

AVERY DENNISON CORPORATION  
Form 424B5  
August 09, 2004  
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Filed Pursuant to Rule 424(b)(5)

Registration No. 333-64558

Prospectus Supplement to Prospectus dated July 12, 2001.

\$150,000,000

Notes due 2007

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We are offering \$150,000,000 aggregate principal amount of notes due 2007. The notes will bear interest at a floating rate equal to three-month LIBOR plus 0.23%. We will pay interest on the notes on February 10, May 10, August 10 and November 10 of each year. The first such payment will be made on November 10, 2004. The notes will mature on August 10, 2007, unless earlier redeemed by us. The notes will be issued only in denominations of \$2,000 and integral multiples of \$1,000.

On August 10, 2005 or any date thereafter, we may redeem all or a portion of the notes at the redemption price set forth in this prospectus supplement.

The notes are unsecured and unsubordinated debt securities. We do not intend to list the notes on any national securities exchange.

See Risk Factors beginning on page S-3 to read factors you should consider before buying the notes.

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**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

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	<u>Per Note</u>	<u>Total</u>
Initial public offering price	100.00%	\$ 150,000,000
Underwriting discount	0.45%	\$ 675,000
Proceeds, before expenses, to us	99.55%	\$ 149,325,000

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from August 10, 2004 and must be paid by the purchasers if the notes are delivered after August 10, 2004.

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The underwriters expect to deliver the notes through the facilities of The Depository Trust Company against payment in New York, New York on August 10, 2004.

*Joint Book-Running Managers*

**Goldman, Sachs & Co.**

**JPMorgan**

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Prospectus Supplement dated August 5, 2004.

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**FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus and the documents they incorporate by reference contain statements that are not historical fact and constitute forward-looking statements. Words such as believes, expects, anticipates, intends, plans, estimates, may, should or similar expressions which refer to future events and trends, identify forward-looking statements that involve risks, uncertainties and assumptions. Our future results may differ materially from those expressed in these forward-looking statements. Forward-looking information may relate to such matters as sales, unit volume, income, margins, earnings per share, return on equity, return on total capital, economic value added, capital expenditures, dividends, cash flow, debt to capital ratios, growth rates, future economic performance and trends, short- and long-term plans (including financing, operating and strategic plans) and objectives for future operations as well as assumptions, expectations, projections and estimates relating to any of the forward-looking information.

You are cautioned not to rely unduly on any forward-looking statements. Cautionary statements setting forth important factors that could cause actual results to differ materially from our forward-looking statements are discussed in more detail in our Annual Report on Form 10-K for the year ended December 27, 2003, our Quarterly Reports on Form 10-Q for the three-month period ended March 27, 2004 and for the three-month and six-month period ended June 26, 2004 and other documents on file with the Securities and Exchange Commission and under Risk Factors in this prospectus supplement.

**IMPORTANT NOTICE ABOUT THE INFORMATION IN THIS**

**PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS**

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the notes we are offering. The second part, the base prospectus, gives more general information, some of which may not apply to the notes we are offering.

**If the description of the notes varies between this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement.**

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**SUMMARY INFORMATION**

The following information supplements, and should be read together with, the information contained in the accompanying prospectus. This summary highlights selected information from this prospectus supplement and the accompanying prospectus to help you understand the notes. You should carefully read this prospectus supplement and the accompanying prospectus, as well as the documents they incorporate by reference, to understand fully the terms of the notes and other considerations that are important to you in making a decision about whether to invest in the notes. Unless we state otherwise or the context otherwise requires, references appearing in this prospectus supplement to we, us and our should be read to refer to Avery Dennison Corporation and its subsidiaries.

**AVERY DENNISON CORPORATION**

We are a global manufacturer and seller of pressure-sensitive materials and innovative self-adhesive solutions for consumer and converted products. Some of these materials are converted into labels and other products through embossing, printing, stamping and die-cutting, and some are sold in unconverted form as base materials, tapes and reflective sheeting. We also manufacture and sell a variety of consumer and converted products and other items not involving pressure-sensitive components, such as notebooks, three-ring binders, organizing systems, markers, fasteners, business forms, reflective highway safety products, as well as tickets, tags, labels and imprinting equipment for retail and apparel manufacturers. Our total sales in 2003 were approximately \$4.8 billion.

We manufacture and sell these products from approximately 270 distribution and manufacturing facilities and offices located in over 40 countries, and employ approximately 21,400 persons worldwide, including approximately 650 persons who are seasonal temporaries. International operations, principally in Western Europe, constitute approximately half of our business. Recently, we have expanded our operations in the Asia Pacific and Latin America regions.

Our principal executive offices are located at 150 North Orange Grove Boulevard, Pasadena, California 91103 and our telephone number is (626) 304-2000.

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**THE OFFERING**

Amount of Notes Offered	\$150,000,000 in principal amount of Notes due 2007.
Maturity Date	August 10, 2007, unless earlier redeemed by us.
Interest Rate	The notes will bear interest at a floating rate equal to three-month LIBOR plus 0.23 %.
Interest Payment Dates	Interest on the notes will be payable quarterly on the 10th day of February, May, August and November of each year, beginning November 10, 2004.
Ranking	The notes will be our unsecured and unsubordinated obligations and will rank senior to all of our existing and future indebtedness that is subordinated to the notes and on a parity in right of payment with all of our other existing and future unsecured unsubordinated indebtedness. The notes will be effectively subordinated to all liabilities of our subsidiaries. As of June 26, 2004, our subsidiaries had approximately \$336 million of indebtedness outstanding, in addition to other liabilities. The indenture for the notes permits us and our subsidiaries to incur additional debt.
Optional Redemption	We may redeem all or a portion of the notes at any time on or after August 10, 2005 at the redemption price described in this prospectus supplement plus accrued interest to the date of redemption.
Covenants	We will be subject to covenants that restrict our ability to (a) issue, incur or guarantee certain debt for borrowed money secured by a lien, subject to certain exceptions, (b) to enter into certain sale and leaseback transactions, and (c) to make certain payments on our capital stock in the event of a payment default under the notes, as described under the heading Description of the Notes Covenants in this prospectus supplement. The notes will not contain any other financial or similar restrictive covenants.
Use of Proceeds	We estimate that the net proceeds from this offering will be approximately \$149 million. We intend to use the net proceeds of the offering for general corporate purposes, including repaying, redeeming or repurchasing existing indebtedness, including indebtedness under our commercial paper facility, and for working capital, capital expenditures and acquisitions. Our obligations under our commercial paper facility had a weighted average interest rate of approximately 1.07% as of June 26, 2004 with varying short-term maturity dates.
Further Issues	We may, from time to time, without the consent of the holders of the notes, issue additional notes having the same ranking, interest rate, maturity and other terms as the notes we offer by this prospectus supplement. Any additional notes having such similar terms together with the applicable notes will constitute a single series of debt securities under the indenture. We may also issue other notes and incur other indebtedness.

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**RISK FACTORS**

*You should carefully consider the risks described below together with the other information contained and incorporated by reference into this prospectus supplement and the accompanying prospectus before investing in the notes.*

**Operating results are strongly influenced by general economic and political conditions and growth (or contraction) of the principal economies in which we operate.**

All economies in which we operate, including the United States, Canada, Europe, Latin America and the Asia-Pacific region, are cyclical and the rates of growth (or contraction) can vary substantially. Our international operations are strongly influenced by changes in the political, economic, tax and regulatory environment (including tariffs) in the countries in which we conduct our operations.

**We are exposed to the impact of interest rate and foreign currency exchange rate changes.**

At June 26, 2004, our variable rate borrowings approximated \$580 million, and approximately 53% of our sales (including intercompany sales) during the six month period ending June 26, 2004 were generated by entities operating outside the United States. Fluctuations in interest rates can increase borrowing costs and fluctuations in currencies can cause transaction, translation and other losses.

**Our results of operations could be adversely affected by fluctuations in availability and cost of raw materials and labor.**

As a manufacturer, our sales and profitability are dependent upon availability and cost of raw materials and components, which are subject to price fluctuations, and the ability to control or pass on costs of raw materials and labor. Inflationary and other increases in the costs of raw materials and labor have occurred in the past and are expected to recur, and our performance depends in part on our ability to reflect changes in costs in selling prices for our products, our productivity, and the success of our higher margin businesses. During the past quarter, we have recognized an increase in the cost of raw materials and as a result are in the process of increasing prices of some of our products in select markets. Past performance may or may not be replicable in the future.

**Our sales and profitability are susceptible to fluctuations resulting from relationships with, and the financial and operating conditions of, our customers.**

Our customers are widely diversified, but in certain portions of our business, industry concentration has increased the importance and decreased the number of significant customers. In particular, sales of our consumer products in the United States are concentrated in a few major customers, principally discount office product superstores, mass merchandisers and distributors. These developments, including increased credit risks and the possibility of related bad debt write-offs, increase pressures on our margins and profits.

**Our success is dependent on our ability to develop and successfully introduce new products and to acquire and retain intellectual property rights.**

Our ability to develop and successfully market new products and to develop, acquire and retain necessary intellectual property rights is essential to our continued success, which ability cannot be assured.

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**We are currently under investigation by the U.S. Department of Justice, the European Commission and the Department of Justice of Canada, and several lawsuits have been filed against us relating to alleged unlawful competitive activities.**

In April 2003, we were notified by the U.S. Department of Justice's Antitrust Division that it had initiated a criminal investigation into competitive practices in the label stock industry, and in August 2003, the U.S. Department of Justice issued a subpoena to us in connection with the investigation. In May 2004, the European Commission initiated inspections and obtained documents from our pressure-sensitive materials facilities in the Netherlands and Germany, seeking evidence of unlawful anticompetitive activities. In July 2004, we were notified by the Competition Law Division of the Department of Justice of Canada that it was seeking information in connection with a label stock investigation. We are cooperating with these investigations. We are a named defendant in purported class actions in the United States seeking treble damages and other relief for alleged unlawful competitive practices, which were filed after the announcement of the United States Department of Justice investigation. We are also a named defendant in purported stockholder class actions in the United States seeking damages and other relief for alleged disclosure violations pertaining to alleged unlawful competitive practices. We are unable to predict the effect of these matters at this time, although the effect may be adverse and material.

**Numerous other factors over which we may have limited or no control may affect our performance and profitability.**

Other factors that may influence our earnings include: legal and administrative cases and proceedings (whether civil, such as environmental and product related, or criminal), settlements, judgments and investigations; developments or assertions by or against us relating to intellectual property rights and intellectual property licenses; adoption of new, or change in, accounting policies and practices and the application of such policies and practices; changes in business mix; projections related to estimated cost savings from integration and productivity improvement actions; successful integration of new acquisitions; customer or supplier business reorganizations or combinations; increase in cost of debt; ability to retain adequate levels of insurance coverage at acceptable rates; fluctuations in pension and employee benefit costs; loss of significant contract(s) or customer(s); risks and uncertainties relating to investment in development activities and new production facilities; timely development and successful market acceptance of new products; pricing of competitive products; disruptions in transportation networks; increased participation in potentially less stable emerging markets; reliability of utility services; impact of computer viruses; general or specific economic conditions and the ability and willingness of purchasers to substitute other products for the products that we manufacture or distribute; financial condition and inventory strategies of customers and suppliers; credit risks; changes in customer order patterns; increased competition; pricing, purchasing, financing and promotional decisions by intermediaries in the distribution channel, which could affect orders, or end-user demand, for our products; changes in government regulations; other risks associated with foreign operations, including the ability to estimate the impact of foreign currency on financial results and impact of epidemiological events such as Severe Acute Respiratory Syndrome on the economy and our customers and suppliers; and acts of war, terrorism, weather and other natural disasters.

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We estimate that we will receive net proceeds from the offering of approximately \$149 million. We intend to use the net proceeds of the offering for general corporate purposes, including repaying, redeeming or repurchasing existing indebtedness, including indebtedness under our commercial paper facility, and for working capital, capital expenditures and acquisitions. Our obligations under our commercial paper facility had a weighted average interest rate of approximately 1.07% as of June 26, 2004 with varying short-term maturity dates.

**RATIO OF EARNINGS TO FIXED CHARGES**

Our ratios of earnings to fixed charges are as follows for the periods indicated:

	<b>Six Months Ended</b> <b>June 26, 2004</b>	<b>Fiscal Year Ended</b>				
		<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Ratio of earnings to fixed charges	4.8	4.8	6.1	5.6	6.7	6.2

We have computed the ratio of earnings to fixed charges by dividing earnings by fixed charges. For this purpose, earnings consist of income before taxes plus fixed charges and amortization of capitalized interest, less capitalized interest from continuing operations. 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.

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**DESCRIPTION OF THE NOTES**

The notes offered by this prospectus supplement will be issued under an indenture dated as of July 3, 2001, between us and J.P. Morgan Trust Company, National Association (successor to Chase Manhattan Bank and Trust Company, National Association) as trustee. We have summarized selected provisions of the notes and the indenture below. This summary supplements and, to the extent inconsistent with, supersedes and replaces the description of the general terms and provisions of the debt securities under the caption "Description of Debt Securities" in the accompanying prospectus. In this section, we or us refers to Avery Dennison Corporation and not to its subsidiaries.

**General**

The notes will initially be limited to \$150,000,000 aggregate principal amount. The notes will mature on August 10, 2007, unless earlier redeemed by us.

The notes will be our unsecured and unsubordinated obligations and will rank senior to all of our existing and future indebtedness that is subordinated to the notes and on a parity in right of payment with all of our other existing and future unsecured unsubordinated indebtedness. However, the notes are our obligations exclusively, and are not the obligations of any of our subsidiaries. The notes will be effectively subordinated to all liabilities of our subsidiaries. As of June 26, 2004, our subsidiaries had approximately \$336 million of indebtedness outstanding, in addition to other liabilities. The indenture for the notes permits us and our subsidiaries to incur additional debt.

We may, from time to time, without the consent of the holders of the notes, issue additional notes having the same ranking, interest rate, maturity and other terms as the notes we offer by this prospectus supplement. Any additional notes having such similar terms together with the applicable notes will constitute a single series of debt securities under the indenture. We may also issue other notes and incur other indebtedness.

The notes will be issued only in fully registered form without coupons, in denominations of \$2,000 and integral multiples of \$1,000. The notes initially will be issued in book-entry form and represented by one or more global notes deposited with, or on behalf of, The Depository Trust Company and registered in the name of Cede & Co., its nominee. This means that you will not be entitled to receive a certificate for the notes that you purchase except under the limited circumstances described below under "Book-Entry, Delivery and Form."

**Interest**

The notes will bear interest at a floating rate. Interest on the notes will be payable in cash quarterly on February 10, May 10, August 10 and November 10 of each year, beginning November 10, 2004. Interest on the notes will be payable to holders of record of the notes on the immediately preceding January 26, April 25, July 26 and October 26, of each year, as the case may be.

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The notes will bear interest for each interest period at a rate determined by J.P. Morgan Trust Company, National Association, acting as calculation agent. The interest rate on the notes for a particular interest period will be a per annum rate equal to LIBOR as determined on the interest determination date plus 0.23%. The interest determination date for an interest period will be the second London business day preceding the commencement of such interest period. The interest determination date for the notes for the first interest period is August 6, 2004. Promptly upon determination, the calculation agent will inform the trustee and us of the interest rate for the next interest period. Absent manifest error, the determination of the interest rate by the calculation agent shall be binding and conclusive on the holders of the notes, the trustee and us.

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*LIBOR* means the London interbank offered rates. London business day is a day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

On any interest determination date, LIBOR will be equal to the offered rate for deposits in U.S. dollars having an index maturity of three months, in amounts of at least \$1.0 million, as such rate appears on Telerate Page 3750 at approximately 11:00 a.m., London time, on such interest determination date. If Telerate Page 3750 is replaced by another service or ceases to exist, the calculation agent will use the replacing service or such other service that may be nominated by the British Bankers' Association for the purpose of displaying LIBOR for U.S. dollar deposits.

If no offered rate appears on Telerate Page 3750 on an interest determination date at approximately 11:00 a.m., London time, then the calculation agent (after consultation with us) will select four major banks in the London interbank market and shall request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least \$1.0 million are offered by it to prime banks in the London interbank market, on that date and at that time, that is representative of single transactions at that time. If at least two quotations are provided, LIBOR will be the arithmetic average of the quotations provided. Otherwise, the calculation agent will select three major banks in New York City and shall request each of them to provide a quotation of the rate offered by them at approximately 11:00 a.m., New York City time, on the interest determination date for loans in U.S. dollars to leading European banks having an index maturity of three months for the applicable interest period in an amount of at least \$1.0 million that is representative of single transactions at that time. If three quotations are provided, LIBOR will be the arithmetic average of the quotations provided. Otherwise, the rate of LIBOR for next interest period will be set equal to the rate of LIBOR for the then-current interest period.

Upon request from any noteholder, the calculation agent will provide notice of the interest rate in effect on the notes for the current interest period and, if it has been determined, the interest rate to be in effect for the next interest period.

Interest on the notes will be calculated on the basis of the actual number of days in an interest period and a 360-day year. Dollar amounts resulting from such calculation will be rounded to the nearest cent, with one-half cent being rounded upward.

Interest on the notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest on the notes will be payable in arrears on the next scheduled interest payment date and on the date the notes mature. If interest is payable on, or if the date of maturity is, a date that is not a business day, that interest payment, or the payment of principal, as applicable, will be paid on the next succeeding business day and no interest will accrue on that payment during the period between the scheduled payment date and the next succeeding business day.

We will pay interest either by check mailed to your address as it appears in the note register or, at our option, with respect to global notes, by wire transfer in immediately available funds. Payments to The Depository Trust Company or its nominee will be made by wire transfer of immediately available funds to the account of DTC or its nominee.

## **Optional Redemption**

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No sinking fund is provided for the notes, which means that the indenture will not require us to redeem or retire the notes periodically. However, the notes will be redeemable at our option, in whole or in part, at any time or from time to time on or after August 10, 2005, in principal amounts of \$2,000 or any integral multiple of \$1,000 for an amount equal to 100% of the principal amount of the notes to

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be redeemed, plus accrued and unpaid interest to the date of redemption. Notwithstanding the foregoing, installments of interest on notes that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the notes and the indenture.

We will mail notice of a redemption not less than 30 business days nor more than 60 business days before the redemption date to the trustee and holders of notes to be redeemed.

If we are redeeming less than all the notes, the trustee will select the particular notes to be redeemed pro rata, by lot or by another method the trustee deems fair and appropriate. Unless there is a default in payment of the redemption amount, on and after the redemption date, interest will cease to accrue on the notes or portions thereof called for redemption. We will pay 100% of the principal amount of the notes at the maturity of those notes.

Except as described above, the notes will not be redeemable by us prior to maturity.

## **Covenants**

***Restrictions on Secured Debt.*** We will not, nor will we permit any of our Subsidiaries to, incur, issue, assume or guarantee any Debt secured by a Lien on any of our or our Subsidiary's Principal Property, or on any share of capital stock or Debt of any Subsidiary, unless we secure or cause such Subsidiary to secure the notes equally and ratably with (or, at our option, prior to) such secured Debt, so long as such secured Debt is so secured; provided that the foregoing restrictions will not apply to Debt secured by the following:

- (i) Any Lien existing on July 3, 2001;
  
- (ii) Liens on property of, or on any shares of capital stock of or Debt of, any Person existing at the time such Person becomes a Subsidiary;
  
- (iii) Liens in our favor or in favor of any Subsidiary;
  
- (iv) Liens in favor of governmental bodies to secure progress, advance or other payments pursuant to any contract or provision of any statute;
  
- (v) Liens on property, or on any shares of capital stock or Debt of any Subsidiary existing at the time of acquisition thereof (including through merger or consolidation);

(vi) Any Lien securing indebtedness incurred to finance the purchase price or cost of construction of property (or additions, substantial repairs, alterations or substantial improvements thereto), provided that such Lien and the indebtedness secured thereby are incurred within twelve months of the later of acquisition or completion of construction (or addition, repair, alteration or improvement) and full operation thereof;

(vii) Liens securing industrial revenue bonds, pollution control bonds or similar types of bonds;

(viii) Mechanics and similar Liens arising in the ordinary course of business in respect of obligations not due or being contested in good faith;

(ix) Liens arising from deposits with, or the giving of any form of security to, any governmental agency required as a condition to the transaction of business or exercise of any privilege, franchise or license;

(x) Liens for taxes, assessments or governmental charges or levies which are not then delinquent or, if delinquent, are being contested in good faith;

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(xi) Liens put on any property in contemplation of its disposition, provided we have a binding agreement to sell at the time the Lien is imposed and we dispose of the property within one year after the creation of the Liens and that any indebtedness secured by the Liens is without recourse to us or any of our Subsidiaries;

(xii) Liens (including judgment liens) arising from legal proceedings being contested in good faith (and, in the case of judgment liens, execution thereof is stayed); and

(xiii) Any extension, renewal or replacement of any Liens referred to in the foregoing clauses (i) through (xii) inclusive or any Debt secured thereby, provided that such extension, renewal or replacement will be limited to all or part of the same property, shares of capital stock or Debt that secured the Lien extended, renewed or replaced.

Notwithstanding the foregoing, we and our Subsidiaries may issue, assume or guarantee Debt secured by a Lien which would otherwise be subject to the restrictions described above, provided that the aggregate amount of all such secured Debt, together with all our and our Subsidiaries' Attributable Debt with respect to sale and leaseback transactions involving Principal Properties (with the exception of such transactions which are excluded as described in *Restrictions on Sales and Leasebacks* below), may not exceed 15% of Consolidated Net Tangible Assets.

***Restrictions on Sales and Leasebacks.*** We will not nor will we permit any of our Subsidiaries to enter into any sale and leaseback transaction involving any Principal Property, provided, however, we or any of our Subsidiaries may enter into a sale and leaseback transaction if any of the following occurs:

(i) the lease is for a period, including renewal rights, of not in excess of three years;

(ii) the sale or transfer of the Principal Property is made within a specified period after its acquisition or construction;

(iii) the lease secures or relates to industrial revenue bonds, pollution control bonds or other similar types of bonds;

(iv) the transaction is between us and a Subsidiary or between Subsidiaries;

(v) we or a Subsidiary, within 120 days after we or a Subsidiary makes a sale or transfer, applies an amount equal to the greater of the net proceeds of the sale of the Principal Property leased pursuant to such arrangement or the fair market value of the Principal Property so leased at the time of entering into such arrangement (as determined in any manner approved by the Board of Directors) to:

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(A) the retirement of the notes or our other Funded Debt ranking on a parity with or senior to the notes, or the retirement of the securities or other Funded Debt of a Subsidiary; provided, however, that the amount to be applied to the retirement of our Funded Debt or a Subsidiary's Funded Debt shall be reduced by (x) the principal amount of any notes (or other notes or debentures constituting such Funded Debt) delivered within such 120-day period to the trustee for retirement and cancellation and (y) the principal amount of such Funded Debt, other than items referred to in the preceding clause (x), voluntarily retired by us or a Subsidiary within 120 days after such sale; and provided further, that notwithstanding the foregoing, no retirement referred to in this subclause (A) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision, or

(B) the purchase of other property which will constitute a Principal Property having a fair market value, in our determination, at least equal to the fair market value of the Principal Property leased in such sale and leaseback transaction; or

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(vi) after giving effect to the transaction, the aggregate amount of all Attributable Debt with respect to such transactions plus all Debt secured by Liens on Principal Properties, or on shares of capital stock or Debt of Subsidiaries (with the exception of secured Debt which is excluded as described in Restrictions on Secured Debt above), would not exceed 15% of Consolidated Net Tangible Assets.

**Restriction on the Payment of Dividends and Other Payments.** We will not declare or pay any dividends or make any distributions on our capital stock (except in shares of, or warrants or rights to subscribe for or purchase shares of, our capital stock), nor may we or any Subsidiary make any payment to retire or acquire shares of such stock, at a time when a payment default described in clauses (a) or (b) of Events of Default under the caption Description of Debt Securities in the prospectus has occurred and is continuing.

**Certain Definitions.** The terms set forth below are defined in the indenture as follows:

**Attributable Debt** means, as to any particular lease under which any Person is at the time liable and at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the remaining primary term thereof, discounted from the respective due dates to such date at the actual percentage rate inherent in such arrangement as we have determined in good faith. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges. In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

**Consolidated Net Tangible Assets** means the aggregate amount of assets (less applicable reserves and other properly deductible items) less (i) all liabilities, other than deferred income taxes and Funded Debt, and (ii) goodwill, trade names, trademarks, patents, organizational expenses and other like intangibles owned by us as well as our consolidated Subsidiaries and computed in accordance with generally accepted accounting principles.

**Debt** means debt issued, assumed or guaranteed by us or a Subsidiary for money borrowed.

**Funded Debt** means (i) all indebtedness for money borrowed having a maturity of more than 12 months from the date as of which the determination is made or having a maturity of 12 months or less but by its terms being renewable or extendible beyond 12 months from such date at the option of the borrower and (ii) rental obligations payable more than 12 months from such date under leases which are capitalized in accordance with generally accepted accounting principles (such rental obligations to be included as Funded Debt at the amount so capitalized and to be included for the purposes of the definition of Consolidated Net Tangible Assets both as an asset and as Funded Debt at the amount so capitalized).

**Lien** means any lien, mortgage or pledge.

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Person means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Principal Property means any real property we or any Subsidiaries own or hereafter acquire (including related land and improvements thereon and all machinery and equipment included therein

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without deduction of any depreciation reserves) of which on the date as of which the determination is being made exceeds 2% of Consolidated Net Tangible Assets other than (i) any property which in our determination is not of material importance to the total business conducted by us and our Subsidiaries as an entirety or (ii) any portion of a particular property which is similarly found not to be of material importance to the use or operation of such property.

Subsidiary means a Person more than 50% of the outstanding voting stock of which, or similar ownership interest in which, we or one or more other Subsidiaries own, directly or indirectly.

## **Events of Default**

We refer you to the section entitled Description of Debt Securities in the accompanying prospectus for a description of events of default applicable to the notes. In addition to the foregoing, an event of default occurs with respect to the notes upon a failure to pay at maturity or the acceleration of any of our or our subsidiaries indebtedness, other than non-recourse indebtedness, at any one time in an amount in excess of \$25 million, if the indebtedness is not discharged or the acceleration is not annulled within 30 days after written notice to us by the trustee or the registered holders of at least 25% in principal amount of the outstanding notes.

## **Book-Entry, Delivery and Form**

The notes initially will be issued in book-entry form and represented by one or more global notes. The global notes will be deposited with, or on behalf of, The Depository Trust Company ( DTC or depository ), New York, New York and registered in the name of Cede & Co., the nominee of DTC. Unless and until it is exchanged for individual certificates evidencing notes under the limited circumstances described below, a global note may not be transferred except as a whole by the depository to its nominee or by the nominee to the depository, or by the depository or its nominee to a successor depository or to a nominee of the successor depository.

DTC has advised us that it is:

- a limited-purpose trust company organized under the New York Banking Law;
- a banking organization within the meaning of the New York Banking Law;
- a member of the Federal Reserve System;
- a clearing corporation within the meaning of the New York Uniform Commercial Code; and
- a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934.

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DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among its participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, which eliminates the need for physical movement of securities certificates. Direct participants in DTC include securities brokers and dealers, including underwriters, banks, trust companies, clearing corporations and other organizations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, which we sometimes refer to as indirect participants, that clear transactions through or maintain a custodial relationship with a direct participant either directly or indirectly. The rules applicable to DTC and its participants are on file with the Securities and Exchange Commission, or the SEC.

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Purchases of notes within the DTC system must be made by or through direct participants, which will receive a credit for those notes on DTC's records. The ownership interest of the actual purchaser of a note, which we sometimes refer to as a beneficial owner, is in turn recorded on the direct and indirect participants' records. Beneficial owners of notes will not receive written confirmation from DTC of their purchases. However, beneficial owners are expected to receive written confirmations providing details of their transactions, as well as periodic statements of their holdings, from the direct or indirect participants through which they purchased notes. Transfers of ownership interests in global notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the global notes except under the limited circumstances described below.

To facilitate subsequent transfers, all global notes deposited with DTC will be registered in the name of DTC's nominee, Cede & Co. The deposit of notes with DTC and their registration in the name of Cede & Co. will not change the beneficial ownership of the notes. DTC has no knowledge of the actual beneficial owners of the notes. DTC's records reflect only the identity of the direct participants to whose accounts the notes are credited, which may or may not be the beneficial owners. The participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any legal requirements in effect from time to time.

Redemption notices will be sent to DTC or its nominee. If less than all of the notes are being redeemed, DTC will determine the amount of the interest of each direct participant in the notes to be redeemed in accordance with DTC's procedures.

In any case where a vote may be required with respect to the notes, neither DTC nor Cede & Co. will give consents for or vote the global notes. Under its usual procedures, DTC will mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those direct participants to whose accounts the notes are credited on the record date identified in a listing attached to the omnibus proxy.

Principal and interest payments on the notes will be made to Cede & Co., as nominee of DTC. DTC's practice is to credit direct participants' accounts on the relevant payment date unless DTC has reason to believe that it will not receive payment on the payment date. Payments by direct and indirect participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in street name. Those payments will be the responsibility of participants and not of DTC or us, subject to any legal requirements in effect from time to time. Payment of principal and interest to Cede & Co. is our responsibility, disbursement of payments to direct participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of direct and indirect participants.

Except under the limited circumstances described below, purchasers of notes will not be entitled to have notes registered in their names and will not receive physical delivery of notes. Accordingly, each beneficial owner must rely on the procedures of DTC and its participants to exercise any rights under the notes and the indenture.

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of securities in definitive form. Those laws may impair the ability to transfer or pledge beneficial interests in notes.

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DTC is under no obligation to provide its services as depositary for the notes and may discontinue providing its services at any time. Neither we nor the trustee will have any responsibility for the performance by DTC or its direct participants or indirect participants under the rules and procedures governing DTC.

As noted above, beneficial owners of notes generally will not receive certificates representing their ownership interests in the notes. However, if:

DTC notifies us that it is unwilling or unable to continue as a depositary for the global notes or if DTC ceases to be a clearing agency registered under the Securities Exchange Act of 1934 at a time when it is required to be registered and a successor depositary is not appointed within 90 days of the notification to us or of our becoming aware of DTC's ceasing to be so registered, as the case may be; or

we determine, in our sole discretion, not to have the notes represented by one or more global notes,

we will prepare and deliver certificates for the notes in exchange for beneficial interests in the global notes. Any beneficial interest in a global note that is exchangeable under the circumstances described in the preceding sentence will be exchangeable for notes in definitive certificated form registered in the names that the depositary directs. It is expected that these directions will be based upon directions received by the depositary from its participants with respect to ownership of beneficial interests in the global notes.

We obtained the information in this section and elsewhere in this prospectus supplement concerning DTC and DTC's book-entry system from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

**Table of Contents****UNDERWRITING**

We and the underwriters for the offering named below have entered into an underwriting agreement and a pricing agreement with respect to the notes. Subject to certain conditions, each underwriter has severally agreed to purchase the principal amount of notes indicated in the following table.

<u>Underwriters</u>	<u>Principal Amount of Notes</u>
Goldman, Sachs & Co.	\$ 75,000,000
J.P. Morgan Securities Inc.	75,000,000
<b>Total</b>	<b>\$ 150,000,000</b>

The underwriters are committed to take and pay for all of the notes being offered, if any are taken.

Notes sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any notes sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price of up to 0.250% of the principal amount of the notes. Any such securities dealers may resell any notes purchased from the underwriters to certain other brokers or dealers at a discount from the initial public offering price of up to 0.125% of the principal amount of the notes. If all the notes are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms.

The notes are a new issue of securities with no established trading market. We have been advised by the underwriters that the underwriters intend to make a market in the notes but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes.

In connection with the offering, the underwriters may purchase and sell notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of notes than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the notes. As a result, the price of the notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they

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may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

Each underwriter has represented, warranted and agreed that: (i) it has not offered or sold and, prior to the expiry of a period of six months from the closing date, will not offer or sell any notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

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(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ( FSMA )) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to the issuer; and (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

The notes may not be offered or sold, transferred or delivered, as part of their initial distribution or at any time thereafter, directly or indirectly, to any individual or legal entity in the Netherlands other than to individuals or legal entities who or which trade or invest in securities in the conduct of their profession or trade, which includes banks, securities intermediaries, insurance companies, pension funds, other institutional investors and commercial enterprises which, as an ancillary activity, regularly trade or invest in securities.

The notes may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the notes may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than under circumstances in which such offer, sale or invitation does not constitute an offer or sale, or invitation for subscription or purchase, of the notes to the public in Singapore.

Each underwriter has acknowledged and agreed that the securities have not been registered under the Securities and Exchange Law of Japan and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$400,000.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

Some of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking and trustee services for us, for which they have received, or will receive, customary fees and expenses.

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J.P. Morgan Securities Inc. will make the securities available for distribution on the Internet through a proprietary Web site and/or a third-party system operated by MarketAxess Corporation, an Internet-based communications technology provider. MarketAxess Corporation is providing the system

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as a conduit for communications between J.P. Morgan Securities Inc. and its customers and is not a party to any transactions. MarketAxess Corporation, a registered broker-dealer, will receive compensation from J.P. Morgan Securities Inc. based on transactions J.P. Morgan Securities Inc. conducts through the system. J.P. Morgan Securities Inc. will make the securities available to its customers through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

**LEGAL MATTERS**

Latham & Watkins LLP, Los Angeles, California, will pass upon the validity of the notes offered pursuant to this prospectus supplement for Avery Dennison Corporation. O Melveny & Myers LLP, Los Angeles, California, will pass upon certain legal matters for the underwriters.

**EXPERTS**

The financial statements incorporated in this prospectus supplement by reference to the Annual Report on Form 10-K for the year ended December 27, 2003 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered accounting firm, given on the authority of said firm as experts in auditing and accounting.

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**PROSPECTUS**

**\$600,000,000**

**Avery Dennison Corporation**

**Debt Securities, Preferred Stock, Depositary Shares,  
Common Stock and Warrants**

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We may offer and sell the securities from time to time in one or more offerings. This prospectus provides you with a general description of the securities we may offer.

Each time we sell securities we will provide a supplement to this prospectus that contains specific information about the offering and the terms of the securities. The supplement may also add, update or change information contained in this prospectus. You should carefully read this prospectus and any supplement before you invest in any of our securities.

We may offer and sell the following securities:

debt securities;

preferred stock;

preferred stock represented by depositary shares;

common stock; and

warrants to purchase debt securities, common stock, preferred stock or depositary shares.

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**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or completeness of this prospectus. Any representation to the contrary is a criminal offense.**

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The date of this prospectus is July 12, 2001.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a shelf registration statement that we filed with the United States Securities and Exchange Commission, or the SEC. By using a shelf registration statement, we may sell up to \$600,000,000 aggregate offering price of any combination of the securities described in this prospectus from time to time and in one or more offerings. This prospectus only provides you with a general description of the securities that we may offer. Each time we sell securities, we will provide a supplement to this prospectus that contains specific information about the terms of the securities. The supplement may also add, update or change information contained in this prospectus. Before purchasing any securities, you should carefully read both this prospectus and any supplement, together with the additional information described under the heading **Where You Can Find More Information**.

You should rely only on the information contained or incorporated by reference in this prospectus and in any supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We will not make an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and the supplement to this prospectus is accurate as of the date on their respective covers. Our business, financial condition, results of operations and prospects may have changed since those dates.

When we refer to **we**, **our** and **us** in this prospectus, we mean Avery Dennison Corporation, excluding, unless the context otherwise requires or as otherwise expressly stated, our subsidiaries. When we refer to **you** or **yours**, we mean the holders of the applicable series of securities.

**WHERE YOU CAN FIND MORE INFORMATION**

We file reports, proxy statements and other information with the SEC. Information filed with the SEC by us can be inspected and copied at the Public Reference Room maintained by the SEC and at the Regional Offices of the SEC as follows:

Public Reference Room	New York Regional Office	Chicago Regional Office
450 Fifth Street, N.W. 7	World Trade Center	Citicorp Center
Room 1024	Suite 1300	500 West Madison Street
Washington, D.C. 20549	New York, New York 10048	Suite 1400
		Chicago, Illinois 60661-2551

You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. Further information on the operation of the SEC's Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330.

The SEC also maintains a web site that contains reports, proxy statements and other information about issuers, such as us, who file electronically with the SEC. The address of that site is <http://www.sec.gov>.

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Our common stock is listed on the New York Stock Exchange (NYSE: AVY), and reports, proxy statements and other information concerning us can also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. Our web site address is <http://www.averydennison.com>. The information on our web site, however, is not, and should not be deemed to be, a part of this prospectus.

This prospectus is part of a registration statement that we filed with the SEC. The full registration statement may be obtained from the SEC or us, as indicated below. Forms of the indenture and other documents establishing the terms of the offered securities are filed as exhibits to the registration statement. Statements in this prospectus about these documents are summaries. You should refer to the actual documents for a more complete description of the relevant matters.

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**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The rules of the SEC allow us to incorporate by reference information into this prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, and later information that we file with the SEC will automatically update and supersede that information. The prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC. These documents contain important information about us.

our Annual Report on Form 10-K filed with the SEC on March 29, 2001;

our Quarterly Report on Form 10-Q filed with the SEC on May 14, 2001;

the description of our preferred share purchase rights contained in our registration statement on Form 8-A filed with the SEC on October 24, 1997; and

all documents filed by us with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act after the date of this prospectus and before the termination of the offering.

You may request a free copy of any of the documents incorporated by reference in this prospectus (other than exhibits, unless they are specifically incorporated by reference in the documents) by writing or telephoning us at the following address:

Secretary

Avery Dennison Corporation

150 North Orange Grove Boulevard

Pasadena, California 91103

(626) 304-2000

**FORWARD-LOOKING STATEMENTS**

This prospectus, including the documents that we incorporate by reference, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Such statements are indicated by words such as anticipate, assume, believe, continue, estimate, expect, intend, may, plan, potential, project, or other expressions, which refer to future events and trends, and identify forward-looking statements that involve risks and uncertainties. We caution that forward-looking statements are not guarantees because there are inherent and obvious difficulties in attempting to predict the outcome of future events. Therefore, actual results may differ materially from those expressed or implied. We have based these forward-looking statements on our current expectations and projections about future events. Our ability to attain management's goals and objectives are materially dependent on numerous factors, including, among other things, factors discussed in our filings with the SEC and the following:

the effect of general economic conditions and growth (or contraction) of the principal economies in which we operate, including the United States, Canada, Europe, Latin America and the Asia-Pacific region;

fluctuations in currencies;