantially all U.S. employees, employees in certain other countries and non-employee directors. It is the Company's policy to make contributions to these plans sufficient to meet the minimum funding requirements of applicable laws and regulations, plus 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 U.S. defined benefit plan are paid in part from an employee stock ownership plan. The net pension cost and the funded status of the defined benefit plans for 1994, 1993 and 1992 are summarized as follows:

NET PENSION COST (In millions)	1994	1993	1992
-----	-----	-----	-----
Service cost	\$ 9.5	\$ 10.2	\$ 9.3
Interest cost	24.5	23.7	22.4
Return on plan assets	(14.0)	(45.6)	(30.4)
Net amortization and deferral	(20.1)	14.0	(.3)
	-----	-----	-----
Net pension (income) cost	\$ (.1)	\$ 2.3	\$ 1.0
	-----	-----	-----
Assumptions used:			
Weighted average discount rate	8.0%	7.3%	8.2%
Weighted average rate of increase in future compensation levels	5.4	5.3	5.4
Weighted average expected long-term rate of return on assets	9.7	10.0	10.0
	=====	=====	=====

FUNDED STATUS OF PENSION PLANS (In millions)	Fully Funded Plans		Underfunded Plans	
-----	1994	1993	1994	1993
-----	-----	-----	-----	-----
Actuarial present value of:				
Vested benefits	\$175.7	\$172.2	\$113.5	\$121.0
Non-vested benefits	.9	.9	.9	.9
	-----	-----	-----	-----
Accumulated benefit obligation	176.6	173.1	114.4	121.9
Effect of projected future salary increases	29.8	24.3	13.4	9.4
	-----	-----	-----	-----
Projected benefit obligation	206.4	197.4	127.8	131.3
Plan assets at fair value	276.6	253.5	85.2	95.1
	-----	-----	-----	-----
Plan assets in excess of (less than) projected benefit obligation	70.2	56.1	(42.6)	(36.2)
Unrecognized net (gain) loss	(1.1)	.8	19.7	19.9
Unrecognized prior service cost	(15.5)	(16.8)	9.4	10.8
Unrecognized net asset at year end	(28.4)	(26.4)	(1.9)	(2.5)
Adjustment to recognize minimum liability	-	-	(13.8)	(18.2)
	-----	-----	-----	-----
Prepaid (accrued) pension cost	\$ 25.2	\$ 13.7	\$(29.2)	\$(26.2)
	=====	=====	=====	=====

As a result of changes in assumptions used during 1994 and 1993, the Company had recorded an additional liability of \$13.8 million and \$18.2 million, respectively. These amounts are offset in 1994 and 1993 by a charge to equity of \$5 million and \$8.9 million, respectively, and the recording of an intangible pension asset of \$8.8 million and \$9.3 million, respectively. Consolidated pension expense for 1994, 1993 and 1992 was \$2.4 million, \$4.8 million and \$4.6 million, respectively.

DEFINED CONTRIBUTION PLANS

The Company sponsors various defined contribution plans covering its U.S. employees, including two 401(k) savings plans. The Company matches participant contributions to the 401(k) savings plans, 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)	1994	1993	1992
-----	-----	-----	-----
Interest expense	\$ 2.3	\$ 3.1	\$ 3.8
Dividends on unallocated ESOP shares used for debt service	2.3	2.6	3.0
Total ESOP expense	10.5	5.8	5.9
Contributions to pay interest and principal on ESOP borrowings	10.1	5.1	3.6
	=====	=====	=====

Consolidated expense for all defined contribution plans, including total ESOP expense, for 1994, 1993 and 1992 was \$11.2 million, \$10.4 million and \$11.6 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 U.S. retirees over the age of 65. The Company adopted

Statement of Financial Accounting Standards 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 in 1993. 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 1994 and 1993:

(In millions)	1994	1993
-----	----	----
Actuarial present value of benefit obligation:		
Retirees	\$ (6.2)	\$ (7.7)
Fully eligible participants	(6.5)	(6.8)
Other active participants	(15.6)	(15.3)
	-----	-----
Accumulated postretirement benefit obligation	(28.3)	(29.8)
Plan assets	-	-
	-----	-----
Accumulated postretirement benefit obligation in excess of plan assets	(28.3)	(29.8)
Unrecognized net loss	.1	3.7
Unrecognized prior service cost	1.4	1.5
	-----	-----
Accrued postretirement benefit obligation	\$(26.8)	\$(24.6)
	=====	=====
Net periodic postretirement benefit costs include:		
Service cost	\$ 1.2	\$.9
Interest cost	2.1	1.8
Net amortization and deferral	.1	-
	-----	-----
Net periodic postretirement expense	\$ 3.4	\$ 2.7
	=====	=====

The Company's policy is to fund the cost of the postretirement benefits on a cash basis.

A health care cost trend rate of 13 percent was assumed for 1994 and will decline 1 percent annually to 6 percent by 2001 and remain at that level. The discount rates assumed were 8 percent for 1994 and 7.25 percent for 1993. A 1 percent increase in the health care cost trend rate would cause the accumulated postretirement benefit obligation to increase by \$3.7 million and service and interest cost to increase by \$.5 million for 1994.

OTHER RETIREMENT PLANS

The Company has deferred compensation plans which permit eligible employees and directors to defer a specified portion of their compensation. The deferred compensation, together with certain Company contributions, earn a specified rate of return. As of year end 1994 and 1993, the Company had accrued \$40.8 million and \$36.4 million, respectively, for its obligations under these plans. The Company's expense, which includes Company contributions and interest expense, was \$4 million, \$3.8 million and \$3.4 million for 1994, 1993 and 1992, respectively. However, a portion of the interest may be forfeited by participants in the event employment is terminated before age 55 other than by reason of death, disability or retirement.

To assist in the funding of these plans, the Company purchases corporate-owned life insurance contracts. Proceeds from the insurance policies are payable to the Company upon the death of the participant. The cash surrender value of these policies, net of outstanding loans, included in "Other assets" was \$13.7 million and \$11.5 million as of year end 1994 and 1993, respectively.

NOTE 9. SECTORS OF BUSINESS OPERATIONS

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

Intersector 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 1994, the Company divested certain business units; the impact is shown as "Divested operations" in the following tables. As a result, certain prior year amounts have been reclassified to conform with current year presentation.

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

(In millions)	1994	1993	1992
-----	----	----	----
Sales by industry sector:			
Pressure-sensitive adhesives and materials	\$1,526.9	\$1,336.9	\$1,324.4
Office products	805.8	765.4	758.0
Converted products	614.7	575.8	607.0

Intersector	(103.6)	(91.1)	(95.5)
Divested operations	12.9	21.7	29.0
	-----	-----	-----
Net sales	\$2,856.7	\$2,608.7	\$2,622.9
	=====	=====	=====
Income from operations before interest and taxes:			
Pressure-sensitive adhesives and materials	\$ 150.7	\$ 126.4	\$ 113.0
Office products	63.8	55.2	79.8
Converted products	34.1	25.4	13.3
Divested operations	(4.1)	(1.4)	(1.3)
	-----	-----	-----
	244.5	205.6	204.8
Corporate administrative and research and development expenses	(28.6)	(30.2)	(32.3)
Interest	(43.0)	(43.2)	(42.3)
	-----	-----	-----
Income before taxes	\$ 172.9	\$ 132.2	\$ 130.2
	=====	=====	=====
Identifiable assets by industry sector:			
Pressure-sensitive adhesives and materials	\$ 853.2	\$ 753.5	\$ 745.5
Office products	443.3	439.7	460.8
Converted products	321.6	316.3	372.0
Intersector	(25.9)	(37.2)	(32.9)
Divested operations	6.9	15.1	17.1
Corporate	164.0	151.6	121.5
	-----	-----	-----
Total assets	\$1,763.1	\$1,639.0	\$1,684.0
	=====	=====	=====

(In millions)	1994	1993	1992
-----	----	----	----
Sales by geographic sector:			
U.S.	\$1,870.8	\$1,693.6	\$1,579.3
Non-U.S.	1,000.1	930.5	1,047.4
Intersector	(27.1)	(37.1)	(32.8)
Divested operations	12.9	21.7	29.0
	-----	-----	-----
Net sales	\$2,856.7	\$2,608.7	\$2,622.9
	=====	=====	=====
Income from operations before interest and taxes:			
U.S.	\$ 189.8	\$ 163.8	\$ 155.5
Non-U.S.	58.8	43.2	50.6
Divested operations	(4.1)	(1.4)	(1.3)
	-----	-----	-----
	244.5	205.6	204.8
Corporate administrative and research and development expenses	(28.6)	(30.2)	(32.3)
Interest	(43.0)	(43.2)	(42.3)
	-----	-----	-----
Income before taxes	\$ 172.9	\$ 132.2	\$ 130.2
	=====	=====	=====
Identifiable assets by geographic sector:			
U.S.	\$ 934.9	\$ 823.5	\$ 825.5
Non-U.S.	667.2	667.6	730.2
Intersector	(9.9)	(18.8)	(10.3)
Divested operations	6.9	15.1	17.1
Corporate	164.0	151.6	121.5
	-----	-----	-----
Total assets	\$1,763.1	\$1,639.0	\$1,684.0
	=====	=====	=====

The Company's non-U.S. operations, conducted primarily in continental Europe and the United Kingdom, are on the FIFO basis of inventory cost accounting. U.S. operations use both FIFO and LIFO. Export sales from the United States to unaffiliated customers are not a material factor in the Company's business.

Identifiable assets are those assets of the Company which are identifiable with the operations in each industry or geographic sector. Corporate assets consist principally of Corporate property, plant and equipment, tax-related asset accounts and other non-operating assets. Intersector receivables are eliminated in determining consolidated identifiable assets.

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

(In millions)	1994	1993	1992
-----	----	----	----
Capital expenditures:			
Pressure-sensitive adhesives and materials	\$107.1	\$57.1	\$41.5
Office products	21.0	21.4	19.5
Converted products	25.6	16.4	21.7
	-----	-----	-----
	\$153.7	\$94.9	\$82.7
	=====	=====	=====
Depreciation expense:			
Pressure-sensitive adhesives and materials	\$ 40.5	\$37.1	\$37.7
Office products	18.3	18.6	16.6
Converted products	19.7	19.3	20.6
	-----	-----	-----
	\$ 78.5	\$75.0	\$74.9
	=====	=====	=====

NOTE 10. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(In millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter/(1)/
-----	-----	-----	-----	-----
1994				
Net sales	\$667.7	\$718.6	\$733.7	\$736.7
Gross profit	212.5	227.7	232.6	235.0
Net income	25.2	27.9	27.8	28.5
Net income per share	.45	.50	.50	.52
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

/(1)/ During the fourth quarters of 1993 and 1992, certain inventories were reduced, resulting in the liquidation of LIFO inventory. The effect was to reduce cost of products sold by \$4.4 million and \$12.8 million during 1993 and 1992, respectively. The liquidation of LIFO inventory was not significant during the fourth quarter of 1994.

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 December 31, 1994 and January 1, 1994, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 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 47 of this Annual Report, present fairly, in all material respects, the consolidated financial position of Avery Dennison Corporation and subsidiaries as of December 31, 1994 and January 1, 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 1 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 L.L.P.

Coopers & Lybrand L.L.P.
Los Angeles, California
January 31, 1995

CORPORATE INFORMATION

Avery Dennison Corporation

COUNSEL

Latham & Watkins
Los Angeles

INDEPENDENT ACCOUNTANTS

Coopers & Lybrand L.L.P.
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 27, 1995, 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 may 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.

	1994		1993	
	High	Low	High	Low
MARKET PRICE				
First Quarter	31 1/4	27 1/4	29	25 1/2
Second Quarter	31 1/8	26 5/8	31 1/8	28 1/2
Third Quarter	35 3/8	28 7/8	29 3/4	25 3/4
Fourth Quarter	35 3/4	31 1/4	29 7/8	25 3/4

Prices shown represent closing prices on the NYSE.

	1994	1993
DIVIDENDS PER SHARE		
First Quarter	.24	.22
Second Quarter	.24	.22
Third Quarter	.24	.22
Fourth Quarter	.27	.24

Number of shareholders of record at year end 1994: 9,594

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

	JURISDICTION IN WHICH ORGANIZED -----
1. Avery Dennison Corporation (publicly-owned parent of consolidated group).....	Delaware
2. Avery Corp.	Delaware
3. Avery Pacific Corporation	California
4. Avery International Holding GmbH.....	Germany
5. Avery, Inc.....	California
6. Avery Foreign Sales Corporation B.V.....	Netherlands
7. Avery Coordination Center N.V.....	Belgium
8. Avery International Overseas Finance N.V.....	Netherlands
9. Avery Holding Limited.....	United Kingdom
10. Cardinal Insurance Limited	Bermuda
11. AEAC, Inc.	Delaware
12. Avery Dennison Canada Inc.....	Canada
13. Fasson Sverige AB.....	Sweden
14. Avery Etiketsystemer A/S	Denmark
15. Avery Etiketten B.V.....	Netherlands
16. Avery International France S.A.	France
17. Avery Etiketten N.V.	Belgium
18. Avery Dennison U.K. Limited.....	United Kingdom
19. Avery Maschinen GmbH.....	Germany
20. Avery Dennison (Ireland) Limited	Ireland
21. Retail Products Limited	Ireland
22. Avery Dennison Office Products U.K. Ltd.	United Kingdom
23. Avery Guidex Limited	United Kingdom
24. A.V. Chemie A.G.....	Switzerland
25. Avery Etikettier-Logistik GmbH.....	Germany
26. Soabar Systems (Hong Kong) Limited.....	Hong Kong
27. Fasson Nederland B.V.....	Netherlands
28. Avery Holding B.V.....	Netherlands
29. Fasson Deutschland GmbH.....	Germany
30. Fasson France S.a.r.l.....	France
31. Fasson Italia S.p.A.....	Italy
32. Fasson de Mexico S.A.....	Mexico
33. Fasson Schweiz A.G.	Switzerland
34. Fasson Scandinavia A/S.....	Denmark
35. Fasson Products (Proprietary) Limited.....	South Africa
36. Fasson Hemel Hempstead Limited.....	United Kingdom
37. Fasson Norge A/S.....	Norway

JURISDICTION
IN WHICH
ORGANIZED

38. Fasson Osterreich GmbH.....	Austria
39. Fasson Ireland Limited	Ireland
40. Fasson Suomi OY.....	Finland
41. Fasson Pty. Limited	Australia
42. Avery Properties Pty. Limited.....	Australia
43. Fasson Produtos Adesivos Limitada.....	Brazil
44. Avery Specialty Tape Division N.V.....	Belgium
45. Fasson Canada Inc.....	Canada
46. Fasson U.K. Limited.....	United Kingdom
47. Fasson Espana S.A.....	Spain
48. Avery Automotive Limited.....	United Kingdom
49. Avery Dennison Singapore (Pte) Ltd.....	Singapore
50. Avery Myers Limited.....	United Kingdom
51. Avery Graphic Systems, Inc.	Delaware
52. Dennison Danmark A/S.....	Denmark
53. Avery Holding S.A.	France
54. Avery de Mexico S.A. de C.V.....	Mexico
55. Fasson Luxembourg S.A.....	Luxembourg
56. Guidex Limited	United Kingdom
57. Novexx Modul Vertriebs GmbH.....	Germany
58. Avery Etikettsystem Svenska AB	Sweden
59. Fasson Belgie N.V.....	Belgium
60. Security Printing Division, Inc.....	Delaware
61. Dennison Manufacturing Company.....	Nevada
62. Avery Dennison (Hong Kong) Limited.....	Hong Kong
63. Avery Dennison Holdings Limited.....	Australia
64. Avery Dennison Australia Limited.....	Australia
65. Avery Dennison (Retail) Limited.....	Australia
66. Dennison Limited.....	United Kingdom
67. Metallised Films & Papers Ltd.	United Kingdom
68. Dennison International Company.....	Massachusetts
69. Dennison de Mexico S.A. de C.V.	Mexico
70. Dennison do Brasil Industria e Comercio Ltda.....	Brazil
71. TIADECO Participacoes Ltda.....	Brazil
72. Indumarco Comercial Ltda.....	Brazil
73. Dennison International Holding B.V.....	Netherlands
74. Avery Korea Limited.....	Korea
75. Dennison Manufacturing (Trading) Ltd.....	United Kingdom
76. Dennison Monarch Systems, Inc.	Delaware
77. Avery Dennison Office Products Company.....	Nevada
78. Avery Dennison Transoceanic Corporation.....	Massachusetts
79. DMC Development Corporation.....	Nevada

JURISDICTION
IN WHICH
ORGANIZED

80. Avery Dennison France S.A.	France
81. Societe Civile Immobiliere Sarrail.....	France
82. Monarch Industries, Inc.....	New Jersey
83. Avery Buroprodukte GmbH.....	Germany
84. National Blank Book Company, Corp.	Massachusetts
85. Dennison Ireland Limited.....	Ireland
86. Avery Label (Northern Ireland) Limited.....	United Kingdom
87. Dennison Office Products Limited.....	Ireland
88. Dennison Magnetic Media Limited.....	Ireland
89. Etikettrykkeriet A/S.....	Denmark
90. Soabar Systems Hong Kong B.V.	Netherlands
91. Avery Dennison C.A.	Venezuela
92. Avery Dennison Mexico S.A. de C.V.	Mexico
93. Fasson Portugal Produtos Auto-Adesivos Lda.	Portugal
94. Avery Chile S.A.	Chile
95. Avery China Company Ltd.	China
96. Presto SarL	France

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.

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

1,000

	YEAR
	DEC-31-1994
	JAN-02-1994
	DEC-31-1994
	3,100
	0
	391,800
	(18,500)
	206,400
	676,900
	1,532,300
	(700,700)
	1,763,100
554,100	
	347,300
	62,100
	0
	0
	666,900
1,763,100	
	2,856,700
2,856,700	
	1,948,900
	1,948,900
	691,900
	0
	43,000
	172,900
	63,500
109,400	
	0
	0
	0
	109,400
	1.97
	0