

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 29, 2002

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-7685

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

Delaware  
(State or other jurisdiction of  
incorporation or organization)

95-1492269  
(I.R.S. employer  
identification no.)

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

91103  
(Zip code)

(626) 304-2000  
(Registrant's telephone number, including area code)

Indicate by a check  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  No

Number of shares of \$1 par value common stock outstanding as of July 27,  
2002: 109,844,002

AVERY DENNISON CORPORATION  
AND SUBSIDIARIES

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

	June 29, 2002	December 29, 2001
<hr/>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25.9	\$ 19.1
Trade accounts receivable, net	753.6	569.1
Inventories, net	355.6	267.4
Deferred taxes	55.7	61.1
Other current assets	69.3	65.8
<hr/>		
Total current assets	1,260.1	982.5
Property, plant and equipment, at cost	2,193.4	2,057.5
Accumulated depreciation	1,042.6	982.9
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Property, plant and equipment, net	1,150.8	1,074.6
Goodwill, net	464.7	293.2
Intangibles resulting from business acquisitions, net	130.9	120.0
Other assets	356.8	348.9
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	\$ 3,363.3	\$ 2,819.2
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term and current portion of long-term debt	\$ 441.7	\$ 223.0
Accounts payable	409.5	316.4
Other current liabilities	490.7	411.9
<hr/>		
Total current liabilities	1,341.9	951.3
Long-term debt	668.3	626.7
Non-current deferred taxes and other long-term liabilities	233.0	237.2
Other long-term obligation	80.2	74.6
Shareholders' equity:		
Common stock - \$1 par value; authorized - 400,000,000 shares; issued - 124,126,624 shares at June 29, 2002 and December 29, 2001	124.1	124.1
Capital in excess of par value	777.9	707.2
Retained earnings	1,622.2	1,556.1
Cost of unallocated ESOP shares	(13.7)	(13.7)
Employee stock trusts, 11,349,478 shares at June 29, 2002 and 12,008,123 shares at December 29, 2001	(711.6)	(674.5)
Treasury stock at cost, 14,282,622 shares at June 29, 2002 and 14,235,871 shares at December 29, 2001	(636.4)	(633.4)
Accumulated other comprehensive loss	(122.6)	(136.4)
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Total shareholders' equity	1,039.9	929.4
<hr/>		
	\$ 3,363.3	\$ 2,819.2
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See Notes to Consolidated Financial Statements

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

	Three Months Ended		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Net sales	\$ 1,056.3	\$ 960.8	\$ 1,987.1	\$ 1,924.0
Cost of products sold	709.8	649.0	1,331.7	1,293.2
Gross profit	346.5	311.8	655.4	630.8
Marketing, general and administrative expense	231.4	208.4	437.1	417.6
Interest expense	9.6	13.5	18.9	27.3
Income before taxes	105.5	89.9	199.4	185.9
Taxes on income	31.7	30.1	60.8	62.3
Income before accounting change	73.8	59.8	138.6	123.6
Cumulative effect of accounting change, net of tax	-	-	-	(.2)
Net income	\$ 73.8	\$ 59.8	\$ 138.6	\$ 123.4
Per share amounts:				
Net income per common share:				
Before accounting change	\$ .75	\$ .61	\$ 1.41	\$ 1.26
Cumulative effect of accounting change	-	-	-	-
Net income per common share	\$ .75	\$ .61	\$ 1.41	\$ 1.26
Net income per common share, assuming dilution:				
Before accounting change	\$ .74	\$ .61	\$ 1.40	\$ 1.25
Cumulative effect of accounting change	-	-	-	-
Net income per common share, assuming dilution	\$ .74	\$ .61	\$ 1.40	\$ 1.25
Dividends	\$ .33	\$ .30	\$ .66	\$ .60
Average shares outstanding:				
Common shares	98.3	97.8	98.2	97.7
Common shares, assuming dilution	99.4	98.7	99.2	98.6

See Notes to Consolidated Financial Statements

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

	Six Months Ended	
	June 29, 2002	June 30, 2001
<b>Operating Activities:</b>		
<hr/>		
Net income	\$ 138.6	\$ 123.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	62.8	62.2
Amortization	9.5	16.1
Deferred taxes	3.1	(1.3)
Changes in assets and liabilities	(46.2)	(97.6)
<hr/>		
Net cash provided by operating activities	167.8	102.8
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<b>Investing Activities:</b>		
<hr/>		
Purchase of property, plant and equipment	(38.4)	(64.7)
Acquisitions, net of miscellaneous proceeds from sale of assets	(218.1)	(50.6)
Other	(11.6)	(37.9)
<hr/>		
Net cash used in investing activities	(268.1)	(153.2)
<hr/>		
<b>Financing Activities:</b>		
<hr/>		
Additional borrowings	386.0	434.3
Payments of debt	(223.4)	(330.9)
Dividends paid	(72.5)	(66.1)
Purchase of treasury stock	(3.3)	(8.2)
Proceeds from exercise of stock options	20.5	13.7
Other	(.5)	6.8
<hr/>		
Net cash provided by financing activities	106.8	49.6
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Effect of foreign currency translation on cash balances	.3	(.3)
<hr/>		
Increase (decrease) in cash and cash equivalents	6.8	(1.1)
<hr/>		
Cash and cash equivalents, beginning of period	19.1	11.4
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Cash and cash equivalents, end of period	\$ 25.9	\$ 10.3
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See Notes to Consolidated Financial Statements

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

1. General

The accompanying unaudited consolidated financial statements include normal recurring adjustments necessary for a fair presentation of the Company's interim results. Certain prior year amounts have been reclassified to conform with current year presentation. The condensed financial statements and notes in this Form 10-Q are presented as permitted by Regulation S-X, and as such, they do not contain certain information included in the Company's 2001 annual financial statements and notes. This Form 10-Q should be read in conjunction with the Company's consolidated financial statements and notes included in the Company's 2001 Annual Report on Form 10-K.

The second quarters of 2002 and 2001 consisted of thirteen-week periods ending June 29, 2002 and June 30, 2001, respectively. The interim results of operations are not necessarily indicative of future financial results.

2. Recent Acquisitions

On May 17, 2002, the Company acquired Jackstadt GmbH, a privately-held manufacturer of pressure-sensitive adhesive materials based in Germany. Jackstadt has a global customer base and had consolidated revenues of approximately \$400 million in 2001. The Jackstadt business is included in the Company's Pressure-sensitive Adhesives and Materials segment. Jackstadt complements the Company's operations in North America, Asia, Latin America and Europe, and will enhance the Company's ability to grow in Eastern Europe. Jackstadt is expected to enhance the Company's global presence and enable it to offer a broader selection of products and services.

The purchase price at closing was approximately \$300 million, which includes \$200 million in cash and assumed debt of \$100 million. The Company assumed liabilities of approximately \$202 million, including the assumed debt, and had incurred acquisition costs of approximately \$14 million by the end of the second quarter. The Company funded the transaction with cash and short-term commercial paper. The excess of the cost-basis over the fair value of net tangible assets acquired is currently estimated to be approximately \$157 million, which includes estimated identified intangible assets of approximately \$11 million, which are being amortized on a straight-line basis over 5 years. The purchase price paid at closing was based on financial statement values at June 30, 2001, and is subject to adjustment based upon a formula in the purchase agreement and which is subject to finalization of the closing financial statements. Jackstadt's results of operations have been included in the Company's consolidated financial statements as of the acquisition date.

The preliminary allocation of the purchase price as of June 29, 2002 has been made and recorded in these financial statements. The Company has not finalized this allocation and is currently obtaining third-party valuations of assets and liabilities. In addition, the Company is currently reviewing its plans with regard to facilities rationalization that may require adjustments to estimated amounts recorded for closure of certain facilities and carrying values of Jackstadt assets. Receipt of the final valuations and ongoing assessments may impact the allocation of the purchase price, and changes to the preliminary allocation are likely to occur.

AVERY DENNISON CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

2. Recent Acquisitions (continued)

The following represents the unaudited pro forma results of operations for the Company and Jackstadt as though the acquisition of Jackstadt had occurred at the beginning of the periods shown. The pro forma results include interest expense on additional debt that would have been needed to finance the purchase, amortization of intangibles that would have been acquired, and certain adjustments that would have been required to conform to the Company's accounting policies. The pro forma results of operations have been prepared based on the preliminary allocation of the purchase price and may require adjustment in accordance with the terms of the purchase agreement or as a result of the finalization of the purchase price allocation. This pro forma information is for comparison purposes only, and is not necessarily indicative of the results that would have occurred had the acquisition been completed at the beginning of the periods presented, nor is it necessarily indicative of future results.

(In millions, except per share amounts)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Net sales	\$1,108.8	\$1,060.2	\$2,138.0	\$2,127.3
Net income	\$ 74.7	\$ 60.3	\$ 139.1	\$ 124.6
Net income per common share	\$ .76	\$ .62	\$ 1.42	\$ 1.27
Net income per common share, assuming dilution	\$ .75	\$ .61	\$ 1.40	\$ 1.26

Other acquisitions during 2002 were not significant to the Company's consolidated financial position or results of operations.

3. Goodwill and Intangibles Resulting from Business Acquisitions

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," which supersedes Accounting Principles Board (APB) Opinion No. 16, "Business Combinations." This Statement requires that all business combinations be accounted for by the purchase method and establishes specific criteria for the recognition of intangible assets separately from goodwill. The provisions of the Statement apply to business combinations initiated after June 30, 2001. For business combinations accounted for using the purchase method before July 1, 2001, the provisions of this Statement were effective in the first quarter of 2002. As a result of this Statement, the Company discloses goodwill separately from intangible assets on the Condensed Consolidated Balance Sheet.

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which supersedes APB Opinion No. 17, "Intangible Assets." This Statement addresses the accounting and reporting of goodwill and other intangible assets subsequent to their acquisition. SFAS No. 142 provides that (i) goodwill and indefinite-lived intangible assets will no longer be amortized, (ii) impairment will be measured using various valuation techniques based on discounted cash flows, (iii) goodwill will be tested for impairment at least annually at the reporting unit level, (iv) intangible assets deemed to have an indefinite life will be tested for impairment at least annually and (v) intangible assets with finite lives will be amortized over their useful lives. The Statement provides specific guidance on testing goodwill and intangible assets for impairment, and requires that reporting units be identified

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

3. Goodwill and Intangibles Resulting from Business Acquisitions (continued)

for the purpose of assessing potential future impairments. All provisions of this Statement were effective at the beginning of fiscal 2002. Utilizing internal and external resources, the Company adopted SFAS No.142 in the first quarter of 2002. The Company identified its reporting units and the amounts of goodwill, intangible assets, other assets and liabilities allocated to those reporting units.

SFAS No. 142 requires that goodwill be tested for impairment upon adoption of the Statement, as well as annually thereafter. The Company completed its goodwill impairment test during the first quarter of 2002 and had no impairment losses. Intangible assets deemed to have an indefinite life are tested for impairment by comparing the fair value of the asset to its carrying amount. The Company does not have intangible assets with indefinite lives. Based on the results of the impairment tests, the Company did not record a transitional impairment loss upon adoption of SFAS No. 142.

The Company adopted SFAS No. 142 effective at the beginning of fiscal 2002 and as a result, ceased amortization of goodwill as of that date. Changes in the net carrying amount of goodwill for the year ended June 29, 2002, by reportable segment, are as follows:

(In millions)	Consumer and Converted Products	Pressure-sensitive Adhesives and Materials	Total
Balance as of December 29, 2001	\$ 148.9	\$ 144.3	\$ 293.2
Goodwill acquired during the period	3.4	150.2	153.6
Impairment losses	-	-	-
Translation adjustments and other	6.1	11.8	17.9
Balance as of June 29, 2002	\$ 158.4	\$ 306.3	\$ 464.7

The following table sets forth the Company's acquired intangible assets at June 29, 2002 and December 29, 2001, which will continue to be amortized:

(In millions)	June 29, 2002			December 29, 2001		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:						
Tradenames and trademarks	\$ 35.4	\$ 8.6	\$ 26.8	\$ 23.4	\$ 6.8	\$ 16.6
Patented technology	63.6	7.5	56.1	63.6	5.8	57.8
Customer relations	51.2	4.7	46.5	47.6	3.6	44.0
Other intangibles	2.5	1.0	1.5	2.3	.7	1.6
Total	\$ 152.7	\$ 21.8	\$ 130.9	\$ 136.9	\$ 16.9	\$ 120.0

AVERY DENNISON CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

3. Goodwill and Intangibles Resulting from Business Acquisitions (continued)

Amortization expense on intangible assets resulting from business acquisitions was \$2 million and \$4 million for three and six months ended June 29, 2002, respectively, and \$1.8 million and \$3.6 million for the three and six months ended June 30, 2001. Amortization expense on goodwill was \$3.6 million and \$7.1 million for the three and six months ended June 30, 2001. Based on current information, estimated amortization expense for such acquired intangible assets for this fiscal year, and for each of the next four succeeding fiscal years, is expected to be approximately \$10 million, \$10 million, \$9 million, \$9 million and \$9 million, respectively.

As required by SFAS No. 142, the results for the prior year's quarters have not been restated. Had the Company accounted for its goodwill under SFAS No. 142 for all periods presented, the Company's net income and earnings per share would have been as follows:

(In millions, except per share amounts)	Three Months Ended		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Reported net income	\$ 73.8	\$ 59.8	\$ 138.6	\$ 123.4
Goodwill amortization, net of tax	-	3.5	-	6.8
Adjusted net income	\$ 73.8	\$ 63.3	\$ 138.6	\$ 130.2
Basic earnings per share:				
As reported	\$ .75	\$ .61	\$ 1.41	\$ 1.26
Goodwill amortization	-	.04	-	.07
Adjusted basic earnings per share	\$ .75	\$ .65	\$ 1.41	\$ 1.33
Diluted earnings per share:				
As reported	\$ .74	\$ .61	\$ 1.40	\$ 1.25
Goodwill amortization	-	.03	-	.07
Adjusted diluted earnings per share	\$ .74	\$ .64	\$ 1.40	\$ 1.32

4. Net Income Per Share

Net income per common share amounts were computed as follows:

(In millions, except per share amounts)	Three Months Ended		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
(A) Net income available to common shareholders	\$ 73.8	\$ 59.8	\$ 138.6	\$ 123.4
(B) Weighted average number of common shares outstanding	98.3	97.8	98.2	97.7
Additional common shares issuable under employee stock options using the treasury stock method	1.1	.9	1.0	.9
(C) Weighted average number of common shares outstanding assuming the exercise of stock options	99.4	98.7	99.2	98.6
Net income per common share (A) / (B)	\$ .75	\$ .61	\$ 1.41	\$ 1.26
Net income per common share, assuming dilution (A) / (C)	\$ .74	\$ .61	\$ 1.40	\$ 1.25

AVERY DENNISON CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

5. Comprehensive Income

Comprehensive income for the Company included net income, foreign currency translation adjustments and the effective portion of cash flow hedges that are currently presented as a component of shareholders' equity. The Company's total comprehensive income for the three and six months ended June 29, 2002 was \$107.4 million and \$152.4 million, respectively. For the three and six months ended June 30, 2001, total comprehensive income was \$51.3 million and \$103.2 million, respectively. As of June 29, 2002, the foreign currency translation adjustment, minimum pension liability, net loss on derivative instruments designated as cash flow hedges and total accumulated other comprehensive loss balances were \$(102.4) million, \$(14.3) million, \$(5.9) million and \$(122.6) million, respectively. As of December 29, 2001, the foreign currency translation adjustment, minimum pension liability, net gain on derivative instruments designated as cash flow hedges and total accumulated other comprehensive loss balances were \$(123.1) million, \$(14.3) million, \$1 million and \$(136.4) million respectively.

The table below details the cash flow hedging instrument activity in other comprehensive income (loss) for the first six months of 2002:

(In millions)	June 29, 2002
Beginning accumulated derivative gain	\$ 1.0
Net loss reclassified to earnings	.1
Net change in the revaluation of hedging transactions	(7.0)
Ending accumulated derivative loss	\$ (5.9)

6. Foreign Currency

Translation of financial statements of subsidiaries operating in hyperinflationary economies and transactions in foreign currencies resulted in losses of \$.9 million and \$2.1 million, respectively, during the three and six months ended June 29, 2002. For the three and six months ended June 30, 2001, the Company recorded gains of \$.4 million and \$.2 million, respectively. Operations in hyperinflationary economies consist of the Company's operations in Turkey for 2001 and 2002.

7. Financial Instruments

The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, in the first quarter of 2001 and recorded a transition adjustment reducing net income by \$.2 million (net of tax). This Statement requires that all derivative instruments be recorded on the balance sheet at their fair value.

The Company enters into foreign exchange forward, option and swap contracts to reduce its risk from exchange rate fluctuations associated with receivables, payables, loans and firm commitments denominated in foreign currencies that arise primarily as a result of its operations outside the United States of America. The Company also enters into interest rate contracts to manage its exposure to interest rate fluctuations.

During the three and six months ended June 29, 2002 changes in fair market value related to fair value hedges and the ineffectiveness related to cash flow hedges were not significant. Amounts the Company expects to reclassify from other comprehensive income to earnings during the fiscal year ending December 28, 2002 are not expected to be significant. A loss of approximately \$2.7 million related to a net investment hedge is included in the foreign currency translation adjustment reported in accumulated other comprehensive loss.

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

8. Inventories

Inventories consisted of:

(In millions)	June 29, 2002	December 29, 2001
Raw materials	\$ 103.5	\$ 82.9
Work-in-progress	83.6	67.6
Finished goods	185.3	134.6
LIFO adjustment	(16.8)	(17.7)
	\$ 355.6	\$ 267.4

9. Research and Development

Research and development expense for the three and six months ended June 29, 2002 was \$18 million and \$35 million, respectively. For the three and six months ended June 30, 2001, research and development expense was \$17.9 million and \$35.3 million, respectively.

10. Contingencies

The Company has been designated by the U.S. Environmental Protection Agency (EPA) and/or other responsible state agencies as a potentially responsible party (PRP) at 9 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. The Company is participating with other PRPs at 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 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. Amounts currently accrued are not significant to the consolidated financial position of the Company and, based upon current information, management believes that it is unlikely the final resolution of these matters will significantly impact the consolidated financial position and operations of the Company.

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

AVERY DENNISON CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

11. Cost Reduction Program

The Company recorded a charge in the fourth quarter of 2001 relating to cost reduction actions. The 2001 charge involves cost reduction programs and the reorganization of manufacturing and administrative facilities in both of the Company's operating segments. The cost reduction efforts resulted in a pretax charge of \$19.9 million, which consisted of employee severance and related costs of \$13.1 million for approximately 400 positions worldwide, and asset write-downs of \$6.8 million. The positions included approximately 170 employees in the Pressure-sensitive Adhesives and Materials segment, 210 employees in the Consumer and Converted Products segment and 20 Corporate employees. Severance and related costs represent cash paid or to be paid to employees terminated under the program. Asset write-downs represent non-cash charges required to reduce the carrying value of assets to be disposed of to net realizable value as of the planned date of disposal. At the end of the second quarter of 2002, \$4.8 million remained accrued for severance and related costs (included in "Other current liabilities") and \$0.7 million remained accrued for asset write-downs (included in "Other current liabilities") in the Condensed Consolidated Balance Sheet. At the end of the second quarter, of the 400 positions under these actions, approximately 320 employees had left the Company. The Company expects to complete this cost reduction program in 2002.

12. Segment Information

Financial information by reportable operating segment is set forth below:

(In millions)	Three Months Ended		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
-----				
Net sales:				
Pressure-sensitive Adhesives and Materials	\$ 640.2	\$ 558.2	\$ 1,190.6	\$ 1,094.6
Consumer and Converted Products	460.0	448.1	880.1	900.7
Intersegment/(1)/	(43.9)	(45.5)	(83.6)	(71.3)
-----				
Net sales	\$ 1,056.3	\$ 960.8	\$ 1,987.1	\$ 1,924.0
=====				
Income (loss) from operations before interest and taxes:				
Pressure-sensitive Adhesives and Materials	\$ 60.9	\$ 46.4	\$ 111.9	\$ 91.3
Consumer and Converted Products	66.0	63.1	126.0	133.7
Corporate administrative and research and development expenses	(11.8)	(6.1)	(19.6)	(11.8)
Interest expense	(9.6)	(13.5)	(18.9)	(27.3)
-----				
Income before taxes and accounting change	\$ 105.5	\$ 89.9	\$ 199.4	\$ 185.9
=====				

/(1)/ Intersegment sales primarily represent sales from the Pressure-sensitive Adhesives and Materials segment to the Consumer and Converted Products segment.

AVERY DENNISON CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

13. Recent Accounting Requirements

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Under EITF Issue No. 94-3, a liability for an exit cost is recognized at the date an entity commits to an exit plan. SFAS No. 146 eliminates the definition and requirements for recognition of exit costs in EITF Issue 94-3 and requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This Statement also establishes that fair value is the objective for initial measurement of the liability. The provisions of this Statement will be effective after December 31, 2002. The Company is currently in the process of evaluating the impact of adopting SFAS No. 146.

In May 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." This Statement amends FASB Statement No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of this Statement related to the rescission of Statement No. 4 are effective beginning in 2003. All other provisions were effective May 16, 2002. The provisions adopted, effective May 16, 2002, did not have a significant impact on the Company's financial results. The Company is in the process of determining the impact of this standard on the Company's financial results for those provisions effective in 2003.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement was effective for the Company on December 30, 2001, and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and amends Accounting Principles Board (APB) Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." This Statement requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less costs to sell. SFAS No. 144 retains the fundamental provisions of SFAS 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. This Statement also retains APB Opinion No. 30's requirement that companies report discontinued operations separately from continuing operations. For the quarter and six months ended June 29, 2002, the Company divested operations whose results, including the gain/loss on asset sales, did not have a significant impact on the income statement and were, therefore, not reflected as discontinued operations in the Company's Consolidated Statement of Income.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. All provisions of this Statement will be effective at the beginning of fiscal 2003. The Company is in the process of determining the impact of this standard on the Company's financial results when effective.

EVERY DENNISON CORPORATION AND SUBSIDIARIES  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations: For the Quarter  
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On May 17, 2002, the Company acquired Jackstadt GmbH, a privately-held manufacturer of pressure-sensitive adhesive materials based in Germany. Jackstadt has a global customer base and had consolidated revenues of approximately \$400 million in 2001. The Jackstadt business is included in the Company's Pressure-sensitive Adhesives and Materials segment. Jackstadt complements the Company's operations in North America, Asia, Latin America and Europe, and will enhance the Company's ability to grow in Eastern Europe. Jackstadt is expected to enhance the Company's global presence and enable it to offer a broader selection of products and services.

The purchase price at closing was approximately \$300 million, which includes \$200 million in cash and assumed debt of \$100 million. The Company assumed liabilities of approximately \$202 million, including the assumed debt, and had incurred acquisition costs of approximately \$14 million by the end of the second quarter. The Company funded the transaction with cash and short-term commercial paper. The excess of the cost-basis over the fair value of net tangible assets acquired is currently estimated to be approximately \$157 million, which includes estimated identified intangible assets of approximately \$11 million, which are being amortized on a straight-line basis over 5 years. The purchase price paid at closing was based on financial statement values at June 30, 2001, and is subject to adjustment based upon a formula in the purchase agreement and which is subject to finalization of the closing financial statements. Jackstadt's results of operations have been included in the Company's consolidated financial statements as of the acquisition date.

Quarterly sales were \$1.06 billion, compared to second quarter 2001 sales of \$960.8 million. Excluding the impact of currency, sales increased 10.3 percent. The acquisition of Jackstadt contributed an additional \$45.7 million in sales to the second quarter of 2002 as compared to the same period last year. The reduction in sales related to divested operations represented \$18 million for the quarter.

Gross profit margin increased to 32.8 percent for the quarter compared to 32.5 percent for the second quarter of 2001. The increase was primarily due to cost reduction programs and productivity improvement gains achieved through the Six Sigma program. These improvements were partially offset by lower gross profit margin on the Jackstadt business.

Marketing, general and administrative expense, as a percent of sales, was 21.9 percent compared to 21.7 percent for the second quarter of 2001. The increase was primarily due to increases in marketing expenses and bonus accruals due to higher sales and net income. Integration costs related to the Jackstadt acquisition also contributed to the increase in marketing, general and administrative expense. Productivity improvements and the change in accounting for goodwill amortization partially offset the increases.

Interest expense decreased to \$9.6 million for the quarter, compared to \$13.5 million a year ago, primarily reflecting lower interest rates on short-term, floating rate debt. The decrease in interest expense was partially offset by the additional interest on the debt used to fund the Jackstadt acquisition.

Income before taxes, as a percent of sales, was 10 percent compared to 9.4 percent a year ago. The increase reflects the higher gross profit margin and the decrease in interest expense. The elimination of goodwill amortization also had a positive impact on the Company's pretax income. The effective tax rate decreased to 30 percent for the quarter compared to 33.5 percent for the second quarter of 2001 and 32.4 percent for the full year 2001, primarily due to the change in accounting for goodwill, as well as both structural and operational changes that reduced the effective tax rate on a global basis.

Net income totaled \$73.8 million compared to \$59.8 million in the second quarter of 2001. Net income, as a percent of sales, was 7 percent for the second quarter of 2002 and 6.2 percent for the same period last year.

AVERY DENNISON CORPORATION AND SUBSIDIARIES  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations: For the Quarter (continued)

Net income per common share for the quarter was \$.75 compared to \$.61 in the second quarter of 2001. Net income per common share, assuming dilution, was \$.74 for the second quarter of 2002 and \$.61 for the second quarter of 2001. The results for the second quarter of 2002 include an approximate \$(.02) per share, assuming dilution, impact from the acquisition of Jackstadt and a benefit of approximately \$.03 per share, assuming dilution, related to the accounting change eliminating goodwill amortization.

Results of Operations by Reportable Operating Segment

Pressure-sensitive Adhesives and Materials:

	Three Months Ended	
(In millions)	June 29, 2002	June 30, 2001
Net sales	\$ 640.2	\$ 558.2
Income from operations before interest and taxes	60.9	46.4

The Pressure-sensitive Adhesives and Materials segment reported increased sales for the second quarter of 2002 compared to the same period last year. Sales increased domestically primarily due to the strong volume growth in the roll materials business, including the market share gain from business obtained from the closure of a competitor's plant and a supply agreement with a company that decided to outsource its manufacturing of certain roll label materials, as well as strong volume growth in the specialty tapes business. The sales increase was partially offset by the reduction in sales from divested operations, including the specialty coatings business sold in the fourth quarter of 2001. Sales increased internationally, primarily due to the acquisition of Jackstadt and sales growth in most businesses in Asia, Europe and Latin America.

The segment reported an increase in income for the second quarter of 2002 compared to the same period last year. Income increased domestically and internationally primarily due to strong volume growth and improved profitability achieved through cost reductions and productivity gains, and the change in accounting for goodwill amortization. The increase was partially offset by integration costs related to the Jackstadt acquisition.

Consumer and Converted Products:

	Three Months Ended	
(In millions)	June 29, 2002	June 30, 2001
Net sales	\$ 460.0	\$ 448.1
Income from operations before interest and taxes	66.0	63.1

The Consumer and Converted Products segment reported an increase in sales for the second quarter of 2002 compared to the same period last year. Sales in the U.S. operations increased primarily due to increased sales volume in the office products business because of higher sales related to the back-to-school season in the second quarter, as well as increased sales from the industrial and automotive business. Sales from international operations increased primarily due to the strong volume growth in Asia, especially in the ticketing business, and sales growth in Europe. The increase was partially offset by the reduction in sales from divested operations. The segment reported an increase in income for the second quarter of 2002 compared to the same period last year. Income increased domestically and internationally primarily due to improved sales, improved productivity and the change in accounting for goodwill amortization.

AVERY DENNISON CORPORATION AND SUBSIDIARIES  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations: Six Months Year-To-Date  
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Sales for the first six months of 2002 were \$1.99 billion, compared to \$1.92 billion in the corresponding period of 2001. Excluding the impact of currency, sales increased 4.3 percent. The acquisitions of Jackstadt in May of 2002 and Dunsirn Industries and CD Stomper in February of 2001 contributed an additional \$53.3 million in sales for the first six months of 2002 over the amounts contributed by these businesses as compared to the same period last year. The reduction in sales related to divested operations represented \$37.9 million for the first six months.

Gross profit margin for the first six months increased to 33 percent compared to 32.8 percent for the first six months of 2001. The increase was primarily due to cost reduction programs and productivity improvement gains achieved through the Six Sigma program. Lower gross profit margin on the Jackstadt business partially offset the improvements.

Marketing, general and administrative expense, as a percent of sales, for the first six months was 22 percent compared to 21.7 percent for the first six months of 2001. The increase was primarily due to increases in marketing expenses and bonus accruals due to higher sales and net income. Integration costs related to the Jackstadt acquisition also contributed to the increase in marketing, general and administrative expense. Productivity improvements and the change in accounting for goodwill amortization partially offset the increases.

Interest expense decreased to \$18.9 million for the first six months, compared to \$27.3 million for the first six months of 2001, primarily reflecting lower interest rates on short-term, floating rate debt. The decrease in interest expense was partially offset by the additional interest on the debt used to fund the Jackstadt acquisition.

Income before taxes, as a percent of sales, was 10 percent compared to 9.7 percent a year ago. The increase reflects the higher gross profit margin and the decrease in interest expense. The elimination of goodwill amortization also had a positive impact on the Company's pretax income. The year-to-date effective tax rate decreased to 30.5 percent for 2002 from 33.5 percent for the first six months of 2001 and 32.4 percent for the full year 2001. The decrease is primarily due to the change in accounting for goodwill, as well as both structural and operational changes that reduced the effective tax rate on a global basis.

Net income totaled \$138.6 million compared to \$123.4 million in the first six months of 2001. Net income, as a percent of sales, was 7 percent for the first six months of 2002 and 6.4 percent for the same period last year.

Net income per common share for the first six months was \$1.41 compared to \$1.26 for the same period last year. Net income per common share, assuming dilution, was \$1.40 for the first six months of 2002 and \$1.25 for the first six months of 2001. The results for the first six months of 2002 include an approximate \$(.02) per share, assuming dilution, impact from the acquisition of Jackstadt and a benefit of approximately \$.07 per share, assuming dilution, related to the accounting change eliminating goodwill amortization.

Results of Operations by Reportable Operating Segment

Pressure-sensitive Adhesives and Materials:

(In millions)	Six Months Ended	
	June 29, 2002	June 30, 2001
Net sales	\$ 1,190.6	\$ 1,094.6
Income from operations before interest and taxes	111.9	91.3

The Pressure-sensitive Adhesives and Materials segment reported increased sales for the first six months of 2002 compared to the same period last year. Sales increased domestically primarily due to the strong volume growth in

AVERY DENNISON CORPORATION AND SUBSIDIARIES  
 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations: Six Months Year-To-Date (continued)

the roll materials business, including the market share gain from business obtained from the closure of a competitor's plant and a supply agreement with a company that decided to outsource its manufacturing of certain roll label materials, as well as a full six months of sales from the Dunsirn acquisition, which occurred in February of 2001. Sales also improved in the U.S. specialty tapes business. The sales increase was partially offset by the reduction in sales from divested operations, including the specialty coatings business sold in the fourth quarter of 2001. Sales increased internationally, primarily due to the acquisition of Jackstadt and strong volume growth in Asia and Europe. Sales growth in Latin America was partially offset by the negative impact of changes in foreign currency exchange rates.

The segment reported an increase in income for the first six months of 2002 compared to the same period last year. Income increased domestically and internationally primarily due to sales growth, improved profitability in the roll materials, graphics and specialty tapes businesses achieved through cost reductions and productivity gains, and the change in accounting for goodwill amortization.

Consumer and Converted Products:

(In millions)	Six Months Ended	
	June 29, 2002	June 30, 2001
Net sales	\$ 880.1	\$ 900.7
Income from operations before interest and taxes	126.0	133.7

The Consumer and Converted Products segment reported a decrease in sales for the first six months of 2002 compared to the same period last year. Sales in the U.S. operations declined primarily due to weak retail apparel sales in the first quarter, which impacted the ticketing business, and the general economic weakness in the first quarter, which impacted sales volumes across most of the segment. The decrease in sales in the U.S. operations was partially offset by a full six months of sales from the acquisition of CD Stomper, which occurred in February of 2001. Excluding the reduction in sales from divested operations, sales from international operations increased. The increase was primarily due to the sales increase in Asia. The increase was partially offset by the negative impact of changes in foreign currency exchange rates, weak retail apparel sales in the first quarter which impacted the ticketing business and the general weakness in business conditions experienced in international markets during the first quarter. The segment reported a decrease in income primarily due to the overall decline in sales from U.S. operations. This decrease was partially offset by the change in accounting for goodwill amortization.

Financial Condition

Average working capital, excluding short-term debt, as a percent of sales, decreased to 8.5 percent for the quarter from 8.7 percent a year ago. This decrease is due primarily to the increase in sales. Excluding the Jackstadt acquisition, average working capital, excluding short-term debt, would have been 7.2 percent. The average number of days sales outstanding in accounts receivable increased to 65 days compared to 59 days a year ago, reflecting the increase in accounts receivable at the end of the quarter from the Jackstadt acquisition and longer payment terms associated with increased international sales.

Net cash flows provided by operating activities totaled \$167.8 million for the first six months of 2002 and \$102.8 million for the first six months of 2001. The increase in net cash flows provided by operating activities was primarily due to the changes in working capital and the increase in net income. In addition to cash flows from operations, the Company has adequate financing arrangements, at competitive rates, to conduct its operations.

AVERY DENNISON CORPORATION AND SUBSIDIARIES  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Financial Condition (continued)

Capital expenditures for the quarter were \$20.9 million compared to \$28.9 million a year ago. For the first six months of 2002, capital spending totaled \$38.4 million compared to \$64.7 million a year ago. Capital expenditures for 2002 are expected to be approximately \$160 million, as compared to \$135.4 million in 2001. The Company's major capital projects this year are focused on the international markets, including additional capital needs for the Jackstadt business.

Other expenditures in investing activities declined compared to the prior year primarily due to a reduction in spending for software.

During the first six months of 2002, total debt increased \$260.3 million to \$1.11 billion from year end 2001. The increase in debt was due primarily to fund the acquisition of Jackstadt, capital purchases and for other general purposes. Total debt to total capital was 51.6 percent as of the end of the second quarter of 2002 and 47.8 percent at year end 2001. The increase is due to additional short-term borrowings to fund the Jackstadt acquisition. In the first quarter of 1999, the Company recorded an obligation associated with the transaction with Steinbeis Holding GmbH, which combined substantially all of the Company's office products businesses in Europe with Zweckform Buro-Produkte GmbH, a German office products supplier. The obligation of \$80.2 million is reported in the "Other long-term obligation" line on the Condensed Consolidated Balance Sheet, and is scheduled to be paid in 2004.

In the third quarter of 2001, the Company filed a shelf registration statement with the Securities and Exchange Commission to permit the issuance of up to \$600 million in debt and equity securities. Proceeds from the shelf offering may be used for general corporate purposes, including repaying, redeeming or repurchasing existing debt, and for working capital, capital expenditures and acquisitions. No securities have been issued since the filing.

Shareholders' equity increased to \$1.04 billion from \$929.4 million at year end 2001. During the first six months of 2002, the Company purchased approximately 53,000 shares of common stock at a cost of \$3.3 million. The market value of shares held in the employee stock benefit trust, after the issuance of shares under the Company's stock and incentive plans, increased by \$37.1 million to \$711.6 million from year end 2001. Dividends paid for the first six months of 2002 totaled \$72.5 million compared to \$66.1 million a year ago.

Cost Reduction Program

The Company recorded a charge in the fourth quarter of 2001 relating to cost reduction actions. The 2001 charge involves cost reduction programs and the reorganization of manufacturing and administrative facilities in both of the Company's operating segments. The cost reduction efforts resulted in a pretax charge of \$19.9 million, which consisted of employee severance and related costs of \$13.1 million for approximately 400 positions worldwide, and asset write-downs of \$6.8 million. The positions included approximately 170 employees in the Pressure-sensitive Adhesives and Materials segment, 210 employees in the Consumer and Converted Products segment and 20 Corporate employees. Severance and related costs represent cash paid or to be paid to employees terminated under the program. Asset write-downs represent non-cash charges required to reduce the carrying value of assets to be disposed of to net realizable value as of the planned date of disposal. At the end of the second quarter of 2002, \$4.8 million remained accrued for severance and related costs (included in "Other current liabilities") and \$0.7 million remained accrued for asset write-downs (included in "Other current liabilities") in the Condensed Consolidated Balance Sheet. At the end of the second quarter, of the 400 positions under these actions, approximately 320 employees had left the Company. The Company expects to complete this cost reduction program in 2002.

AVERY DENNISON CORPORATION AND SUBSIDIARIES  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Future Accounting Requirements  
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In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Under EITF Issue No. 94-3, a liability for an exit cost is recognized at the date an entity commits to an exit plan. SFAS No. 146 eliminates the definition and requirements for recognition of exit costs in EITF Issue 94-3 and requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This Statement also establishes that fair value is the objective for initial measurement of the liability. The provisions of this Statement will be effective after December 31, 2002. The Company is currently in the process of evaluating the impact of adopting SFAS No. 146.

In May 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." This Statement amends FASB Statement No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of this Statement related to the rescission of Statement No. 4 are effective beginning in 2003. All other provisions were effective May 16, 2002. The provisions adopted, effective May 16, 2002, did not have a significant impact on the Company's financial results. The Company is in the process of determining the impact of this standard on the Company's financial results for those provisions effective in 2003.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement was effective for the Company on December 30, 2001, and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and amends Accounting Principles Board (APB) Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." This Statement requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less costs to sell. SFAS No. 144 retains the fundamental provisions of SFAS 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. This Statement also retains APB Opinion No. 30's requirement that companies report discontinued operations separately from continuing operations. For the quarter and six months ended June 29, 2002, the Company divested operations whose results, including the gain/loss on asset sales, did not have a significant impact on the income statement and were, therefore, not reflected as discontinued operations in the Company's Consolidated Statement of Income.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. All provisions of this Statement will be effective at the beginning of fiscal 2003. The Company is in the process of determining the impact of this standard on the Company's financial results when effective.

EVERETT DENNISON CORPORATION AND SUBSIDIARIES  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Outlook  
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The Company's results for the first six months of 2002 reflected stronger sales growth in the second quarter following the challenging economic environment in the U.S. and international markets during the first quarter. While order patterns across many of the Company's businesses continue to be generally strong, the Company is cautious about the outlook for the second half of 2002, given the worldwide economic uncertainties.

The Jackstadt acquisition in May 2002 is the Company's largest acquisition in over a decade. The Company believes the combination is a strategic fit in the core pressure-sensitive materials and graphics businesses. Jackstadt is expected to strengthen the Company's business in many developing markets and important growth areas around the world, including Asia, Latin America and Eastern Europe. Integration of the Jackstadt business has begun, and the majority of the integration actions are expected to be completed over the next 24 months. The Company believes the total cash cost of the integration will be in the range of \$60 million to \$70 million, of which approximately \$30 million to \$40 million is expected to be recorded as a charge to the income statement. The Company anticipates finalizing its integration plans and recording the charge in the third quarter of 2002.

Interest expense was \$9.6 million for the second quarter and \$18.9 million for the first six months of 2002, reflecting lower interest rates on the Company's short-term, floating rate debt. The Company expects interest expense to increase to the range of \$11 million to \$12 million in the third quarter, after giving effect to an anticipated refinancing of short-term debt to long-term debt.

The effective tax rate was 30 percent for the second quarter and 30.5 percent for the first six months of 2002. Due to the change in accounting for goodwill and both structural and operational changes, the Company believes, subject to changes in the geographic mix of income, the effective tax rate for the remainder of 2002 will be in the range of approximately 30 percent to 30.5 percent.

Any further devaluation of the Argentine peso would continue to negatively impact revenues and earnings from the Company's operations in Argentina. Political, regulatory, economic, currency and other business issues in Argentina are likely to continue to negatively impact those operations for the remainder of 2002 as compared to 2001. Operations in Argentina (primarily reported in the Pressure-sensitive Adhesives and Materials segment) represented less than \$25 million in sales in 2001 and are not significant to the Company's financial results.

Other international operations, principally in Western Europe, constitute a significant portion of the Company's business. The Company is exposed to foreign currency exchange rate risk, and changes to foreign exchange rates in Western Europe and elsewhere will impact the Company's financial results.

The adoption of SFAS No.142 benefited earnings per share, assuming dilution, by approximately \$.07 in the first six months of 2002. Under the new accounting standard, the Company no longer amortizes goodwill. The Company expects the new accounting rule to benefit earnings per share, assuming dilution, by approximately \$.13 for 2002, as compared to 2001. However, the Company anticipates that increased amortization expense related to capitalized software will partially offset the benefit from the accounting change for goodwill amortization.

In this period of challenging worldwide economic conditions, the Company is focused on cost management efforts and believes it is positioned for further growth as economic conditions improve. The Company has reduced costs and expects to continue to benefit from the implementation of productivity improvement initiatives. In addition to driving down costs, the Company continues to pursue long-term growth initiatives. These initiatives include acquisitions, entry into new markets, development of new products and geographic expansion.

EVERY DENNISON CORPORATION AND SUBSIDIARIES  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Safe Harbor Statement

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Except for historical information contained herein, the matters discussed in the Management's Discussion and Analysis of Results of Operations and Financial Condition and other sections of this Form 10-Q contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which are not statements of historical fact, may contain estimates, assumptions, projections and/or expectations regarding future events. Words such as "anticipate," "assume," "believe," "estimate," "expect," "plan," "project," "will," and other expressions, which refer to future events and trends, identify forward-looking statements. Such forward-looking statements, and financial or other business targets, are subject to certain risks and uncertainties which could cause actual results to differ materially from anticipated future results, performance or achievements of the Company expressed or implied by such forward-looking statements.

Certain of such risks and uncertainties are discussed in more detail in the Company's Annual Report on Form 10-K for the year ended December 29, 2001 and include, but are not limited to, risks and uncertainties relating to investment in development activities and new production facilities, timely development and successful market acceptance of new products, price and availability of raw materials, impact of competitive products and pricing, business mix shift, credit risks, successful integration of new acquisitions, customer and supplier and manufacturing concentrations, financial condition and inventory strategies of customers, changes in customer order patterns, increased competition, loss of significant contract(s) or customer(s), legal proceedings, fluctuations in foreign exchange rates and other risks associated with foreign operations, changes in economic or political conditions, acts of war, terrorism, natural disasters, and other factors.

Any forward looking statement should also be considered in light of the factors detailed in Exhibit 99 to the Company's Annual Report on Form 10-K for the year ended December 29, 2001.

The Company's forward-looking statements represent its judgment only on the dates such statements were made. By making any forward-looking statements, the Company assumes no duty to update them to reflect new, changed or unanticipated events or circumstances, other than as may be required by law.

AVERY DENNISON CORPORATION AND SUBSIDIARIES  
ITEM 3. QUANTITATIVE AND QUALITATIVE  
DISCLOSURES ABOUT MARKET RISK

ITEM 3. - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK  
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There are no material changes in the information provided in Item 7A of the Company's Form 10-K for the fiscal year ended December 29, 2001.

PART II. OTHER INFORMATION  
AVERY DENNISON CORPORATION  
AND SUBSIDIARIES

ITEM 1.

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There are no material changes in the information provided in Item 3 of the Company's Form 10-K for the fiscal year ended December 29, 2001.

ITEMS 2, 3, 4 and 5.

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Not Applicable

ITEM 6. - EXHIBITS AND REPORTS ON FORM 8-K

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a. Exhibits: 3(ii) Bylaws, as amended July 25, 2002.

12 Computation of Ratio of Earnings to Fixed Charges

b. Reports on Form 8-K:

Registrant filed a current report on Form 8-K on August 6, 2002 with respect to SEC Order No. 4-460 related to the Company's Chief Executive Officer and Chief Financial Officer statements.

Registrant filed a current report on Form 8-K on June 3, 2002 with respect to the Company's acquisition of Jackstadt GmbH.

SIGNATURES

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

AVERY DENNISON CORPORATION

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(Registrant)

/s/ Daniel R. O'Bryant

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Daniel R. O'Bryant  
Senior Vice President, Finance, and  
Chief Financial Officer  
(Principal Financial Officer)

/s/ Michael A. Skovran

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Michael A. Skovran  
Vice President and Controller  
(Chief Accounting Officer)

August 13, 2002

Exhibit 3(ii)

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 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, 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, if any, 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, and at such other time 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. Business transacted at any special meeting of the stockholders shall be limited to the purpose stated in the notice of meeting.

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 purpose or purposes for which the meeting is called, 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 mail or telegraphic or other written communication or by electronic transmission, 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. Whenever notice is required to be given to any stockholder to whom (1) notice of 2 consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such 2 consecutive annual meetings, or (2) all, and at least 2, payments (if sent by first-class mail) of dividends or interests or securities during a 12 month period, have been mailed addressed to such person at such person's address as shown on the records of the corporation and have been returned undeliverable, the giving of such notice shall not be required. If any such person shall deliver to the corporation a written notice setting forth such person's then current address, the requirement that notice be given to such person shall be reinstated. If mailed, notice shall be deemed to have been given at the time when delivered personally or deposited in the United States 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 voting power of the outstanding 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 voting power 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 percentage or voting by classes is required by the General Corporation Law of the State of Delaware (the "General Corporation Law") or the certificate of incorporation or the certificate of designations of preferences as to any preferred stock, or the rules and regulations of any stock exchange applicable to the corporation, or applicable law or pursuant to any rule or regulation applicable to the corporation or its securities.

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, gives a 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 proxy. Without limiting the manner in which a proxy may be granted, a stockholder may grant a proxy in the following manners: (i) by executing a writing

authorizing another person or persons to act for such stockholder as proxy or (ii) by transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to a person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided however that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. A written proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or electronic transmission or otherwise) by the stockholder or the stockholder's attorney in fact. A 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 or electronic transmission 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) 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 three years 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 90th day nor earlier than the close of business on the 120th 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 70 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 120th day prior to such annual meeting and not later than the close of business on the later of the 90th 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 or postponement of an annual meeting commence a new time period (or extend any 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") (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 (including the text of any resolutions proposed for consideration and in the event that such business includes an amendment to the Bylaws, the language of the proposed amendment); 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, (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (iii) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, and (iv) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (b) otherwise to solicit proxies from stockholders in support of such proposal or nomination. The foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has notified the corporation of his or her intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the

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Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the corporation to solicit proxies for such annual meeting. The corporation may require any proposed nominee to furnish such other information as the corporation may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the corporation.

(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 100 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 120th day prior to such special meeting and not later than the close of business on the later of the 90th 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 or postponement of a special meeting commence a new time period (or extend any 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 be elected at an annual or special meeting of stockholders 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 (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by clause (A) (2) (c) (iv) of this Bylaw), to declare that such defective proposal or nomination shall be disregarded. Notwithstanding the foregoing provisions of this Bylaw, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the corporation to present a nomination or business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the corporation.

(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 pursuant to any applicable provision of the certificate of incorporation.

### 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:

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(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 thirteen (13) 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 and Newly Created Directorships.

Vacancies and newly created directorships 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 or she succeeds, unless otherwise determined by the board of directors, 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, disqualification or removal of any director, or if the authorized number of directors be increased.

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 other 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 or by electronic transmission 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, telegram or other form of electronic transmission, it shall be delivered personally, or by telephone or to the telegraph company or transmitted by other electronic transmission 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 gives a 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 if the time and place thereof are announced at the adjourned meeting, 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 to such action in compliance with applicable law.

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 the board 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) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the General Corporation Law to be submitted to the stockholders for approval; or

(b) adopting, amending or repealing any bylaw of the corporation.

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 and Insurance.

(A) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit, or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the corporation, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the General Corporation Law as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), against all expenses, liability and loss (including attorneys' fees, judgements, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in paragraph (C) of this Bylaw, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors. The right to indemnification conferred in this Bylaw shall be a contract right and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the corporation within 20 days after the receipt by the corporation of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, that if the General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of an undertaking by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Bylaw or otherwise.

(B) To obtain indemnification under this Bylaw, a claimant shall submit to the corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and reasonably necessary to determine whether and to what extent the claimant is

entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this paragraph (B), a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (1) if requested by the claimant, by Independent Counsel (as hereinafter defined), or (2) if no request is made by the claimant for a determination by Independent Counsel, (i) by the Board of Directors by a majority vote of a quorum consisting of Disinterested Directors (as hereinafter defined), or (ii) by a committee of Disinterested Directors designated by Disinterested Directors, even though less than a quorum, or (iii) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtained or even if obtainable, such quorum of Disinterested Directors so directs, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the claimant, or (iv) if a quorum of Disinterested Directors so directs, by the stockholders of the corporation. In the event the determination of entitlement to indemnification is to be made by Independent Counsel at the request of the claimant, the Independent Counsel shall be selected by the Board of Directors unless there shall have occurred within two years prior to the date of the commencement of the action, suit or proceeding for which indemnification is claimed a "Change of Control" as defined in the 1996 Stock Incentive Plan, in which case the Independent Counsel shall be selected by the claimant unless the claimant shall request that such selection be made by the Board of Directors. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within 10 days after such determination.

(C) If a claim under paragraph (A) of this Bylaw is not paid in full by the corporation within 30 days after a written claim pursuant to paragraph (B) of this Bylaw has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim, including attorney's fees. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has not met the standard of conduct which makes it permissible under the General Corporation Law for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, Independent Counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(D) If a determination shall have been made pursuant to paragraph (B) of this Bylaw that the claimant is entitled to indemnification, the corporation shall be bound by such determination in any judicial proceeding commenced pursuant to paragraph (C) of this Bylaw.

(E) The corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to paragraph (C) of this Bylaw that the procedures and presumptions of this Bylaw are not valid, binding and enforceable and shall stipulate in such proceeding that the corporation is bound by all the provisions of this Bylaw.

(F) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Bylaw shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or Disinterested Directors or otherwise. No repeal or modification of this Bylaw shall in any way diminish or adversely affect the rights of any director, officer, employee or agent of the corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

(G) The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law. To the extent that the corporation maintains any policy or policies providing such insurance, each such director or officer, and each such agent or employee to which rights to indemnification have been granted as provided in paragraph (H) of this Bylaw, shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such director, officer, employee or agent.

(H) The corporation may, to the extent authorized from time to time by the Board of Directors or the Chief Executive Officer, grant rights to indemnification, and rights to be paid by the corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent of the corporation to the fullest extent of the provisions of this Bylaw with respect to the indemnification and advancement of expenses of directors and officers of the corporation.

(I) If any provision or provisions of this Bylaw shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Bylaw (including, without limitation, each portion of any paragraph of this Bylaw containing any such provisions held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Bylaw (including, without limitation, each such portion of any paragraph of this Bylaw containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

(J) For purposes of this Bylaw:

(1) "Disinterested Director" means a director of the corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(2) "Independent Counsel" means a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporation law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the corporation or the claimant in an action to determine the claimant's rights under this Bylaw.

(K) Any notice, request or other communication required or permitted to be given to the corporation under this Bylaw shall be in writing and either delivered in person or sent by telecopy, telex, telegram, overnight mail or courier service, or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the corporation and shall be effective only upon receipt by the Secretary.

## 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.

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 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 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.

Amended July 25, 2002

Exhibit 3(ii)  
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AVERY DENNISON CORPORATION AND SUBSIDIARIES  
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
 (Dollars in Millions)

	Three Months Ended		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
-----				
Earnings:				
Income before taxes	\$ 105.5	\$ 89.9	\$ 199.4	\$ 185.9
Add: Fixed charges*	15.8	19.0	31.1	38.5
Amortization of capitalized interest	.5	.5	1.0	.9
Less: Capitalized interest	(1.5)	(1.4)	(2.9)	(3.0)
	-----	-----	-----	-----
	\$ 120.3	\$ 108.0	\$ 228.6	\$ 222.3
=====				
*Fixed charges:				
Interest expense	\$ 9.6	\$ 13.5	\$ 18.9	\$ 27.3
Capitalized interest	1.5	1.4	2.9	3.0
Amortization of debt issuance costs	.1	.1	.2	.2
Interest portion of leases	4.6	4.0	9.1	8.0
	-----	-----	-----	-----
	\$ 15.8	\$ 19.0	\$ 31.1	\$ 38.5
=====				
Ratio of Earnings to Fixed Charges	7.6	5.7	7.4	5.8
=====				

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